



ASSESSMENT OF DEVELOPMENT RESULTS
EVALUATION OF UNDP'S CONTRIBUTION

SERBIA

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FOREWORD

This report presents an Assessment of Development Results (ADR) in Serbia. The ADR is an independent evaluation conducted by the Evaluation Office of UNDP. It assesses the relevance and strategic positioning of UNDP's support and its contributions to a country's development over a given period of time. The aim of the ADR is to generate lessons for strengthening country-level programming and contribute to the organization's effectiveness and substantive accountability.

Serbia has undergone a major transition since the conflict and international isolation of the 1990s. Reforms introduced in 2000 have begun addressing the dual needs of recovery from the economic crisis caused by conflict and the transition from a command to a market economy. The country has successfully accelerated the initial pace of reform to create a favourable climate for growth, foreign trade and investment, guiding it towards the longer-term goal of membership in the European Union (EU). However, there have been social costs associated with transition, unemployment has grown steadily since 2000, and poverty rates have stagnated. While the risk of future conflict has lessened, it has not completely diminished. The continuing efforts to modernize state institutions, implement reforms and address economic inequalities remain central to future security and development.

The evaluation found that in this context of transition, UNDP quickly re-established itself as a capable and reliable implementing agency of Government and donors. In particular, UNDP was seen to be effective in responding to the crisis in South Serbia, demonstrating that stability and peace can be nurtured by responding quickly, developing and implementing sound programmes, effectively

mobilizing resources and building local partnerships. Its contribution to public administration reform was found to be more mixed, filling priority capacity development gaps in the immediate post-crisis period, but being less effective in support of the development or implementation of broader public administration reforms. Likewise, efforts to support economic development, poverty reduction, and social inclusion found mixed results, due in large part to a lack of focus as to where and how UNDP can be most effective. This was found to have improved over the period of evaluation, with an identification of comparative strengths in facilitating dialogue and NGO capacity development helping UNDP refine its approach to social inclusion and poverty reduction.

The envisaged role of UNDP in Serbia was to be a trusted and effective development partner of Government, providing outstanding advice and advocating the core values of the United Nations. The ADR concludes that this role was ambitious, and that UNDP in practice has been an effective programme implementer, with policy dialogue and advocacy activities as minor contributors. Within this context, the development and implementation of UNDP's strategies in Serbia have, with some exceptions, been successful or on track. In view of the short timeframe of programme growth from a virtual zero-base in 2000 to one comprising several dozen projects across a complex array of programme clusters in 2005, the results achieved are considered remarkable. However, this growth has been at a cost, and the evaluation found that UNDP had become involved in too wide a range of activities, reducing its ability to perform optimally in areas of accumulated experience and expertise.

Development policy in Serbia is dominated now and for the foreseeable future by needs associated with EU accession, and the Government may well look to UNDP to assist in the mobilization of resources to meet a range of development programme implementation needs. Some of the most pressing problems are at the sub-national or local level where income disparities persist or are growing, where poverty is most prevalent and where the capacities of Government, civil society and the private sector are weakest. The evaluation notes that UNDP has a proven track record in supporting multi-disciplinary development programmes at this level, and thus may continue to be a chosen implementer. It also highlights that the rule of law continues to be an urgent problem for Serbia, an issue in which UNDP is well positioned and is already making a difference. The ADR sums up by noting that in Serbia, as a middle-income country that could soon graduate to net contributor country status, UNDP should begin thinking seriously about an exit strategy that could coincide with the country's strategy for EU accession and economic development. Beyond Serbia, the evaluation suggests that a corporate policy on UNDP's role in EU-candidate countries that have, or are expected to, become net contributors could help guide UNDP in its continual relations with host governments and the EU.

A number of people contributed to this evaluation, particularly the evaluation team composed of Richard Flaman, team leader, Beata Czajkowska and Ranka Šarenac as team members, Derek Blink during the inception phase, and David Rider Smith, the

Evaluation Office team member and task manager. We would also like to thank Michelle Sy and Anish Pradhan for their administrative support.

The research and preparation of the evaluation was also thanks to the excellent collaboration and openness of the UNDP Country Office in Serbia, led by the Resident Representative Lance Clark, his predecessor (Resident Representative, a.i.), Arturo Hein, the Deputy Resident Representative, Rastislav Vrbensky, and to all the UNDP Serbia staff. I would also like to thank the Regional Bureau for Europe and Commonwealth of Independent States (CIS) led by the Director Kalman Mizsei, the Deputy Director, Marta Ruedas, and Senior Programme Adviser for the Western Balkans, Moises Venancio, for their cooperation. Lastly, this report would not have been possible without the strong interest and support of the Serbian Government at the central and local levels. The ADR is indebted to representatives of civil society, the private sector, donors, and from representatives of the United Nations Country Team, including the International Financial Institutions for their cooperation.

UNDP has been a partner of Serbia since 1952, most recently to assist the country as it strives to forge a new national identity and transition from crisis and post-conflict to democracy and EU membership. I hope that the findings and recommendations of this report will assist UNDP in improving the effectiveness of its assistance in Serbia in responding to the country's challenges, and in providing broader lessons that may be of relevance to UNDP and its partners internationally.



Saraswathi Menon
Director, Evaluation Office

ACRONYMS AND ABBREVIATIONS

ADR	Assessment of Development Results
BDP	Bureau for Development Policy (UNDP)
CBF	Capacity Building Fund
CCA	Common Country Assessment
CHF	Community Housing Finance
CCF	Country Cooperation Framework
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CPAP	Country Programme Action Plan (UNDP)
CPD	Country Programme Document (UNDP)
CSO	Civil society organization
DACU	Development and Cooperation Unit
DAI	Development Alternatives, Inc.
DEX	Direct execution (by UNDP)
DFID	UK Department for International Development
DSS	Development support services (UNDP budget source)
EAR	European Agency for Reconstruction
EC	European Commission
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FOSYU	Fund for an Open Society – Yugoslavia
FRY	Federal Republic of Yugoslavia
GDP	Gross domestic product
GEF	Global Environment Facility
GEM	Gender Empowerment Index
GMS	General management support (UNDP)
GTZ	German technical cooperation agency
HDI	Human Development Index
HDR	Human Development Report
IASO	Inter-Agency Support Office (South Serbia)

ICT	Information and communications technology
ICTY	International Criminal Tribunal for former Yugoslavia
ID	Institutional development
IDP	Internally displaced person
IFI	International financial institution
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration (United Nations)
JTC	Judicial Training Centre
MDG	Millennium Development Goal
M&E	Monitoring and evaluation
MIER	Ministry of International Economic Relations
MIR	Municipal Improvement and Revival Programme
MOLESP	Ministry of Labour, Employment and Social Policy
MOSA	Ministry of Social Affairs
MYFF	Multi-Year Funding Framework (UNDP)
MZ	<i>Mesna zajednica</i> (local community structures in Serbia)
NATO	North Atlantic Treaty Organization
NCC	Net contributor country
NEX	National execution
NGO	Non-governmental organization
OCHA	UN Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Cooperation in Europe
OSI	Open Society Institute
PAR	Public Administration Reform
PRED	Poverty reduction and economic growth
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSD	Programme Support Document (UNDP)

RBEC	Regional Bureau for Europe and the CIS (UNDP)
RBM	Results-based management
REP	Rapid Employment Programme
ROAR	Results-oriented Annual Report
SAA	Stabilization and Association Agreement (for EU Accession)
SALW	Small arms and light weapons
SCG	Serbia and Montenegro, State Union of
SCTM	Standing Conference of Towns and Municipalities
SEESAC	South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons
SFRY	Socialist Federal Republic of Yugoslavia
SIDA	Swedish International Development Agency
SIEPA	Serbian Investment and Export Promotion Agency
SIF	Social Innovation Fund
SPPD	Support services for policy and programme services
SRF	Strategic Results Framework
SSMIRP	South Serbia Municipal Improvement and Recovery Programme
TRAC	Target for resource assignment from the core (UNDP)
TTF	Thematic Trust Fund (UNDP)
UNDAF	United Nations Development Assistance Framework
UNHCR	Office of the UN High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMIK	UN Interim Administration Mission in Kosovo
UNOPS	United Nations Office for Project Services
USAID	US Agency for International Development
VAT	Value Added Tax
WFP	World Food Programme
XB	Extra-budgetary income (UNDP budget item)

EXECUTIVE SUMMARY

A decade of regional warfare during the 1990s, intervention by the North Atlantic Treaty Organization (NATO) and the authoritarian policies of the Milošević regime left Serbia socially, politically and economically devastated. Virtually all international cooperation ceased and Serbia became isolated from the international community. With the overthrow of the Milošević regime in 2000, the process of democratic reform began, bringing with it a certain degree of success in terms of economic growth and stability. However, the transition brought with it a number of costs, such as increased unemployment and widening inequality.

The year 2006 is likely to be pivotal. In May, Montenegro voted for independence and withdrawal from the state union with Serbia. This independence was confirmed by the Montenegrin parliament in June. The status of Kosovo – one of the world's few UN protectorates – will most likely be determined this year. And while Serbia has met the political criteria to begin the process of European Union accession, its long-term strategic goal of full membership is not a foregone conclusion. The most pressing issue in that regard for Serbia today remains improved cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

In response to the post-conflict and increasing development needs of Serbia, UNDP actively pursued avenues of support in late 2000. Since that time, the UNDP country programme has grown from a virtual zero-base to a large and substantive portfolio cutting across crisis prevention, poverty reduction, institutional development, judicial reform and related areas. UNDP secured the confidence of Government and donors in supporting the design and implementation of several large programmes and established itself, in a relatively short period of

time, as a credible and valued development partner. The experiences of the past five years or so have generated valuable lessons.

This Assessment of Development Results (ADR) for Serbia¹ sets out to evaluate that experience. It was carried out from mid-2005 to early 2006 and covers a five-year period beginning in 2001. The UNDP programme had been through one complete Country Cooperation Framework cycle (2002–2004) and was refining its new programme (2005–2009) within the broader context of the United Nations Development Assistance Framework (UNDAF). Furthermore, a new resident representative had just come on board, all of which provided a strong rationale to evaluate the results achieved over the last programming cycle, and an opportune time to draw lessons for future programming.

PURPOSE AND APPROACH OF THIS ASSESSMENT

The assessment is based on an evaluation of current and past programmes and extensive stakeholder consultations. It provides an analysis of the extent to which UNDP has positioned itself effectively to identify and respond to national development needs. It also offers an overall assessment of the development results achieved in cooperation with the Government and other development partners. In particular, the assessment identifies how UNDP has supported the goal of accession to the European Union, and analyses achievements in the areas of post-conflict transition and governance. The issues of complementarity, sustainability and coordination are also addressed.

The strong base of evidence from programme evaluations commissioned by the UNDP Country Of-

1. Assessments of both the Serbia and Montenegro programmes were carried out concurrently, reflecting their programmatic relationship under the auspices of a Country Office located in Belgrade and a Liaison Office in Montenegro. With Montenegro's independence, the assessment has been divided into two documents – an ADR for Serbia and an ADR for Montenegro.

face provided a foundation upon which the ADR could build. Limitations were identified, notably the comparability of such evidence and the weaknesses in results matrices and monitoring data. Nevertheless, the ADR team is confident that its observations are broadly representative of the effectiveness of UNDP's support and that its recommendations can serve as useful input to UNDP's future strategic planning.

THE NATIONAL CONTEXT

Serbia was one of six republics of the Socialist Federal Republic of Yugoslavia (SFRY), founded in 1945. The wave of democracy that began in the late 1980s across central and Eastern Europe inspired independence movements among the republics of Yugoslavia – against the wishes of Serbia and its increasingly authoritarian leader, Slobodan Milošević. Slovenia and Macedonia left the federation in 1991, which led to a brief armed conflict in Slovenia. But full-scale wars broke out in response to Croatia's and Bosnia-Herzegovina's secession from the SFRY. In 1998, nine years after Serbia revoked the autonomy of the Kosovo province, conflict between Yugoslav security forces and the Kosovo Liberation Army erupted. Failed peace negotiations led to a NATO intervention in Serbia in March 1999.¹ The only remnant of Yugoslavia after a decade of conflict was a two-republic entity consisting of Serbia and Montenegro. The two republics formed a looser State Union of Serbia and Montenegro in February 2003.

The political and economic reforms in Serbia following the democratic change and Milosevic's ouster from power in 2000 are driven by the republic's long-term development objective of joining the European Union. The accession process provides a framework for reforms and is an opportunity for Serbia to enter political, economic and security structures that can guarantee stability and prosperity for its citizens. However, the process is complicated by the necessity of stabilizing the republic after the conflicts of the 1990s, and putting into place a market economy and sound systems of governance.

The necessary economic reforms have high social costs and are taking place in a fragile political, social and economic environment. The war, international sanctions in 1992 and 1998, the loss of former Yugoslavian and other markets, and missed attempts at reform by the authoritarian regime had an adverse impact on incomes, education, health and overall quality of life. The substantial human capital that Serbia once had continues to be depleted. Many people, especially the young and the educated, are leaving or planning to leave Serbia to work and live abroad. The challenge for human development in Serbia today is twofold: to reverse the decline and to stimulate conditions to make Serbia an attractive and hospitable country for all of its citizens.

Even if the political challenges that Serbia is facing – the problems of cooperation with the ICTY, Kosovo, and the recent break-up of the State Union – are satisfactorily resolved, Serbia will not move toward EU accession without a major and sustained investment in development.

UNDP RESPONSE

The environment in which UNDP re-established its presence in Serbia was one of volatility, characterized by shifting needs and priorities. In 2000, two events proved to be UNDP's launching pad for its eventual substantial country programme and presence: a mission from UNDP Headquarters sent to gauge the overall situation in the Federal Republic of Yugoslavia and to identify potential areas for possible UNDP assistance; and UNDP's participation in an inter-agency mission to southern Serbia, an area that, at the time, was experiencing conflict between Albanian rebels and Serb forces, fuelled by ethnic tensions in Kosovo.

The main result of the needs assessment mission was the report, 'Governance for Human Development'. The report provided the framework for five priority targets of UNDP assistance: democratic governance, administration of justice, economic and financial management, public administration and social development. In terms of programming, the report recommended the establishment of

1. The NATO air bombing campaign lasted for 78 days. After the withdrawal of Serb forces from Kosovo, the province was placed under the jurisdiction of the United Nations and its Interim Administration Mission in Kosovo (UNMIK).

a joint donor-Government Capacity Building Fund that could assist in filling priority gaps in Government while also introducing key elements for public administration reform. The mission to southern Serbia recommended immediate investment in local governance, reintegration of marginalized communities and promotion of economic recovery that would jointly address the root causes of conflict alongside post-conflict stabilization activities. This led to the formulation of a large multidonor programme in southern Serbia, executed by UNDP, and UNDP's entry into development at the local level. In time, South Serbia turned out to be one of UNDP's 'flagship' programmes.

UNDP was well positioned for constructive engagement in Serbia. It had a long history in Yugoslavia, including a presence on the ground during the fall of the Milošević regime, and was generally perceived as neutral. The UNDP Country Office in Yugoslavia opened in Belgrade in January 2001. With an established physical presence, donors, interested in stabilizing the country and eager to assist the new democratic Government, poured in resources.

Due to its reputation and presence (albeit small) on the ground, UNDP was approached by both Government and donors to help design and implement programmes. UNDP was able to place the projects it helped develop at a high level in new government ministries, obtaining direct access to the ministers and the Office of the Prime Minister. The UNDP office grew and the programmes with which it was associated expanded.¹ With its prior history and contacts, UNDP was able to strengthen the Country Office by attracting high-quality professional staff and national experts with prior experience in the public and non-governmental sectors.

The initial UNDP programme strategy was embodied in the Country Cooperation Framework of 2002-2004 that identified three priority areas for programming:

- **Democratic governance**, which focused on supporting reforms of governance institutions at central and local levels and promoting public

participation and community empowerment. It also envisaged a Capacity Building Fund for priority capacity-building and public administration reform, along with reform of the judiciary. Strengthening civil society's role for public advocacy was recognized and UNDP would later support participation of NGOs in the preparation of the World Bank-led Poverty Reduction Strategy Paper (PRSP).

- **Crisis prevention and recovery** concentrated mainly on post-conflict conditions in southern Serbia. This covered UNDP support for the implementation of large multidonor programmes for rapid recovery (the Rapid Employment Programme), including support to long-term development of the region through investments in infrastructure and capacity-building of local actors. An interregional initiative to promote stabilization and cooperation on security was later launched and hosted by the UNDP Country Office.
- **Energy and environment** supported the revitalization of these sectors by advancing the Federal Republic of Yugoslavia's participation in the Global Environment Facility (GEF), and capacity-building for the reform of the energy sector.

These strategies were adapted over subsequent years through the development of annual strategy notes explaining UNDP's adjustment to what were, at times, dramatic changes in the external and political environment. Attention to democratic governance had given way to increased focus on capacity-building and sporadic attempts at public administration reform. But little had been accomplished in the area of energy or environment. The mission and vision of the Country Office were still seen to be valid, but with increased emphasis on supporting EU integration. Adjustments to the programme strategy for 2003 included support to the development of the PRSP, the strengthening of non-governmental organizations, HIV prevention, and municipal improvement.

The current programming strategies, embodied in the Country Programme Document and Action Plan of 2005-2009, comprise public administra-

1. Over the period 2001-2005, with core funding of \$3.3 million for 2001-2004, UNDP was able to mobilize resources to a cumulative level of \$56 million by 2004, doubling the initial resource mobilization target.

tion reform, the rule of law and access to justice, and sustainable development. These represent a significant shift from the Country Cooperation Framework. As with the initial choices, these areas of assistance continue to be highly relevant, reflecting the priorities of Government and funding partners. However, the appearance of a narrower focus belies the breadth of projects and programmes that, in the view of the evaluation team, potentially strains UNDP's ability to perform optimally in areas of accumulated experience and expertise. UNDP has been willing to experiment and take risks. It has made some mistakes, but in the aggregate over the past five years, in the view of the evaluation team, it has chosen well given the country context.

DEVELOPMENT RESULTS

Over the period 2001–2005, the strategies supported by UNDP in Serbia have, with some exceptions, yielded significant development results. These include strengthened capacities of central government ministries and agencies, including the justice system, and resolution of conflict, stabilization and community development in southern Serbia. In other areas, notably urban regeneration and poverty reduction, results have been less evident. While UNDP has not played a strong advocacy role during this period, it has proved to be an extremely important and valued implementing partner. Measurable benchmarks of success have not been defined in programme documentation; however, the following are some of the key areas in which UNDP is assessed to have supported the achievement of results:

Crisis prevention: The case of South Serbia. As part of a UN inter-agency mission in 2001, UNDP responded to a crisis resulting from ethnic conflict in southern Serbia. Over the next four years, the crisis abated and the public dialogue shifted to the economic issues of jobs, poverty and the underdevelopment of the region. To overcome poor governance, considered to be one of the root causes of conflict, UNDP used innovative approaches to draw local government and non-governmental actors into decision-making. UNDP was an effective catalyst for change at the local level: it used participation and practised transparency to build local capacity, to introduce

new thinking, to bring knowledge of democratic processes and to implement local mechanisms for delivery of development assistance. The case of South Serbia demonstrates that stability and peace can be nurtured by responding quickly, developing and implementing sound programmes, effectively mobilizing resources and building local partnerships. Furthermore, as the case demonstrates, UNDP can play a significant role in bringing change and innovation to local institutions.

Poverty reduction. Poverty is and will be, at least in the near future, a challenge for Serbia. Drawing from the experience of the non-implementation of the PRSP, and looking at development from a rights-based perspective, UNDP correctly assessed that targeting the needs of the most disadvantaged among the poor in Serbia will fall to donors. UNDP also recognized that the PRSP may have limited duration and relevance in the context of Serbia, and that increasing importance will be given to the EU social inclusion agenda. That said, the three programmes evaluated in this report that UNDP implemented with donor support under the auspices of civil society development and economic empowerment of the poor and vulnerable had, at best, limited impact. A notable exception is the Social Innovation Fund, in which UNDP was able to facilitate national ownership. The work with the Civil Society Advisory Committee, which UNDP helped to establish, enabled completion of the PRSP. However, further work by civil society on PRSP implementation and monitoring was stalled. Beautiful Serbia, a project designed to improve the urban environment and create temporary jobs by targeting the most vulnerable among the unemployed, provided an example of where UNDP involvement was more of an obstacle than an asset.

Institutional development. The concept of a Capacity Building Fund (CBF) evolved in the immediate aftermath of the democratic overthrow of the former regime. Its aim was to strengthen the Government's human resources, begin the process of reforming the public administration and attract the Serbian diaspora back to their homeland to support the process. The CBF produced mixed results. On the one hand, it assisted key ministries in acquiring a critical mass of capacity to initiate priority policy, legislative and other reforms. UNDP

and other donors, through the fairly quick response mechanisms of the CBF, demonstrated tangible commitment to Government by filling priority capacity-development gaps. On the other hand, the CBF was not initially successful in assisting the Government in developing or implementing broader public administration reforms. The main reason for the lack of initial success was the absence of political leadership, coordination and an effective national institutional focal point. With the recent change of Government, a strategy for public administration reform has been developed and the levels of cooperation among donors in supporting its implementation are reported to have improved.

Justice reform. Under the Milošević regime, the rule of law suffered terrible setbacks. The new democratic Government that came into power in 2000 had the strong intention of reforming the judicial system. However, the state of emergency declared after the assassination of the prime minister in March 2003 adversely affected ongoing reforms. It is against this backdrop that UNDP entered the field, developing tools for education, training, research and knowledge-sharing that are necessary for modernizing and advancing the legal profession. The biggest impact has been made in the establishment of a Judicial Training Centre, a new institution set up to deliver high-quality, cutting-edge, demand-driven training to judges, prosecutors and legal staff. Since its establishment, the centre has organized over 280 workshops, seminars and conferences, drawing more than 8,000 participants, including every judge in Serbia.

UNDP PERFORMANCE

The prime role of UNDP has been that of implementing partner to Government through the direct execution of projects. In this capacity, UNDP delivered a wide range of services, from policy advocacy and dialogue to procurement, recruitment and contracting support. A considerable amount of assistance was delivered in the form of 'soft services', such as coaching, mentoring, networking and team-building – assistance that was found to be especially valued by the ministries. UNDP's performance can be assessed across the following criteria:

Effectiveness and efficiency. After five years, a Country Office has been built in Belgrade that, along with the sub-office in Vranje, is able to support both existing programmes and potentially expanded future operations. The national development priorities supported during this period have included stabilization and transition in southern Serbia, poverty reduction and EU accession. UNDP has been very active in the former area, but somewhat marginal in the latter two. Some of the UNDP-supported programmes in Serbia have been closely aligned to EU accession (for example, through the capacity-building of key ministries), and others have tackled, on a limited basis, issues of poverty (for example, the Rapid Employment Programme and support to the PRSP process). Generally, most UNDP activity has concentrated on capacity-building and institutional development, as reflected in the various project and programme documents. Based on independent evaluations, most of the project and programme objectives have been achieved or are on track. The efficiency of UNDP-supported programmes is much more difficult to measure since little exists in the way of market comparisons. The delivery rates and management services fees charged by UNDP for project implementation are seen by the funding donors to be generally acceptable.

Complementarity. For the most part, UNDP programmes complemented those of others – especially the multidonor South Serbia initiative and those in which cost-sharing agreements were struck. In the case of the CBF – a presumed partnership – there was lack of clarity as to the main purpose of the Fund as well as individual partner's agendas and expectations. During the early stages of the Country Cooperation Framework, there was some competition between the European Agency for Reconstruction (EAR) and UNDP in support of public administration reform. If there is one weakness in the UNDP country programme, it is the UNDP tendency to be overly visible, to wave the flag, and to claim too much credit for programme or project success.

Sustainability. It is too early in the programme cycle to predict with any certainty that the UNDP-supported programmes will be sustainable. However, the early indications are that many of the components will be institutionalized within Government and other national organizations, depending on the absorptive capacity of Government, the availability of adequate programme financing, and the willingness and capacity of civil society and private sector organizations to take up some responsibility in programme implementation and service delivery. Through the CBF, UNDP and other donors had targeted priority capacity-building, and the case of the Ministry of International Economic Relations, the Ministry of Social Affairs, and the Ministry of Finance serve as examples of sustainable institutional development. However, in some other projects, too much attention may have been given to the setting up of 'programme implementation or management units' (for example, the Social Innovation Fund) that focus more on time-bound implementation of projects, rather than on sustainable institutional development.

UN system coordination. Coordination among UN Country Team members appears to have suffered from fragmented leadership over the past five years. UN agencies have not worked effectively together in supporting Serbia towards its goal of EU accession, but largely developed and operated alone. With a new resident coordinator, the signs for better UN system coordination are positive. The UNDAF has been viewed broadly as a positive platform upon which the UN Country Team can begin to improve their alignment. A broad range of joint activities were identified in the formulation stage in 2004, and the annual review has identified limited progress. However, the establishment of new areas for cooperation is tempered by the strength of the relationship of individual agencies with government counterpart ministries, the noted weakness of Government-donor coordination and the narrowness of inter-donor cooperation.

Donor and government coordination. General coordination among donors has also been weak, with donors themselves admitting to continued unilateral behaviour. The coordinating ministry, the Ministry of International Economic Relations, has also acknowledged that coordination occurs on a case-by-case basis, with the role being

devolved more to the republic level ministries. However, the lack of a single agency lead for coordination has shifted more recently, with the World Bank agreeing to establish 'heads of agency' meetings for about six donors every two months or so. While such a mechanism may address broader coordination issues, the main challenge for UNDP, the Government and other donors is at the level of key development sectors, such as public administration reform/institutional development and decentralization.

RECOMMENDATIONS FOR THE FUTURE

UNDP has established itself as a capable and reliable implementing agency for the Government, the EAR and for other European donors that are bilaterally funding Serbia's preparation for the accession process. The donors – driven by their own agendas – along with the Government, perceive UNDP to be more of an implementing agency, rather than a partner in the policy domain. UNDP perceives itself not so much as an implementing agency, but as a full development partner that is able to engage in and influence the policy agenda, and that is able to advocate the core values of the United Nations.

Within the context of UN reform, the UNDP office in Belgrade will need to clarify and then communicate its vision, mission and role. That role should be aligned with national development priorities, on the one hand, and remain consistent with an amended or new UNDAF for Serbia, on the other hand. Furthermore, UNDP should concentrate on what it has been doing best: implementation. At the same time, UNDP should also link its downstream, operational and implementation experience to selected areas of coordinated upstream policy advocacy, in such areas as human security, poverty reduction and decentralization.

Several of the following recommendations are specific to the Serbia programme; others are UNDP-wide.

RECOMMENDATIONS SPECIFIC TO SERBIA

- **Align strategically with Serbia's priority for EU accession.** Development policy in Serbia is dominated now and for the foreseeable future by needs associated with EU accession. The domi-

nant players in this process will continue to be EU entities – the European Agency for Reconstruction, its successor, and EU bilateral donors. 2006 is expected to be the last year of EAR programming, and consequently the June 2004 Memorandum of Understanding between the EC and UNDP should be used as the basis for working out concrete collaborative arrangements. The Government may well look to UNDP to assist in the mobilization of resources to meet a range of development programme implementation needs, particularly in those areas where UNDP is well positioned and is currently providing support. Having worked in the EU accession countries, UNDP has substantial institutional experience supporting national governments and civil society in the process of European integration. It could be of great benefit for Serbia if UNDP facilitated information exchanges and knowledge-sharing with other Eastern and Central European countries.

- **Use local development and rule of law reforms as the flagship programmes.** Some of the most pressing development needs in Serbia are at the subnational or local level where income disparities persist or are growing, where poverty is most prevalent and where the capacities of Government, civil society and the private sector are weakest. Further, it is at certain local levels where the risk of stability or crisis still exists. UNDP has a proven track record in supporting multidisciplinary development programmes at the local level (South Serbia and the new EAR-funded programme in Sandžac). While many other donors, including the European Commission, are expected to continue to provide substantial levels of funding and support at the central levels of the Serbian Government, it would appear that major gaps in capacity-development, economic and human development and public administration reform will persist at the local level – gaps that UNDP could fill.

In the area of judicial reform, UNDP has found an entry point through a successful Judicial Training Centre project. As the rule of law continues to be a urgent problem for Serbia, UNDP is well positioned to make a difference on a few well-chosen issues – improving the professionalism and competency of the judiciary, legal aid, support to transitional justice through research

and facilitation of information exchanges – which UNDP is currently pursuing by developing new projects.

- **Support anti-corruption at all levels of programming.** Any and all development efforts could be seriously undermined – or even fail – if corruption, deterioration in the rule of law and organized crime are not tackled in a concerted and coordinated manner. The UNDP in Serbia has a role to play, and this can range from supporting UN conventions on anti-corruption to factoring anti-corruption considerations into programme design, performance measures and targeted capacity development. Experience in some countries that have joined the EU have shown some backsliding on the anti-corruption front, and it cannot be assumed that accession to the EU alone will solve the problem. The Council of Europe and European Commission bodies can and should take a lead role in this area, while UNDP can play an important supporting role.
- **Strengthen strategic management and maintain programme focus.** The UNDP programme in Serbia is in its early stages. Individual programmes supporting areas such as local development, the rule of law and judicial reform require a long time to generate results, outcomes or impacts. The UNDP country programme over the period evaluated may be seen as the first phase of a longer-term partnership to assist Serbia in meeting human and economic development goals. Without any concrete baselines or measures of performance, other proxy or qualitative indicators may be needed to measure and assess performance of the overall country programme. The organization and structure of the office need to be streamlined, and, in this regard, the recent planning and organizational workshops carried out on the new management structures are encouraging.
- **Think early about an exit strategy.** The former Yugoslavia was a founding member of the United Nations and an initial contributor. Serbia today is a middle-income country that could soon graduate to net contributor country status and be accepted as a candidate for EU membership. The argument has been made that UNDP established a position in Serbia and expanded its

programmes because it had a legitimate role to play as a UN agency (for example, in crisis prevention in southern Serbia). Serious thinking about UNDP exiting from the country should coincide with Serbia's strategy for EU accession and economic development. One mechanism to ensure that such strategic thinking occurs is to place a 'sunset clause' for the UNDP presence in Serbia in the UNDAF and Country Programme Document, to be reviewed annually in the Country Programme Action Plan. The current programme cycle ends in 2009, and this may be a good juncture to review and decide on continued UNDP presence or exit from the country.

UNDP-WIDE RECOMMENDATIONS

- **Achieve greater national balance in programming.** UNDP has made significant progress in supporting policy and capacity development in Government and civil society, while at the same time building bridges between the two. However, while it is not a major issue at the present time, there is the risk that future UNDP programming and implementation could tilt more towards NGOs to offset corruption or capacity weaknesses in Government. This could produce national imbalances where the role of Government (in policy, in some areas of service delivery, and in programme management) could be undermined. UNDP might strive in the future to attain a greater development balance in consultation and participation by involving Government, the broader civil society and the private sector through such initiatives as the 'global compact'.
- **Use partnerships as a means to better coordination and capacity development.** At the sectoral level, the challenge for UNDP is to be able to strike a balance between meeting national priorities that might often take the form of reactive 'quick fixes', and advocacy for a long-term approach to improve governance. The notion of partnership or sector-wide approaches to programming and the channelling of development assistance can be introduced as a means to address some of these programming and coordination problems. UNDP is in a good position to provide coordination leadership in the subsectors of public administration reform/ institutional development, decentralization and judicial reform. At the programme execution level, UNDP should endeavour to use structured and collaborative partnership modalities for the execution and implementation of projects and programmes, and move away from the NEX/DEX dichotomy. UNDP may well find alternative methods for project and programme implementation through sub-contract and/or subsidiary partnership arrangements, thus reducing the size of its directly contracted project personnel while at the same time spreading the benefits of implementation and corresponding capacity-building to the non-governmental and private sectors.
- **Develop standard measures for country program performance.** For the Belgrade office and other Country Offices in the region, UNDP should develop a standard approach to country programme performance measurement. The UNDP 'Executive Snapshot' may be a good foundation for this. Measures dealing with such aspects as resource mobilization, office costs and efficiency, and so on would be most useful not only in quantifying some aspects of country programme performance, but also in drawing comparisons and sharing experiences across the region and with other development partners. Results measures should also be considered and included, where feasible. To generate these, more attention will need to be paid to strategic planning and performance monitoring at the individual Country Office level. Such measures, however, should be kept simple, drawing from readily available sources of information.
- **Develop a UNDP policy on net contributor countries.** The countries in Eastern Europe are a special case for UNDP from a number of perspectives. A major differentiating factor in development and development assistance is the reality and potential of EU membership. Further, there is considerable likelihood that Serbia could achieve 'net contributor country' status within a reasonably short period of time. It can be tempting to rationalize an ongoing role

for UNDP in such situations. However, UNDP operations in Serbia and other countries of the region are expensive relative to other regions of the world, where scarce UNDP resources and talent may be better deployed. It is recommended that UNDP develop a formal policy on its role in EU and EU-candidate countries in

Eastern Europe that have or are expected to graduate to net contributor status. Such a policy would guide the development of country programmes and the nature of the UNDP relationship to the host governments, the EU and other participating donors.



Chapter 1

Introduction

1.1 BACKGROUND AND CONTEXT

A decade of regional warfare, intervention by the North Atlantic Treaty Organization (NATO) and the authoritarian policies of the Milošević regime devastated Serbia, politically and economically. It also led to the suspension of virtually all international cooperation and isolated the country from the international community. The democratic transition since 2000 has been shaped by Serbia's long-term goal of membership in the European Union (EU). Reforms have been under way over this period, and there have been successes in respect to economic reform, growth and stability, coherent policy evolution, improvements in the legislative framework and social sectors. However, much remains to be done.

The year 2006 could be critical for Serbia. The State Union of Serbia and Montenegro has come to an end with Montenegro's vote for independence and secession from the union. The status of Kosovo – one of the world's few UN protectorates – will most likely be determined this year. And although Serbia had initially met the political criteria to begin the process of EU accession, membership is not a foregone conclusion. The immediate issue for Serbia remains improved cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

1.2 RATIONALE FOR THE EVALUATION

The United Nations Development Programme (UNDP), under its predecessor organization, has been active in Yugoslavia since 1952.¹ Operations were suspended during the 1990s, and the UNDP office only reopened officially in 2001. The UNDP programme has sought to establish itself as a major force in assisting in the stabilization and growth of Serbia and Montenegro and the reintegration of

its people. In doing so, UNDP has been working in a number of areas, notably crisis prevention and recovery and institutional, public administrative and judicial reform.

Assessments of Development Results (ADR) are independent evaluations that assess and validate UNDP's contributions to development results at the country level. They seek to ensure UNDP's substantive accountability as an organization, provide a base of evidence for learning on substantive matters and support programming at the Country Office level. Not all countries are subject to such evaluation; rather, specific countries are chosen with strategic purposes in mind.

Serbia, under the auspices of the previous state union with Montenegro, was selected for evaluation in 2005 through an agreement among UNDP senior management, the Government and the UNDP Evaluation Office. The UNDP programme in both republics had been through one complete Country Cooperation Framework cycle (2002-2004) and was refining its new programme (2005-2009) within the context of the broader United Nations Development Assistance Framework. New senior management was introduced to the Country Office in November 2005, which presented an opportunity to evaluate the results achieved over the last programming cycle. Furthermore, the potential change in the political status of the union, and Montenegro's independence, made this an opportune (if challenging) time to evaluate.

1.3 OBJECTIVES AND SCOPE OF THE EVALUATION

Objectives. The evaluation has two primary objectives. First, to analyse the extent to which UNDP has positioned itself strategically in both

1. UNDP came into existence on 1 January 1966, following UN General Assembly resolution 2029 to consolidate the Expanded Programme of Technical Assistance and the Special Fund into the United Nations Development Programme.

republics to add value in response to national needs and changes in the national development context. In particular, the evaluation aims to identify how UNDP has supported the priority goal of accession to the European Union. Second, the evaluation provides an overall assessment of the development results achieved through UNDP support and in partnership with other key development actors since 2001, with a view to results that are on track to be achieved during the current country programme period (through 2009). Based on an analysis of positioning and achievements, the evaluation seeks to present major findings, draw key lessons, and provide clear, forward-looking recommendations for pragmatic strategies that might be considered by UNDP and partners towards intended results in the future.

Scope and issues addressed. The scope of the evaluation – its coverage and focus – was defined through extensive stakeholder consultations conducted during the preliminary phase of the assessment. These inputs, in turn, were framed under the overall objectives of evaluating strategic positioning and development results, and in terms of coordination, complementarity and sustainability. In terms of UNDP’s strategic positioning, the evaluation concentrates on four areas:

- *Strategic intent.* Has the organization’s long-term involvement played any role in its current presence in the country? Did its re-entry in 2001 reflect a strategic response to specific events and needs? How is it perceived in this light by various development partners?
- *Governance.*¹ UNDP has been consistent in its commitment to government capacity-building at both the state union and republic levels. Has the niche developed in the delivery of governance programmes been recognized by the governments and donors? Is UNDP seen as the most appropriate agency to provide these services? Is its approach appropriate in the context of change factors such as the future of the

State Union of Serbia and Montenegro and the international community’s insistence on Serbia cooperating with the International Criminal Tribunal? Does a role remain for UNDP in respect to building a constituency for change and capacity-building for the Government to deal with these issues, based on UNDP’s widely perceived neutrality?

- *Post-conflict transition.* Responding to specific post-crisis needs, notably in South Serbia, UNDP committed itself to programmes of crisis prevention, recovery and stabilization. In doing so, the evaluation asks whether the organization has the capacity, expertise and ability to expand its portfolio in this area. If not, how does it plan to integrate its interventions with those of other donors?

The approach to assessing the development results achieved or contributed to by UNDP is based on the standard evaluation criteria² of effectiveness, efficiency and sustainability of programme components. In addition, it looks at complementarity, ownership and coordination:

- *Effectiveness* is assessed by judging the extent to which specific objectives were achieved, or are expected to be achieved, taking into account their relative importance, the quality of partnerships, and the timeliness of response to lessons.
- *Efficiency*³ at the level of the overall country programme is considered in terms of the application of strategic resource mobilization in programmes.
- *Complementarity* among and between projects, clusters and operational units is assessed as part of overall performance. Linkages are considered both vertically, between the organization’s work at the central and local (community) levels and horizontally, across sectors and programmes.

1. Governance includes the areas of public administration reform, the rule of law as well as the security sector.

2. The remaining standard evaluation criterion, impact, has not been covered. The assessment of UNDP’s impact relates to the fundamental question of what results have been achieved and, beyond this, what difference has been made by these results. Since the ADR does not include a comprehensive primary survey of the effect of all interventions, nor looks over a sufficient period of time to determine such change, this criterion has been left out.

3. The limited resources available for the ADR, the lack of data on programme input costs, and the lack of market comparisons meant that the team could not undertake a financial or economic cost-benefit analysis of the UNDP portfolio in Serbia.

- *Sustainability* refers to whether the organization is developing permanent structures, procedures and professional cadre within institutions. Is it building long-term capacity or is it building capacity to deliver particular projects?
- *Ownership*. Capacity-building relates to issues of national ownership of programmes. Most UNDP programmes in Serbia and Montenegro are directly executed (DEX). What has this meant for the national ownership of the programmes supported? What does it imply for direct versus national execution modalities in the future?
- *Coordination*. UNDP in Serbia and Montenegro is part of a 14-member United Nations Country Team. How has coordination fared among the agencies and what are the implications for the effective delivery of programmes, joint and alone? Has the resident coordinator been an effective catalyst in brokering stronger partnerships in supporting the country's progress towards EU accession?

consultations, and a subsequent review of programme evaluability, which addressed the extent to which the structures and data streams enable the programme to be evaluated effectively (see Box 1). Based on the review findings, and in line with the Evaluation Office's ADR methodological guidelines, the analytical tools and techniques are as follows:

- **Documentation review.** An initial compilation of documents was followed by extensive reviews of the breadth and quality of data from secondary sources. This was broadened during the process to include reviews of national planning documents, donor reports and the like, and was fed into the evaluation as both guiding and validating material. Annex 3 contains a list of documents that were referenced.
- **Meta-analysis of external evaluations.** Twelve outcome and project evaluations, seven external reviews, and a project audit and partner survey were used as the basis upon which programme performance was considered and cross-referenced with internal monitoring data (drawn from the Results-oriented Annual Report, project reports, a country programme review and global staff survey) and validated through semi-structured interviews.

1.4 METHODOLOGY

The design of the evaluation methodology is based on the objectives and scope identified during the

Box 1: Evaluability Review

A review of the quality of programme objectives and strategies, existence and quality of monitoring and evaluation data, evaluation reports and external studies was conducted during the start-up phase of the evaluation. The review made a number of observations:

Results Linkages

- Overall country programme objectives are reasonably well defined in the macro documents (Country Cooperation Framework, UN Development Assistance Framework, Country Programme Action Plan), although somewhat ambitious.
- The clarity and consistency of project-level objectives, design indicators and monitoring systems vary considerably.
- There is reasonable availability of data on national level change and individual project activities and outputs, but little that links the two.

Evaluations

- Over two thirds of the country programme (including Montenegro) has been covered by external evaluation, addressing all the major components.
- The quality and credibility of these evaluations are generally high, and thus serve as a strong evidence base for performance.
- These evaluations vary in their focus and approach; they are therefore not strictly comparable, and aggregate assessments of results may be challenging.

- **Semi-structured stakeholder interviews.** Through extensive semi-structured interviews of a cross-section of stakeholders, primary data was gathered on upstream issues (such as the effects of policy and advisory work, advocacy, etc.). The interviews also served to validate the findings of programme evaluations and self-assessments. The selection of interviewees was based on a mapping exercise to ensure a balance between internal knowledge and views and external perspectives. An initial list was drawn up by the evaluation team with the assistance of the Country Office. This list was revised several times to ensure this balance and was augmented during the main mission through various leads established. The main mission, which took place over the course of three weeks in December 2005, was divided between Belgrade, Vranje (South Serbia) and Podgorica, Montenegro (December 2005), with a one-week follow-up mission to Belgrade in January 2006. These missions were central to primary data-gathering and validation. In total, 116 persons were interviewed in relation to the Serbia programme. 1 The list of interviewees can be found in Annex 2.

Thus, the principal methodologies comprised secondary data review and semi-structured interviews for primary data-collection and validation. The evaluation team considered but rejected carrying out additional survey work, since they concluded it would not add value.² The four-person evaluation team comprised three international consultants (a team leader, principal consultant and secondary consultant/researcher), and the UNDP Evaluation Office task manager. The evaluation itself was conducted between July 2005 and May 2006.

1.5 LIMITATIONS, ASSUMPTIONS AND DEPENDENCIES

Limitations to the analysis. While the evaluative base for the assessment was strong, gaps were found both for the purposes of cross-comparison, and to attribute reliably to higher-order results and impacts. The non-availability of certain government personnel and representatives of the private sector also reduced the intended balance in interviewees.

Analytical and reporting structure. The establishment of the State Union of Serbia and Montenegro created a federation of two distinct entities, Serbia and Montenegro, respectively, sharing a limited number of competencies at the state union level. In most respects, the two constituent elements of the union operate as separate entities. UNDP designed its programmes to support the particular needs of each republic. Hence, the differences in focus of UNDP's operations in the two constituent elements suggest that the ADR has to treat Serbia and Montenegro separately from the point of view of the overall purpose, intended outcomes and strategic positioning of UNDP's programmes. The programmes in Montenegro started more recently than those in Serbia. Consequently, the ADR was managed as one evaluation with separate components for Serbia and Montenegro. With independence, the two components have been cleaved and produced as two separate reports. However, the text was written prior to independence and has not been substantially changed to reflect the current situation of two independent states.

Kosovo. Kosovo is administratively a part of Serbia, but has been under mandated UN administration since 1999. Kosovo was included in the December 2001 First Country Cooperation Framework for Yugoslavia (2002-2004) and in the June 2004 Country Programme Document for Serbia and Montenegro (2005-2009). However, UN involvement in Kosovo has, in cooperation

1. The stakeholder groups were defined as follows: NGOs, private sector (chambers of commerce, entrepreneurs, etc.); others (journalists, trade unions, etc.); donors/ international development partners (funding and not funding UNDP); Government (line ministries, aid coordination units and chief policy makers); UN agencies (senior and programme staff); UNDP (management, programme and project staff).

2. The assessment of evaluability concluded that the majority of critical areas within the scope of the evaluation have strong or fair evidence, or are sufficiently structured to enable appropriate data to be gathered through the methods described above.

with many bilateral and multilateral donors, given rise to a large number of assistance programmes that are quite separate from the programmes implemented under the auspices of the Country Office in Belgrade. Consequently, the March 2004 UN Development Assistance Framework for the period 2005-2009 does not refer to Kosovo.¹ For these reasons, the ADR shall not include an assessment of development results related to UNDP-sponsored and implemented programmes in Kosovo.

Period and cut-off date. Although UNDP and its predecessor organization have been present in Yugoslavia for over 50 years, the current programmes can be held to have emerged with the establishment of UNDP's Country Office in 2001. It was at this time that the general direction of current programming was developed. The present ADR shall therefore cover the period 2001 to the present, but draw on previous events and findings where they bear relevance to the existing programme. Because an accurate assessment of resources deployed requires a formal cut-off date for financial information, the cut-off date was set at 31 January 2006. However, in view of rapidly changing circumstances, some information after this date has been included.

1.6 STRUCTURE OF THIS REPORT

The UNDP programmes for the two republics forming the State Union of Serbia and Montenegro are, in many respects, two separate 'republic (country) programmes'. This report presents the ADR for Serbia.

Chapter 1 – is an **introduction**.

Chapter 2 – presents an introduction and **national context** specific to the republic, outlining the main development challenges and priorities.

Chapter 3 – presents the **UNDP programming and positioning context**, and describes the strategies UNDP developed and implemented over the period 2001–2005.

Chapter 4 – presents the **assessment of development results** for each of the main programmes and projects for which there exists reasonable documentary evidence. The main programmes are covered, and these are organized for the most part into the existing 'cluster' structure of the UNDP Country Office (in Belgrade). Other aspects of programme performance such as coordination, are covered in this chapter.

Chapter 5 – examines the **programme portfolio** (growth and other metrics) and **management** of the programmes in the Country Office, including organization structure, delivery modalities and performance reporting.

Chapter 6 – presents summary **conclusions, main lessons and main recommendations**.

The annexes contain the ADR terms of reference and detailed supporting data. The following subsection presents a brief overview and summary of UNDP programming at the state union level.

1.7 NOTE ON THE STATE UNION OF SERBIA AND MONTENEGRO

The State Union of Serbia and Montenegro was proclaimed on 4 February 2003 after a 'Belgrade Agreement' between Serbia and Montenegro in 2002 to transform a two-republic entity, the Federal Republic of Yugoslavia,² into a looser and potentially temporary union of two equal member states. The State Union of Serbia and Montenegro was not a successor state to the Federal Republic of Yugoslavia, but a new state and "*a single personality in international law*" (Article 14 of the Constitutional Charter). The aims of the State Union of Serbia and Montenegro were to uphold the principles of human rights, to create a market economy and common market on its territory and to join the European Union. Belgrade, the capital of the Republic of Serbia, was an administrative centre of the State Union with seats of the Assembly, the presidency and the five ministries. The Court was seated in Podgorica, Montenegro's capital city.

1. As stated in the Country Programme Document 2005-2009, no formal UN Development Assistance Framework has been prepared for Kosovo. Instead, the UN Development Group in Kosovo will be guided by bi-annual strategic plans, which provide the framework for coordinated UN development assistance.

2. The Federal Republic of Yugoslavia was established in 1992 during the break-up of Yugoslavia.

The relations between the State Union of Serbia and Montenegro and its member states were governed by the Constitutional Charter. The Constitutional Charter, article 60, stipulated that after three years from the inception of the State Union of Serbia and Montenegro, “*member states shall have the right to initiate the proceedings for the change in its state status and for breaking away from the State Union of Serbia and Montenegro.*” Montenegro exercised this right, and on 21 May 2006, in a referendum, voted for independence, thus making the State Union obsolete and completing the dissolution of Yugoslavia.

Following the Constitutional Charter, Serbia will become a successor state and has a right to assume the international personality of the State Union of Serbia and Montenegro. Serbia will also assume obligations pertaining to the Federal Republic of Yugoslavia – in particular, UN Security Council resolution 1244 regarding the province of Kosovo that, since 1999, has been administered by the UN Interim Mission in Kosovo.

1.7.1 IMPACT OF THE STATE UNION

The establishment of the State Union was a negotiated process between Serbia and Montenegro, and the Constitutional Charter reflected the peculiarity of relations between the two member states. The union has been designed to administer these relations. The temporary arrangement of the State Union of Serbia and Montenegro weakened the impact of state union institutions from the start, and created an environment of uncertainty over the country’s future. Long before the referendum, the anticipation of this event and a potential for break-up of the union had effectively stalled activities at the state union level and strengthens the commitment of the republics to pursue their domestic and international affairs separately.

The Serbia and Montenegro national governments developed domestic and international policies best

sued to their national needs and priorities. Upon entry into the union, each republic retained its state structures with the republic’s own presidency, legislature and judicial system. In addition to the ministries at the state union level, both states had their ministries for international economic relations. Montenegro also had a separate Ministry of Foreign Affairs and Ministry of National Minorities and Ethnic Groups, while the State Union of Serbia and Montenegro’s Ministry of Human and Minority Rights had been responsible for both state union and Serbian affairs. At the same time, the state frameworks of the republics remained incomplete. Although required by the Constitutional Charter to draft new constitutions, neither Montenegro nor Serbia have done so.

1.7.2 INTERNATIONAL RESPONSE: A TWO-TRACK APPROACH

In response to the arrangements of the State Union of Serbia and Montenegro and its member states, international organizations adjusted their policies to reflect the dominant role played by the national governments in policy-making. A two-track approach was developed to provide for the implementation of one policy, but through separate measures tailored to the needs of both Serbia and Montenegro.

The State Union of Serbia and Montenegro and its member states shared the goal of accession to the European Union. Since only internationally recognized independent states can be admitted, the EU – recognizing that sufficient political reforms have taken place in Serbia and Montenegro to start negotiations on the Stabilization and Association Agreement¹ – formally opened talks with the State Union of Serbia and Montenegro in October 2005. At the same time, it initiated separate sectoral talks on the agreement with both Serbia and Montenegro.² The World Bank and the International Monetary Fund used a similar, two-track

1. The European Union and South East Europe Stabilization and Association Process Proposed by the Commission in May 1999. It covers Albania, Bosnia and Herzegovina, Croatia (candidate country), The former Yugoslav Republic of Macedonia (candidate country) and Serbia and Montenegro, including Kosovo. The geopolitical rationale is the stabilization of the region and gradual rapprochement with the European Union. See Commission of the European Communities, Communication from the Commission on the preparedness of Serbia and Montenegro to negotiate a Stabilization and Association Agreement with the European Union, Brussels 2005.

2. The EU’s Stabilization and Accession Agreement talks with Serbia are now suspended on the grounds of non-compliance with the ICTY.

approach in preparation of the Poverty Reduction Strategy Papers by Serbia and Montenegro, with each republic drafting a national document.¹

1.7.3 UNDP PROGRAMMES

Since the re-opening of the UNDP Country Office in 2001,² the focus of UNDP programmes in Serbia and Montenegro has been at the national and subnational levels of the two republics. The **Country Cooperation Framework** for Yugoslavia (2002-2004) reflected the emphasis that the Country Office placed on the stabilization and democratization processes in Serbia and activities supporting the environment sector in Montenegro. In fact, the UNDP Strategic Note 2002 anticipated a potentially violent break-up of the Federal Republic of Yugoslavia.

As that fear did not materialize, and after the State Union of Serbia and Montenegro was

founded in 2003, the UNDP Country Office established cooperation with its administration and implemented institutional development programmes at the State Union's ministries under the Capacity Building Fund. (The Capacity Building Programme is discussed in Chapter 4.3.)

The **Country Programme Document** (2005–2009) and the **Country Programme Action Plan**, signed jointly by the Government of the State Union of Serbia and Montenegro and the Governments of the two republics in July 2005, reflected continued UNDP commitment to building state union institutions to improve “*efficiency, accountability and transparency in governance structures*.”³ However, in light of the referendum and a potential break-up of the State Union of Serbia and Montenegro, UNDP did not develop new programmes at the state union level.

1. The Poverty Reduction Strategy Paper process and UNDP's support for it is discussed in Chapter 4.2.

2. UNDP strategic positioning in Serbia and Montenegro is discussed in detail in Chapter 3.

3. Country Programme Document 2005–2009, p. 4.

Chapter 2

National Challenges and Strategies

Serbia's democratic transition, which started with the ouster of Slobodan Milošević in 2000, has been shaped by its long-term goal of membership in the European Union. But en route to EU accession, Serbia continues to face challenges rooted in regional instability, the unresolved status of Kosovo, poverty, and the legacy of the recent history of conflict – all of which culminated in the assassination of Serbia's prime minister in 2003. Political fragmentation and social division continue to impede the republic's development. Moreover, the recent decision by Montenegro to leave the state union with Serbia will present challenges of another kind.

2.1 POLITICAL EVOLUTION OF THE REPUBLIC OF SERBIA

2.1.1 YUGOSLAVIA

Serbia was one of six federated republics of the Socialist Federal Republic of Yugoslavia, founded in 1945 (the others were Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Slovenia). The Communist Party of Yugoslavia (renamed the League of Communists of Yugoslavia in 1952)

built its position on the legacy of the World War II resistance movement and the charismatic yet semi-authoritarian leadership of Josip Broz Tito (for more background on Serbia, see Box 2).

The socialist republic had links outside the Soviet sphere of influence. Yugoslavia was an active member of the Non-Aligned Movement. The economy was relatively liberalized but dependent upon foreign aid and loans. Although political dissent and challenge to one-party rule was not tolerated, Yugoslavia's citizens enjoyed more open cultural and travel opportunities and a higher standard of living than other countries in Eastern Europe.

By the late 1960s, in-party fighting along nationalist lines led to political decentralization. The diminished appeal of communist ideology weakened the identity and legitimacy of the unified Yugoslav state. And in 1974, a new constitution granted greater autonomy to the republics. The collective presidency, instituted after Tito's death in 1980 with representatives from each republic and the two autonomous provinces of Kosovo and Vojvodina,¹ was ineffective and became a forum for pursuit of individual interests by the republics.

Box 2: Serbia at a Glance

Serbia is a landlocked republic in the Western Balkans bordering Bosnia and Herzegovina, Croatia and Montenegro to the west, Hungary to the north, Romania and Bulgaria to the east, and the former Yugoslav Republic of Macedonia to the south. Part of the border with FYR Macedonia and with Albania coincides with the border of the Autonomous Province of Kosovo, which has been administered since 1999 by the United Nations Interim Administration Mission in Kosovo (UNMIK).

Serbia is a parliamentary democracy with a population of 7.5 million people (excluding Kosovo). Serbs are the majority ethnic group, comprising 83 percent of the population. The official language is Serbian, a Slavic language. The Cyrillic alphabet is used officially, but the Latin alphabet is commonly used in mass media and everyday communication. The majority of Serbs declare themselves to be Orthodox Christians (85 percent), followed by Catholics (5.5 percent) and Muslims (3.2 percent). The capital, Belgrade, (population 1.5 million) is the largest city and the seat of the Government and legislature of the Republic of Serbia.

1. The two autonomous provinces in Serbia of Kosovo and Vojvodina were created in 1945. Under the 1974 constitution, the provinces were given the status of federal units, further separating them from Serbia.

Box 3: Political Milestones

- **1945** The foundation of the Socialist Federal Republic of Yugoslavia (SFRY)
- **1974** New SFRY constitution gives more autonomy to the republics and, within Serbia, to the autonomous provinces of Vojvodina and Kosovo
- **1989** Beginning of the transition to democracy in Central and Eastern Europe. Slobodan Milošević becomes president in Serbia, and revokes the autonomy of the provinces
- **1991-1999** Conflict in the Balkans
- **1992** The Federal Republic of Yugoslavia established by the republics of Serbia and Montenegro
- **1999** NATO begins bombing of Serbia. UN establishes Interim Administration Mission in Kosovo
- **2000** The democratic opposition wins elections in Serbia
- **2001** Milošević arrested and transferred to ICTY in the Hague. Milošević died in 2006 in ICTY custody before his trial was concluded
- **2003** State Union of Serbia and Montenegro established. Serbian Prime Minister Zoran Djindjic assassinated
- **2005** European Union opens negotiations on the Stabilization and Association Agreement with Serbia and Montenegro (suspended in May 2006)

Poor economic performance and mounting foreign debt intensified the rivalry among the republics. The richer, northern republics of Slovenia and Croatia resented subsidizing the other republics. By the late 1980s, secessionist republican sentiment increased and political elites appealed to ethnic nationalism to mobilize further support for independence. In Serbia, Slobodan Milošević rose to prominence with a populist promise of protecting ethnic Serbs against (perceived) discrimination in other republics and by Albanians in the autonomous province of Kosovo.

2.1.2 THE CONFLICT IN THE BALKANS: THE DISSOLUTION OF YUGOSLAVIA

The democratic transition in Central and Eastern Europe and successful examples of nation-building expressed in terms of pursuit of state sovereignty (such as the independence of the Baltic Republic from the Soviet Union and the consensual division of the Czech-Slovak Federal Republic) inspired independence movements in Yugoslavia. Efforts to re-establish Yugoslavia as a union of sovereign states failed as Serbia pushed in the opposite direction of re-centralization and a stronger federation.

Slovenia and Macedonia left the federation in 1991. This led to a brief armed conflict in Slovenia. But a full-scale war broke out in response to Croatia's declaration of independence in 1991 (see Box 3 for other political milestones).

Croatia, under the autocratic leadership of nationalist Franjo Tuđman, pursued a policy of ethnic cleansing against Serbs and Bosniaks (who are Muslim). In Bosnia and Herzegovina, Croats, Serbs and Muslims, for three-and-a-half years, fought a complex conflict characterized by shifting political alliances, refugee movements, the formation of 'safe havens' protected by the UN,¹ and NATO air strikes. In 1995, the Dayton Accords were signed dividing Bosnia and Herzegovina into two entities: the Muslim-Croat Federation and a Serb-majority Republika Srpska, both under a common central government with a rotating presidency.² With Tuđman and Milošević as signatories of the Dayton Accords, Croatia and Serbia resumed relations in 1996.

In 1998, nine years after Serbia revoked the autonomy of Kosovo, conflict between Yugoslav security forces and the Kosovo Liberation Army

1. UN protection was not a guarantee of survival: An infamous incident took place in 1995 in Srebrenica when Bosnian Serbs led by Ratko Mladić massacred Bosnian Muslims despite the presence of Dutch UN troops.

2. International NATO peacekeeping troops were deployed to Bosnia after 1995 and replaced in 2004 by a smaller European Union-led peacekeeping force.

erupted. Failed peace negotiations led to a NATO intervention in Serbia in March 1999.¹ After the withdrawal of Serb forces from Kosovo, the province was placed under the jurisdiction of the United Nations and its Interim Administration Mission in Kosovo (UNMIK).²

The only remnant of Yugoslavia remaining after a decade of conflict was the Federal Republic of Yugoslavia, a two-republic entity consisting of Serbia and Montenegro. The two republics formed a looser State Union of Serbia and Montenegro in February 2003. The State Union was dissolved after the Montenegro's independence vote on 21 May 2006.

2.1.3 THE CONSEQUENCES OF CONFLICT

It would be an oversimplification to look at the Balkan wars of the 1990s³ only in terms of the ethnic conflicts. Ethnic and nationalist rhetoric was used to mobilize support, define the enemy and frame the conflict. But the wars were fought for control over resources, territory and people. Beyond the loss of life and livelihoods, the conflict devastated the economic and physical infrastructure; this, and the reduced investment in education and health, continue to impede human development. The conflict has also weakened state institutions and the rule of law. The centralization of power by elites has led to a culture of corruption, the growth of extra-legal patron-clients networks, and drug and human trafficking by organized crime. Serbia had also become a host country to 139,180 (registered) refugees, mostly from Bosnia and Herzegovina and Croatia, and around 200,000 internally displaced persons (IDPs) from Kosovo.

In Serbia, the consequences of the conflict are evident in the destruction of social trust and public disillusionment with the state as a guarantor of security and stability. The conflict also stimulated a 'brain drain': talented and highly educated people left to seek better (or safer) opportunities abroad. The in-country opposition to the regime was centred in the NGO sector; it attracted people who,

for political reasons, were not willing or no longer welcome to work in public institutions. The civil society sector received support from international organizations and eventually became an important force in the overthrow of the Milošević regime and the democratization movement.

2.1.4 THE DEMOCRATIC VICTORY IN 2000

Although elections were held in Serbia throughout the 1990s, they were won by Milošević's Socialist Party of Serbia. Only once, in 1996, the opposition won in the major Serb cities, but the victory was short-lived as the regime quickly re-centralized local competencies and re-asserted control over public funds and resources, actively diverting them from the municipalities that voted for the opposition. Civil protests in 1996 and 1997 catalysed student, youth and union movements. The NGO community, along with civil society organizations, active in relief and service delivery for refugees, also took a stand against the regime.

In September 2000, Milošević refused to accept electoral defeat in the federal presidential elections. Massive demonstrations followed in support of the candidate of the Democratic Opposition of Serbia, Vojislav Koštunica, who won the federal presidency. Milošević finally conceded the elections in October 2000, and Koštunica was sworn in as the president of the Federal Republic of Yugoslavia. In December, the democratic parties of the opposition decisively won early general elections in Serbia, ensuring Milošević's and his party's ouster from power at both the federal and republic levels. In January 2001, the new Republic of Serbia Government was formed, with Zoran Djindjić as prime minister, marking the beginning of Serbia's multiple transitions.

2.2 SERBIA'S EVOLUTION TO A MODERN STATE

The political and economic reforms in Serbia following the democratic change in 2000 are linked

1. The NATO air bombing campaign lasted for 78 days.

2. Authorized under UN Security Council resolution 1244.

3. Slovenia (1991), Croatia (1991–1995), Bosnia (1991–1995), Kosovo (1998–1999). FYR Macedonia declared independence in 1991. For 10 years there were flare-ups of tension between the Macedonian majority and Albanian minority, eventually leading to a brief civil war, NATO intervention and a peace agreement between the Macedonian Government and Albanian rebels in 2001.

to the country's long-term strategic development objective of joining the European Union. The EU accession is a key driver of the reform process. The accession process provides a framework for reforms and is an opportunity for Serbia to enter political, economic and security structures that can guarantee stability and prosperity for its citizens. However, the accession process is complicated by the necessity of stabilizing the country after the conflicts of the 1990s.

To meet the challenges of political, economic and human development, Serbia is proceeding with a dual transition:

- **A transition from crisis and post-conflict** that requires rapid response measures to assure security, stabilize the economy, address the spread of poverty and make state institutions functional and capable of implementing reforms.
- **A transition to democracy and a market economy that will enable Serbia to gain membership in the European Union.** The accession process to the EU requires long-term measures to consolidate governance through public administration reforms and the development of rule of law institutions as well as reform of the centrally planned, socialist economy to achieve market competitiveness.

These transitions had to be initiated simultaneously after the end of the Milošević regime, since Serbia's isolation in the 1990s has retarded its progress toward European integration vis-à-vis other countries in the region.¹ The transitions are proceeding in an awkward political environment with the dis-

solution of the State Union and the lack of a complete state framework. Most notably, foreign policy and defence were competencies of the State Union. The State Union was also a signatory of international treaties and, under the agreement, only the State Union – not Serbia or Montenegro separately – could become an EU member.

2.2.1 TRANSITION FROM CONFLICT

Security and stability in Serbia has greatly improved since 2000. Although the political system is fragmented, leadership change at the national and local level has been accomplished through elections. The strength of the political system was tested by the assassination of Prime Minister Djindjic on 12 March 2003. The assassination did not cause a breakdown of social order or the collapse of government. A state of emergency declared after the assassination, however, was a setback in building the rule of law.

The factors that fuelled localized conflict in southern Serbia (1999-2001) – the impact of events in Kosovo, ethnic segregation and poverty – are being addressed by the Coordination Body, a state institution responsible for the implementation of government assistance in southern Serbia, as well as by international donors. Economic investment and support for capacity-building of local government and civil society have improved the environment for social and political dialogue and the integration of minorities.

The immediate threats to human security in Serbia have subsided, but refugees and IDPs remain vul-

Box 4: Mixed Cooperation with the International Criminal Tribunal

Amid much domestic controversy, the Serbian Government under Zoran Djindjic arrested Slobodan Milošević, who was indicted by the International Criminal Tribunal for Former Yugoslavia (ICTY) for war crimes committed in Croatia, Bosnia and Kosovo. In June 2001, Milošević was handed over to the ICTY in the Hague where he was put on trial. He died of natural causes in March 2006, before the trial was concluded.

Serbia is in compliance on the provision of waivers for witnesses and access to documents; it also froze the assets of ICTY fugitives. But the policy of 'voluntary surrenders' has been assessed as unsatisfactory by the ICTY prosecutor (Report to the UN Security Council, June 2005) and the pressure on Belgrade is rising since a number of inductees are still at large – in particular Ratko Mladić and Radovan Karadžić.

1. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia and Poland completed the accession process and became EU members on 1 May 2004. Bulgaria and Romania membership applications have been accepted and the countries are expected to join the EU in 2007.

Box 5: The Copenhagen Criteria

"Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for, and protection of, minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union."

Meeting of the European Council in Copenhagen, Denmark, June 2003

nerable. Serbia is the host country for the largest number of displaced persons in Europe (139,180 registered refugees and 200,000 IDPs from Kosovo). Additional lingering security threats include the large number of small arms and illegal weapons and weak civilian control over the security sector.

While the risk of conflict and violence as an expression of social grievance is low, dissatisfaction with the reform process, political fragmentation and distrust of state institutions exacerbate alienation and the disintegrative trends evident in Serbian society. Nationalist sentiments appear in the rhetoric of groups unsympathetic to foreign institutions, including the European Union, the UN, the International Criminal Tribunal and NATO. The persistence of poverty, growing economic inequalities and the perception of government ineffectiveness cooled the enthusiasm of the early transition period and will continue to challenge the transition process as it moves towards European integration.

2.2.2 TRANSITION TO DEMOCRACY AND EU ACCESSION

With an exception of Belarus, the sole authoritarian dictatorship in Europe, EU membership has been a goal and an ambition of all Eastern and Central European countries. European integration – achieved through compliance with the Copenhagen criteria and the harmonization of national laws with the body of EU laws, known as the *acquis communautaire* – has become a model for the transition from state socialism in the European context. Unlike other transitions, where a country may choose to liberalize the economy without increasing competitiveness of the

political system (China, for example) or partially democratize to include elections without putting in place full systemic constraints on the executive (such as post-Soviet Central Asian republics), EU accession requires full compliance with the rules and regulations of the European Commission. For most accession countries, compliance means implementation of substantial changes in the design of the state and the way its institutions operate, as well as a radical shift from a command to a market economy.

As an aspiring EU entrant, the Serbian Government prepared an integration framework guided by the Copenhagen criteria. The republic is developing new or reforming existing institutions to make them capable of preserving democratic governance, rule of law and the protection of human rights. Serbia is also in the process of harmonizing its legislation with the *acquis communautaire*.

It should be noted that no EU accession process is easy. But Serbia and Montenegro (along with other countries in the Western Balkans) are worse off than other aspiring members have been at the start of the accession process. The decade of wars following the break-up of Yugoslavia devastated their economies, raised poverty, damaged social fabric and, on the side of the EU, raised the entrance criteria to include a requirement of good neighbourly relations. Hence, the pre-accession process, as neither Serbia nor Montenegro has been officially invited to join the EU, is proceeding in parallel to the process of post-conflict stabilization. Additionally, in compliance with a requirement set by the EU for the countries in the Western Balkans, Serbia is expected to respect obligations of the concluded peace treaties (that is, the Dayton Agreement), to preserve good neighbourly relations

in the region and to unconditionally cooperate with the ICTY¹ (see Boxes 4 and 5).

Serbia made notable progress in preparation for EU accession. The Feasibility Report adopted by the European Commission in April 2005 concluded that Serbia (and Montenegro) met the political criteria for the opening of negotiations on the Stabilization and Association Agreement (SAA); talks were started formally in November 2005. Despite the opening of the SAA talks, EU accession is not a foregone conclusion. The immediate issue for Serbia is continued and improved cooperation with the ICTY.² The pace and conclusions of the negotiations will also depend on progress in developing the legislative frameworks, implementing public administration, rule of law and judicial reforms, and completing a state framework after the state union arrangement is terminated.

Public support for the European Union. Opinion polls show a comfortable majority (64-78 percent) would likely vote 'yes' in an EU referendum were it held today.³ People in Serbia see EU membership as an opportunity for achieving a higher standard of living and a better quality of life, for travel without visa, and for employment and education. The EU is also associated with more safety and better government. However, there is *"the discrepancy between the great will to accede to the EU and low level of knowledge on the substance of this process and social consequences thereof,"*⁴ which will need to be addressed through public education to avoid inflated expectations.

2.3 CHALLENGES AHEAD

Although the risk of conflict has lessened, it has not completely diminished. The issue with the potential to destabilize and to split Serbian society is Kosovo. The talks on its final status are scheduled

for 2006. The violence in Kosovo in March 2004 had a limited impact outside the province, but the events were a reminder that Kosovo remains a volatile and emotional issue for Serbia. In addition to Kosovo, Serbia's future as a state will need be defined further in light of Montenegro's decision to withdraw from the State Union.

The political, social and economic systems of Serbia remain fragile. This fragility is evident in the fragmentation of the political scene, which has opened a space for the re-emergence of populist and radical nationalist forces. Reforms have just begun to be implemented, but the outcome is uncertain. Economic reforms carry high social costs and are unpopular, but the minority coalition Government is under pressure from the IMF to implement them. Poverty remains a problem and has a negative impact on human development and human security, especially among the most vulnerable.

2.3.1 POLITICAL FRAGMENTATION AND UNCERTAINTY

The broad reform course initiated after 2000 has been followed with some degree of consistency and commitment, but implementation has suffered as a result of political in-fighting, weak coalition governments, and uncertainty over Kosovo talks and the future of the State Union.

Political fragmentation. The united front of opposition parties that ousted Milošević from power was short-lived.⁵ Differences over fundamental issues – national identity, the pace of reforms, cooperation with the ICTY, and the assassination of the prime minister, among other things – split the reformist parties and the electorate. No political party gained a majority in the December 2003 parliamentary elections. Part of the former democratic coalition formed a minority government,

1. The cooperation with ICTY is an international obligation for Serbia and Montenegro as a whole, as a UN member state and as a signatory of Dayton Agreement. Therefore it also concerns the Republic of Montenegro.

2. On 19 January 2006, the EU Enlargement Commissioner warned Serbia that moves towards eventual EU membership may be halted if Belgrade fails to hand over a top war crimes suspect. As of this writing, talks have been suspended on the grounds of non-compliance.

3. Data collected by Serbian European Integration Office. June 2002-September 2005. See: www.seio.sr.gov.yu

4. Government of the Republic of Serbia, Serbian European Integration Office. June 2005. National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union, p. 7.

5. The rivalry is particularly pronounced between the Democratic Party of Serbia (led by Koštunica) and the Democratic Party (whose leader was Djindjic).

with the external support of Milošević's Socialist Party, while the biggest democratic party joined the opposition. Apart from consensus over EU accession, the coalition governments have difficulty agreeing on other national goals or formulating a coherent policy for development. Serbia has yet to draft a new constitution and to complete setting up a state framework.

In-fighting among parties, and among individual politicians, as well as the increasing social costs of economic reforms are contributing to a growing lack of trust and diminishing confidence in the system of governance. The disillusionment with politics was evident in Serbia's presidential elections that required a run-off before Boris Tadić of the Democratic Party was elected in June 2004. Three presidential polls were invalidated because turnout failed to reach the required 50 percent.

Earlier parliamentary elections (in December 2003) showed substantial support for the extreme nationalist party, the Serbian Radical Party, which received a plurality of votes (28 percent), but came short of the majority required to form a government. The Serbian Radical Party also fared well in the local elections in September 2004.

Impact on governance. The new democratic Government of Serbia initially exhibited the political will for state reform and designated the reform of governance as a priority. Lacking resources, experience and expertise for the implementation of such broad reform, the Government relied on donors to support the reform of public administration and local self-government and to introduce modern management systems and strengthen policy development. But building democratic governance also requires reforms in the judiciary and in the electoral system.

Some of the reforms, such as those in public administration and decentralization, have started, while others, most notably the reform of the judiciary, have yet to take place. The activities that are ongoing have been somewhat scattered and driven by the immediate needs of compliance with the *acquis communautaire*. The current political climate of competition among political parties and the pres-

ures of economic reforms are shifting the Government's focus away from institutional reform.

An incomplete state framework. Although the dissolution of the State Union was decided by the May 2006 Montenegro referendum on independence, the uncertainty over the union's status has posed significant obstacles to policy formulation and the implementation of reforms for the past three years. Serbia's transitions were proceeding without a complete state framework, which posed questions of policy competencies. The state union level institutions were weak and ineffective, and the republic's ministries had taken the lead on setting domestic policy and economic reforms. Some competencies had been transferred to the republic level, notably the State Union Ministry of Human and Minority Rights that is, *de facto*, a ministry representing the interests of the Republic of Serbia.

Despite these limitations, Serbia is proceeding with policy design and reforms, including preparation for EU accession. That said, the European Union will conclude negotiations only with internationally recognized states. Until this point, there has been a two-track approach to sectoral talks with Serbia and Montenegro and separate negotiation teams on the issues of preamble, political dialogue, general principles, institutional provisions, transitional and final clauses, visa/asylum/migrations and harmonization at the state union level. In light of the Montenegro's referendum results, this negotiation framework will have to be revised.

2.3.2 ECONOMIC AND MARKET REFORMS

Economic reforms in Serbia are addressing the dual needs of recovery from the economic crisis caused by conflict and the transition from a command to a market economy. The war, international sanctions in 1992 and 1998, the loss of former SFRY and other markets, and missed attempts at reform by the authoritarian regime, all contributed to a sharp decline in the standard of living and the general pauperization of Serbian society. Although Serbia maintains its position as a middle-income country, poverty remains a problem.¹ The strategy for poverty eradication is linked to growth through market reforms. The overall reorientation of the

1. According to data published in the First Poverty Reduction Strategy Report, around 10 percent of Serbia's citizens live in poverty, while another 10-15 percent live just above the poverty line, and thus are at risk of poverty. The number remained constant throughout the transition period.

economy towards the market is also a requirement for accession to the European Union.

Serbia successfully accelerated the initial pace of market reform to create a favourable climate for growth, foreign trade and investment. Table 1 provides an overview of Serbia's economic performance since 2000. The gross domestic product (GDP) per capita increased from \$1,069 in 2000, which reflected the economic devastation of the country by conflicts of the 1990s,¹ to about \$2,700 in 2004. Still, Serbia is the second poorest part of the former Yugoslavia, ahead, but only slightly, of Bosnia and Herzegovina.

For the past five years Serbia followed general principles of liberalization and privatization, including the removal of direct controls on prices and foreign trade, the reduction of tariffs to below 10 percent,

lowering of the corporate tax rate to 10 percent, and the introduction of the value added tax (VAT, 1 January 2005). The collection of revenues improved and the necessary laws were adopted for reforms of the fiscal, monetary and banking sectors. In 2004, the World Bank put Serbia and Montenegro² among the top leading reformers ranked by the 'ease of doing business'. A new labour code allowing more flexible working hours, a reduction in administrative barriers for the registration of companies, along with the lowering of the capital requirement at registration, from \$5,000 to €500, helped to activate the enterprise sector (10,500 new companies were registered in 2005). Still, access to finance remains a problem.

As is the case for all countries undergoing similar rapid economic transformation from a state-owned to free-market economy, there have been social

Table 1: Republic of Serbia - Main Economic Trends

		2000	2001	2002	2003	2004	2005	
Real GDP growth	Percent	5.2	5.1	4.5	2.4	8.6	6.1	1st half
Inflation rate	Percent (average)	69.9	91.1	21.2	11.3	9.5	17.1	Jan-Sept
	Percent (end-of-period)	113.5	39.0	14.2	7.6	13.4	16.5	Sept
Unemployment rate	Percent of labour force	NA	12.2	13.3	14.6	18.5	NA	
General gov't balance ¹	Percent of GDP	NA	-1.2	-3.7	-2.3	-0.3	NA	
General gov't balance ²	Percent of GDP	NA	-0.8	-3.5	-2.6	-0.8	NA	
Trade balance ⁴	Percent of GDP	-21.0	-24.5	-25.2	-23.6	-31.0	-21.0	1st half
Current account balance	Percent of GDP	-7.1	-9.7	-12.9	-12.3	-15.5	-7.6	1st half
Current account balance	Percent of GDP	-3.9	-4.6	-8.9	-7.3	-13.1	-6.6	1st half
External debt ⁴	Percent of GDP	132.0	103.2	76.5	69.9	62.0	54.0	1st half
	Billion euros	12.3	13.3	12.5	12.6	12.0	11.6	1st half
Debt-export ratio ⁴	Percent	600	595	491	461	354	268	1st half
Foreign direct investment	Percent of GDP	0.3	1.4	3.6	6.9	4.3	5.5	1st half
	Million euros	27.1	184.2	594.3	1242.0	826.4	664.0	1st half

(1) Before grants. (2) After grants. (3) Net. (4) For 2000-2004, Serbia and Montenegro together. For 2005, Serbia only.

Source: European Commission, *Serbia and Montenegro 2005 Progress Report*, Brussels 2005. Data from national, IMF and EC estimates.

1. GDP in 2000 was about half of the pre-conflict level 10 years earlier.

2. Only the aggregate ranking is available (World Bank. *Doing Business in 2006*).

costs associated with transition. Unemployment has been steadily growing since 2000 (from 26 percent in 2000 to 33 percent in 2005¹) as a result of restructuring large state-owned enterprises, public administration layoffs and weak job creation in the private sector. Poverty rates have stagnated, but could rise if more jobs are lost in the privatization of the public sector. Inequality is also increasing. With a Gini coefficient of 0.34 (2002 data), Serbia is joining the ranks of other transition countries in the region² where newly emerging markets have changed the patterns of consumption.

2.3.3 HUMAN DEVELOPMENT

Serbia is in the upper-medium category of human development.³ But the decade of conflict and economic crisis has had an adverse impact on incomes, education, health and overall standard and quality of life. The human capital reserves that Serbia had, due to the investments in development in Yugoslavia, continue to be depleted. Many people, especially the young and the educated, are leaving Serbia to work and live abroad since the republic continues to be seen as lacking proper socio-economic and political conditions to raise a family or to pursue a meaningful and well-compensated career. The challenge for human development in Serbia is twofold: to reverse the decline and to stimulate conditions to make Serbia an attractive and hospitable country for all of its residents (see Box 6).

Although Serbia's Human Development Index has improved from 0.729 in 1999 to 0.772 in 2002, the increase is primarily due to GDP growth. Adult literacy (93 percent in 1999) and overall education indicators (combined primary, secondary and tertiary enrolment ratio of 69) remain high, but

the quality of education, teachers and facilities has deteriorated. Life expectancy at birth fell for men (to 70.1 years in 2002) and remained constant for women (at 75.1 years in 2002). A decline in the quality of medical services, lack of preventive health care, along with smoking, alcoholism and drug use are widening the health gap between the citizens of Serbia and those of Western European countries. However, the most dramatic decline and, consequently, the greatest challenge to human development has been in terms of low incomes and rising poverty rates.

Poverty. Before the conflict, poverty existed in isolated pockets of Serbia, mostly among ethnic and religious minorities – in southern Serbia, in the Sandžak region of western Serbia, in municipalities along the Romanian border, and in Roma communities. While regional income disparities persist,⁴ the decade of the 1990s widened poverty, moved it to the forefront of the development challenge and brought a phenomenon of 'income poverty'⁵ – a condition whereby incomes may be sufficient for subsistence but are perceived as unsatisfactory in terms of the quality of life they afford and the security they provide. Measured by income poverty, about half of Serbia's citizens declared themselves dissatisfied with their financial situation.⁵

Economic growth over the past five years has not changed the aggregate number of Serbian citizens who live in poverty (about 10 percent).⁶ But new issues of social inclusion are emerging since the ongoing economic restructuring poses a danger of increasing poverty, even more so as the number of unemployed increases and the income gap widens.⁷ Creating opportunities to benefit from a growing economy is important for the well-being

1. Economist Intelligence Unit. October 2005. Country Report: Serbia and Montenegro

2. Gini coefficients: Albania 0.28 (2002), Bulgaria 0.30 (2001), Croatia 0.30 (1998), Hungary 0.28 (1997), Montenegro 0.29 (2003).

3. In 2002, Serbia ranked 74 out of 178 countries in the Human Development Index.

4. Southern Serbia remains the poorest region in the county, contributing only 3 percent to the GDP. Its poverty rate reached 23 percent in 2003, up from 16 percent in 2002. Poverty Reduction Strategy Progress Report.

5. Matkovic, G. June 2005. Overview of Poverty and Social Exclusion in the Western Balkans. Paper prepared for the Western Balkan Forum on Social Inclusion and the Millennium Development Goals. Tirana, Albania.

6. Government of Serbia. 2005. First Progress Report on the Implementation of the Poverty Reduction Strategy in Serbia, p. 8.

7. An income differential between the richest municipality in Serbia, Apatin in Vojvodina, and the poorest, Majdanek near the Romanian border, is 22:1 (\$4,981 to \$231 GDP per capita). Economist Intelligence Unit. 1 October 2005. Country Profile: Serbia and Montenegro, p. 33.

Box 6: The Human Development Report 2005: 'Strength in Diversity'

The *Human Development Report 2005*, commissioned by UNDP, stresses that the Republic of Serbia is ethnically and culturally heterogeneous. Members of different ethnic groups, who lived in harmony in a joint state for decades, suffered the disintegration of their country and a series of wars that were a product of nationalistic political strategies, but which were represented as (unavoidable) ethnic and religious conflicts.

For that reason, it is important to:

- Come to terms with the past – full understanding of those events and their interpretation must be the subject of open dialogue, which will provide a multiplicity of views and experiences.
- Invest in helping both majority and minority peoples to embrace policies based on social and cultural integration rather than territorial and cultural isolationism.
- Work on the developing awareness of a multiplicity of identities among individuals.
- Strengthen identities, which are complementary to ethnic identity, such as citizenship, European identity, regional identity and others.
- Eliminate the 'hate speech' directed against other ethnicities, which has become commonplace in everyday communication and in the media, and prosecute those responsible for it.
- Affirm multiculturalism and interculturalism in Serbia, which demands a clearly defined national strategy and measures for its implementation.[...]
- Target specific attention to vulnerable groups. [...] Although information on human development (measured with HDI) according to ethnicity or various sociocultural groups cannot be obtained, findings based on other sources of data point to the vulnerability of certain groups, such as the Roma in particular, refugees and IDPs, youngsters, the elderly, etc.
- Promote multiculturalism as a means towards improving human rights and human development, which complements achievement of the MDGs.

Source: *Human Development Report 2005*, p. 5

of the country, but will pose a particular challenge for the inclusion of vulnerable groups.

The vulnerable. Refugees, former refugees, IDPs, returnees, Roma and victims of human trafficking are more affected by poverty than the rest of the population. They often face discrimination in access to social welfare and health care, available in theory but not always in practice. Meeting the needs of the vulnerable will continue to be a problem as the fiscal ability of the state to deliver social welfare benefits and health care is already stretched and will be stretched further.¹ Among refugees and IDPs, problems are often exacerbated by their unresolved legal status and missing documentation.

In 2002, the Government of Serbia adopted the National Strategy for Resolving the Problems of Refugees and Internally Displaced Persons. It had the dual aims of creating the conditions for the

repatriation of potential returnees and for the integration of refugees and IDPs at the local level, and for assuring their property rights, safety and legal security. The process of including vulnerable and minority groups is complicated by the change in public attitudes in Serbia over the last decade. Nationalist rhetoric and limited opportunities for exposure to alternative values have reduced social tolerance for diversity and inclusion. Serbia's 24 minority groups account for 16 percent of the population – of which less than half, 6.5 percent of the total, are Albanians, Hungarians and Bosniaks. But very little has been done for their integration, either in terms of policy or activities aimed at reducing existing ethnic tensions in society. The State Union is a signatory to key European conventions on civil, political and human rights and the Constitutional Charter has clauses against discrimination. Still, Serbia has yet to pass (and implement) a comprehensive anti-discrimination law.

1. Social welfare and insurance expenditures in Serbia (including pensions, illness and disability, family and children and vulnerable population) amount to close to 40 percent of budgetary funds. First Progress Report on the Implementation of the Poverty Reduction Strategy in Serbia, p. 82.

Gender. Women in socialist Yugoslavia have had full political rights since 1946, enjoyed equal access to education and sought employment outside the household. Although there were no legal barriers to political participation and the professional advancement of women, the primary responsibility for household management and care for children, the elderly, and the infirmed fell on them, making it more difficult for women to be engaged in politics and pursue demanding careers. At present, women have a token representation in the leadership of the country (12 percent in the Republic of Serbia Parliament and Government).

Women were and continue to be subject to horizontal occupational segregation: They receive lower pay for comparable jobs (the female-male wage ratio was 0.82 to 1.00 in 1999). Although the Serbian Government formed a Council for Gender Equality in 2004, Serbia does not yet have a gender equality law or a national action plan, based on the Beijing Platform, for the elimination of discrimination against women. The legal status of victims of human trafficking, most of them women, is ridden with ambiguity since the Criminal Law of Serbia treats them as illegal entrants and does not recognize trafficking as a violation of human rights.

Regrettably, Serbia is not unique in its discrimination against women. With a Gender Empowerment Measure (GEM) of 0.495, Serbia falls below some countries in the region (including Slovenia at 0.584, Croatia at 0.560 and Hungary at 0.529, but ranks above Romania's GEM of 0.465).¹ It is unlikely that without a clear policy and actions to create more favourable conditions for women to seek political and professional advancement, the situation will improve. In fact, it could worsen. The decline in public spending for facilities for day-care and for seniors has already reduced the time available to women to seek job opportunities and career

development. The overall unemployment data for women is inconclusive,² but it is clear that first-time job seekers and middle-aged women who lost their jobs in the restructuring of public enterprises are at a disadvantage in finding employment.

2.4 NATIONAL DEVELOPMENT GOALS AND STRATEGIES

The political goal of Serbia is EU membership. With a focus on fulfilling the conditions for membership, the Government of Serbia developed several strategies to guide the policy-making process for macroeconomic stabilization and political democratization. The primary documents are the strategies supporting the process of the EU accession and the Poverty Reduction Strategy (PRS). The Office of the Deputy Prime Minister is responsible for policy coordination on development³ and the EU accession process at the national level.

2.4.1 STRATEGIES SUPPORTING THE EU ACCESSION PROCESS

In order to comply with the EU accession process and to plan for the implementation of the *acquis communautaire* requirement, the Government of Serbia developed a **Strategy for Public Administration**.⁴ The strategy was intended to support the process of reforming and building capacity of public institutions for the harmonization of laws, enforcing decisions and policy-making. It also laid out measures for the establishment of a professional, accountable, de-politicized and decentralized civil service necessary for the functioning of a modern state. It is supported by the Law on the Government, the Law on Public Administration and the Law on Civil Servants. A **Communication Strategy**⁵ was adopted with the aim of improving the capacity of the Government to inform citizens about the accession process, to monitor

1. For comparison, Sweden has a GEM of 0.854. Source: UNDP. *Serbia Human Development Report*, 2005, p. 113.

2. Depending on the source, the share of women among the unemployed varies from 50 percent to 60 percent. See the discussion of the data in: Government of the Republic of Serbia and UNDP. August 2005. 'Improving the Position of Women in the Labour Market'. Draft document, pp. 2-3.

3. The project coordinating PRS efforts in the Deputy Prime Minister's Office is supported by the UK Department for International Development (DFID)

4. Government of the Republic of Serbia. 2005. *Strategy for Public Administration Reform in the Republic of Serbia*.

5. Government of the Republic of Serbia, European Integration Office. 2004. *Communication Strategy of the Republic of Serbia about the Stabilization and Association Process of the State Union Serbia-Montenegro*.

public opinion through polls, and to develop measures for promoting the direct involvement of state and non-governmental actors in increasing understanding of the process.

Serbia also adopted the **National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union**.¹ It is a comprehensive (211 pages) plan for realizing sectoral reforms necessary for the accession process and a review of the context and status of reforms implemented to date. Compliance with EU standards and progress on accession opens opportunities for Serbia to access EU structural funds that are necessary for development.

The EU Accession Strategy defined EU membership as a national goal and stated the Government's commitment to this goal. It also outlined progress made through a review of sectoral compliance with the harmonization process. In addition to the new agreements on the association, Serbia has over 20,000 secondary laws and regulations that will eventually need to be harmonized. In 2005, Serbia committed to harmonizing 41 sets of laws necessary for the Stabilization and Association Agreement (SAA) for EU accession.

In addition to progress reports, the EU Accession Strategy also identified further areas that required improvement – especially those involving the rule of law, including reform of the judiciary, increasing the efficiency of the justice sector and protecting human and minority rights. The latter is so far regulated by international charters, since Serbia has yet to draft a new constitution that would codify the rights of its citizens at the national level. The EU Accession Strategy discussed the issues that ought to be addressed by the new constitution, which include freedom of expression and freedom of the media, the right to assembly and association, the right to property, speedy and equitable access to justice and protection against discrimination.

In the area of economic development, the strategy emphasized the Government's commitment to sustainable development, including protection of

the environment and adherence to the principles of the PRS. Finally, the strategy identified the reform of public institutions and the administration as an underlying condition for the implementation of other sectoral reforms.

European Union support for Serbia. The European Commission (EC) is supporting the Serbia – and Montenegro – Stabilization and Association Process (SAP) through interventions aimed at democratic stabilization, good governance and institution-building. These encompass areas relating to public administration reform, justice and home affairs and support to customs and taxation, and economic and social development, including infrastructure and environment. The European Commission is the largest assistance provider to Serbia and Montenegro, investing, since 1998, over €2.6 billion. In 2005, the EC's assistance in support of European Partnership priorities was €54.5 million.

2.4.2 POVERTY REDUCTION STRATEGY PAPER

The Poverty Reduction Strategy Paper (PRSP),² adopted in October 2003, was prepared by the Government of Serbia at the request of the World Bank and the IMF. It was and remains Serbia's principal development document. The PRS laid out a medium-term development framework “*directed at reducing the key aspects of poverty by means of creating material and other preconditions and providing opportunities to all citizens to ensure better lives for themselves and their families.*”³ It is a multisectoral strategy with a focus on market-oriented economic reforms and economic development, which are seen to be the most effective means to reduce poverty and stimulate long-term growth. The PRS's goal is to reduce poverty in Serbia by almost half by 2010, through job creation and higher personal income; prevent new poverty as a consequence of economic restructuring; and implement existing programmes and create new programmes, measures and activities directly targeting the poorest and most vulnerable groups.

1. *National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union.*

2. Government of the Republic of Serbia. 2003. *Poverty Reduction Strategy Paper for Serbia.*

3. First Progress Report, p. 6. See also the official Government of Serbia PRS website: <http://www.prsp.sr.gov.yu/engleski/index.jsp>.

Box 7: MDG Targets for Serbia

- Achieve dynamic and sustainable economic growth
- Reduce unemployment, especially long-term unemployment and joblessness among youth
- Reduce the proportion of people living on less than \$2.40 a day
- Reduce the poverty of vulnerable groups – Roma, refugees, IDPs, children and the elderly
- Reduce regional development disparities
- Create conditions for the emergence of a strong and stable middle class
- Adopt a national plan for the achievement of social inclusion

The PRS was designed to complement the EU integration process and to be implemented in accordance with public administration reform and decentralization. The PRS also integrated the Millennium Development Goals (MDGs), with specific targets developed for Serbia (Box 7)¹ that were to be used as benchmarks.

The PRS was drafted in consultation with civil society and the Government. The intention was to continue involving representatives from non-governmental, private and public sectors, along with members of vulnerable groups, in implementing, monitoring and evaluating the strategy. The PRS was guided by the principles of efficiency and transparency of policy coordination and governance and support for partnerships through coordination and information-sharing.

However, with no fiscal commitment supporting the PRS after its approval,² its implementation is more a sectoral matter rather than a comprehensive effort of the Government. The *First Progress Report on the Implementation of the PRS in Serbia* reviewed the activities pertaining to implementation with a focus on preparing a legal framework for reforms.³ The report also discussed sectoral programmes, plans and pilot activities financed by the Government and international donors in the areas of private sector development, the building of public institutions, employment opportunities, social welfare and protection of pensioners and the elderly, education, health and environment. The

MDG target benchmarks have not been utilized and the areas for continued engagement of civil society have not been developed.

There is no accurate data on the amount of international assistance directed to poverty reduction efforts in Serbia. However, overall assistance over the period of 2000–2005 has been estimated at €5.3 billion. Of the €3.6 billion already implemented, 51 percent have been grants and 49 percent concessional credits.⁴ Foreign assistance and economic reforms implemented by the Government are improving Serbia's economic performance, and the designation of Serbia as a 'PRSP country' is increasingly coming into question. It is likely that Serbia's new development strategy will focus on economic stability and accession to the EU, with less prominence given to the issue of poverty.

2.4.3 SUMMARY

Serbia has linked its development strategy to the EU accession process. Although progress has been made to modernize state institutions and reform the economy, the primary weakness of the strategies and laws is their implementation. First, the strategies are not accompanied by a commitment of resources; the burden of introducing and implementing most innovations falls on donors. Second, the line ministries are divided along party lines in the coalition Government and cooperation and coordination among them remain an issue. Overall, the Government's commitment to development is

1. *Review of the Implementation of the Millennium Development Goals in Serbia*, p. 9.

2. The rush for passing a national budget after the elections in March 2004 accounted for lack of coordination between the sectoral activities of the administration and the priorities defined in the PRS.

3. Annex 6 of the *First Progress Report on the Implementation of the PRS in Serbia* shows the progress made on the adoption of laws and the laws envisaged by the PRS still in draft form or in the preparation process.

4. *First Progress Report*, p. 84.

fairly weak and remains more on the policy level, without support to carry out the policies.

Even if the political challenges that Serbia is facing – the problems of cooperation with the ICTY,

Kosovo and the status of the State Union – are satisfactorily resolved, Serbia will not move toward EU accession without investment in development.

Chapter 3

UNDP in Yugoslavia

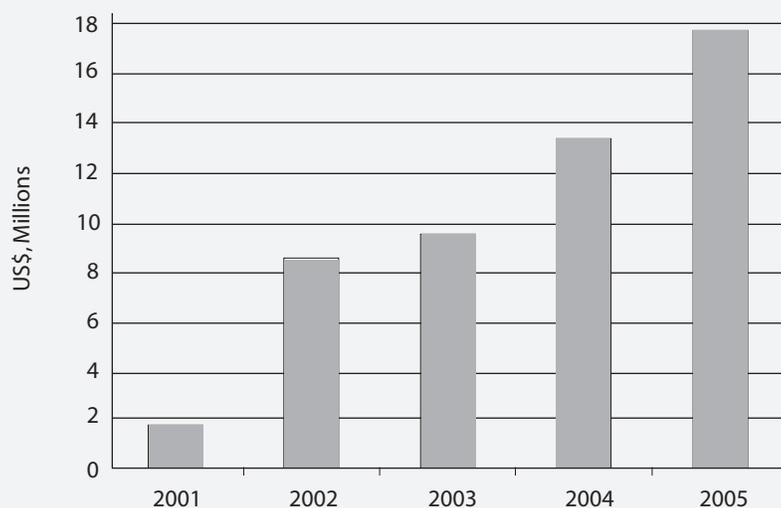
The relationship of Yugoslavia with the United Nations (UN) and its system dates back to 1948 when the Federal Republic of Yugoslavia gained membership in the UN. The break-up of the state in the 1990s led to the establishment of four new independent states: Bosnia and Herzegovina, Croatia, The former Yugoslav Republic of Macedonia, and Slovenia. The SFRY was transformed into the Federal Republic of Yugoslavia, consisting of Serbia, with Kosovo, and Montenegro. The FRY was not permitted to claim the UN seat as a successor state of Yugoslavia and applied for membership, granted 1 November 2000, as a new state. Yugoslavia has been a recipient of UN assistance since the 1950s. The first office of the Expanded Programme of Technical Assistance and Special Fund, the predecessor organization of UNDP, opened in Belgrade in 1952. Between 1966 (when UNDP was established) and 1992, UNDP delivered several country programmes and supported the activities of other UN agencies. In 1992, the UNDP office was closed after international sanctions were imposed on Yugoslavia. During this period, UNDP coordinated programmes for the

former Yugoslavia from an office in Vienna. After a small Liaison Office was re-opened in Belgrade in 1996, UNDP's work focused on crisis response by supporting other UN agencies, including the Office of the UN High Commissioner for Refugees (UNHCR), the UN Children's Fund (UNICEF), the World Food Programme (WFP) and NGOs working on humanitarian assistance and human rights for victims of conflict, especially refugees and IDPs.

3.1 CHALLENGES FOR UNDP DEVELOPMENT ASSISTANCE

After a preparatory phase in late 2000, the new UNDP Country Office in Yugoslavia was opened in Belgrade in January 2001. UNDP was well positioned for constructive engagement in Serbia. It had high visibility and credibility in the early days of transition. It had a long history in Yugoslavia, including a presence on the ground during the fall of the Milošević regime, and was generally perceived as neutral. This neutrality was particularly important in light of the NATO intervention

Figure 1: UNDP Programme Financing, 2001–2005



in Serbia in 1999 that made it difficult for many European countries, and virtually impossible for the United States, to engage bilaterally with the Government.

Donors, interested in stabilizing the country and eager to assist the new democratic Government, poured in resources. Due to its previous reputation and presence (albeit small) on the ground, UNDP was approached by both Government and donors to help develop and implement programmes. The rapid increase in programme financing over the period 2001–2005 is illustrated in Figure 1. Starting with core funding of \$3.3 million for 2001–2004, UNDP was able to mobilize resources to a cumulative level of \$56 million by 2004, doubling the initial resource mobilization target. The programme budget in a single year between 2001 and 2002 grew five times (from \$2.1 million to \$10.7 million). With the new Government, UNDP was able to place the projects it helped to develop at a high level in ministries, obtaining direct access to the ministers and the Office of the Prime Minister. The UNDP office grew and the programmes proliferated, including support to southern Serbia where UNDP helped to build a programme at the local level.

How relevant have the strategies been to national development goals over the past five years? Did UNDP make the right initial strategic choices for development assistance? Has the role of UNDP emerged as one of a trusted policy adviser to the Government? How did UNDP programmes complement those of other donors and funding agencies? These and other key questions are explored in this report.

3.2 UNDP STRATEGIES FOR ASSISTANCE

The external environment in which UNDP operates in Serbia has been volatile and subject to un certainty, characterized by shifting needs and priorities. The UNDP Country Office, in the

process of defining a role it could play in Serbia, made a series of early decisions to closely align itself with the Government. It did so by supporting government efforts in governance reform, institution-building, capacity-building and policy development. Since 2001, UNDP has been consistently involved in a range of reforms and has worked primarily with the Serbia Republic at the national level and, to a much lesser extent, at the federal republic and later state union levels. Initial programme strategy development was based on a baseline needs assessment carried out in late 2000.

3.2.1 BASELINE NEEDS ASSESSMENT: 2000

UNDP response to the humanitarian crisis in the 1990s did not amount to a strategy that could be applied to the intervention after the democratic change took place in 2000. However, in late 2000, the UNDP Headquarters-based Regional Bureau for Eastern Europe and the Commonwealth of Independent States (RBEC) conducted a short mission to gauge the overall situation in the FRY and to identify potential areas for possible UNDP assistance.¹ The first priority task to flow from the mission was a second and more intensive mission to carry out a basic capacity- and institutional-development needs assessment. This involved the review and assessment of the political and economic context of the FRY, and the identification of development challenges and priorities in the social sector, national and local government, non-governmental sector and the media. The second priority task involved UNDP participation in an inter-agency mission to southern Serbia, an area that, at the time, was experiencing conflict between Albanian rebels and Serb forces fuelled by ethnic tensions in Kosovo. Both of these initiatives proved to be UNDP's launching pad for immediate programme development.

The main result of the needs assessment mission was the report *Governance for Human Development*² that concluded: "a considerable amount of

1. The mission was carried out by a senior and experienced UNDP official with a background and prior experience in governance and post-conflict environments. This proved to be a sound and strategic decision on the part of the UNDP: that is, to send the right person, with the right qualifications who could quickly assess a complex situation and suggest broad strategies on a tight time-scale. The individual subsequently was appointed as the first UNDP resident representative and UN resident coordinator in the FRY.

2. UNDP. December 2000. *Governance for Human Development. An Overview of Key Issues*. Belgrade. The report was prepared to inform a discussion at a donor coordination meeting on assistance to the FRY organized by the European Union and the World Bank on 12 December 2000.

technical cooperation is needed to help build institutional capacity in many fields and prepare the way, beyond humanitarian aid, towards sustainable human development."¹ While not a particularly surprising conclusion under the existing circumstances, it provided the framework for five priority targets of assistance: democratic governance, administration of justice, economic and financial management, public administration and social development. In terms of programming, the report recommended the establishment of a joint donor-Government Capacity Building Fund (CBF) that could assist in filling priority gaps in government while also introducing key elements for public administration reform. The CBF is discussed in detail in Chapter 4 of this report.

The mission to southern Serbia recommended immediate investment in local governance, reintegration of marginalized communities and promotion of economic recovery that would jointly address the root causes of conflict alongside post-conflict stabilization activities. This led to the formulation of a large multidonor- and UNDP-executed programme in southern Serbia, and UNDP's entry into development at the local level. This has turned out to be one of UNDP's 'flagship' programmes (as discussed in Chapter 4).

3.2.2 COUNTRY COOPERATION FRAMEWORK 2002-2004

The development of a UNDP country programme strategy for the FRY and subsequent State Union were built upon and then extended from the above-noted programmes, both of which were launched in 2001. Initial programme strategy development in Serbia was more informal and consisted of a series of discussions and policy dialogues among UNDP, donors, government and other stakeholders; internal UNDP management decisions; and the production of internal reports containing a range of analyses and recommendations on UNDP positioning and programming. The year 2001 may

be seen as the year of strategy development, leading to formulation and approval of the Country Cooperation Framework (CCF) the following year. This was followed by a more sound strategy reflected in the Country Programme Document (CPD) in the context of the United Nations Development Assistance Framework (UNDAF), both covering the period 2005–2009.

The CCF was accompanied by the first in a series of **Strategy Notes** prepared by the resident representative.² The three priority areas for programming included: (1) *democratic reform* (directing institutional strengthening and capacity-building support more towards the Serbian and Montenegro republican governments, in recognition of the precarious and eroding role of the federal level of government); (2) *crisis/conflict prevention* (continued assistance primarily in southern Serbia for the prevention of conflict and mitigation/resolution of crises, through support to governance reforms, local economic development, and a stronger UN resident coordinator role); and (3) *energy and environment* (support to the revitalization of these sectors by advancing FRY's participation in the Global Environment Facility (GEF), and forging partnerships with the World Bank and the European Agency for Reconstruction).

The **Country Cooperation Framework** for Yugoslavia³ organized the noted country programme priorities of UNDP along three clusters: democratic governance, crisis prevention and recovery, and energy and environment. Four themes that cut across these clusters were human rights and gender equity, policy reform and consensus-building, constituency empowerment, and e-governance. The combination of clusters and themes provided a broad sweep of support to the FRY. Both the Strategy Note and the CCF were clearly ambitious in terms of the role UNDP might play. The primary objective of the country programme as stated in the CCF was ". . . to consolidate democracy and social equity through reform and recovery with a special focus on governance and policy advocacy."⁴ This was

1. Ibid., p. 39.

2. The first, dated 18 January 2002 and submitted to RBEC was brief (two pages) and simply highlighted the main programme priorities for the FRY, with a brief note on resource mobilization and Country Office capacity.

3. UNDP. 12 December 2001. *First Country Cooperation Framework for Yugoslavia (2002–2004)*.

4. CCF (2002–2004), Section III – programme strategy, paragraph 12, page 4.

matched in the Strategic Note by the stated mission of the UNDP/FRY “...to work with Government and people of FRY to achieve sustainable human development, democratic governance and economic recovery,” while it envisioned itself “... to be the most trusted and effective development partner of the FRY by providing outstanding advice, needed programmes, and collaboration among key actors.”¹

A description of each CCF cluster follows:

- *Democratic governance* focused on “...support reform of governance institutions at central and local levels and to promote broader public participation and effective community empowerment in the process of active government.”² UNDP targeted its programmes at the central-government level of the Republic of Serbia and the federal and state union levels. It also helped to set up the Capacity Building Fund for priority capacity-building and public administration reform, along with reform of the judiciary. Strengthening civil society’s role for public advocacy was recognized and UNDP would later support participation of NGOs in the PRSP preparation process.
- *Crisis prevention and recovery* concentrated mainly on post-conflict conditions in southern Serbia. This covered UNDP support to the implementation of large multidonor programmes for rapid recovery (the Rapid Employment Programme), including support to long-term development of the region through investments in infrastructure and capacity-building of local actors: the municipal administrations and NGOs. The interregional initiative of stabilization and cooperation on security was launched and hosted by the UNDP Country Office.
- *Energy and environment* focused on capacity-building for the reform of the energy sector in Serbia. However, the major activity in the cluster was the Eco-development Initiative in Montenegro.

3.2.3 STRATEGY ADJUSTMENT, 2002–2004

In the immediate post-conflict period (late 2000 through 2001), donors were refining their strategies and organizing their operations in Serbia. UNDP, with its prior history and contacts, was able to seize the aforementioned opportunities and expand the Country Office by attracting high-quality, proactive and professional staff and national experts with prior experience in the public and non-governmental sector. Chapter 5 discusses in detail programme growth and the various strategies used to manage that growth.

The UNDP Country Office maintained high visibility through its implementation of programmes and participation in events at the central level of government. In southern Serbia, the UN-UNDP presence was perceived as a guarantee of security and a symbol of returning stability. The overall visibility of the UN in Serbia was enhanced by a visit from UN Secretary-General Kofi Annan in November 2002.

Strategy Notes were prepared for each of the years 2003–2005. They explained UNDP’s adjustment to what were, at times, dramatic changes in the external and political environment. The Federal Republic of Yugoslavia gave way to the looser State Union of Serbia and Montenegro with certain competencies assigned to the state level through the Belgrade agreement of March 2002. This was correctly anticipated by UNDP with a corresponding concentration of support through the Capacity Building Fund given to the Serbian Government. By the end of 2002, the only cluster priority that seemed to be on track was that dealing with crisis prevention and recovery through the South Serbia programmes. Democratic governance had given way to increasing focus on capacity-building and sporadic attempts at public administration reform. Little had been accomplished in the area of energy or environment. The mission and vision of the Country Office were still seen to be valid, but with increased emphasis now on supporting EU integration. Adjustments to the programme strategy

1. Such ambitious statements had the effect of raising expectations for UNDP to deliver on its promises. The 2002–2004 resource mobilization target for UNDP as set out in the CCF amounted to a grand total of \$38.5 million, of which \$2.2 million or about 6 percent of the total would be allocated from UNDP core or regular resources. As a funding source, UNDP was seen as a very small player. Hence, there was a major expectation from donors and Government to cost-share UNDP programmes as well as to secure funding through various trust funds. As it turned out, UNDP exceeded these targets (as discussed in Chapter 5).

2. CCF, p. 4.

for 2003 included support to the development of the PRSP, NGO strengthening, HIV/AIDS, and municipal improvement through support of the City-to-City Programme.

Further adjustments were made throughout 2003, prompted in large part by the assassination of the Serbian prime minister in March of that year with subsequent political uncertainty and economic stagnation. The Government was not able to develop a public administration reform strategy, thus leaving much of the Capacity Building Fund and other related reform and capacity-building initiatives to proceed in an administrative reform vacuum (the public administration reform context is discussed in more detail in Chapter 4). There was a slight downturn in resource mobilization from donors, which was offset somewhat by an increase in UNDP-administered trust funds. By early 2004 (the last year of the Country Cooperation Framework), a new coalition Government had been elected, and programme activity in Serbia continued pretty much on the track that had evolved through 2003.

Neither the Country Cooperation Framework nor the annual Strategy Notes provided any measurable indicators of performance, outcomes or the results to be achieved. The CCF offered in broad terms 'expected results' from each of the programme clusters, but these took the form of vague objectives, rather than results. For example, among eight expected results from the democratic governance cluster programmes, are included: "... to ...strengthen the capacity of Serbian and federal institutions....contribute to the improvement of local and municipal governance structures," and similar

statements of intent (CCF, paragraph 23, page 4). Any assessment of development results from the country programme would therefore need to be based on evaluations of specific projects and programmes. Chapter 4 examines the major programmes and projects where some have delivered against expectation (South Serbia, Standing Conference of Towns and Municipalities, Judicial Training Centre), some well below expectations (Beautiful Serbia), and others with mixed results (Capacity Building Fund).

3.2.4 CURRENT PROGRAMME STRATEGIES: 2005–2006

It was during late 2003 and 2004 that work was carried out on the development of the new country programme strategies for the period 2005–2009. These consist of the United Nations Development Assistance Framework 2005–2009, the Country Programme Document (2005–2009), and the Country Programme Action Plan (CPAP): 2005. The **Common Country Assessment** (CCA) carried out in late 2003 was the foundation for the development of these documents.

The CCA for Serbia and Montenegro addressed the situation and challenges in four areas: a rights-based orientation to human development, governance and the rule of law, human security, and the environment.¹ The assessment was a cooperative UN-agency effort to establish a common analytical foundation for the country programme planning of individual agencies, in support of national priorities. The document recommended programme strategies in three priority areas that subsequently formed the programming frameworks in the

Box 8: National Goals & UNDAF Intended Outcomes

National priority or goal	Intended UNDAF outcome
Improved and equitable access to public service	An efficient, accountable and people-centred public sector
Increased social cohesion and realization of rights of vulnerable groups	Strengthened rule of law and equal access to justice
Use of policy initiatives and global goods and concerns to promote sustainable development	Increased municipal capacity to promote local sustainable development

Source: CPD 2005–2009 (Results Framework)

1. UN Country Team. October 2003. 'Common Country Assessment for Serbia and Montenegro'. Belgrade.

UNDAF and CPD: institutional and public administration reform, judicial reform and the rule of law, and sustainable local development (these later laid the basis for revised 'cluster' organizational structures in both the Podgorica Liaison Office and the Belgrade office). Most of the analysis and recommendations focused on the Republic of Serbia.

The UNDAF and CPD covering the period 2005–2009 incorporate the recommendations stemming from the CCA.¹ The UNDAF was also a cooperative effort of the United Nations Country Team during 2004, in consultation with a broad community of stakeholders (see also Chapter 4.6 on coordination). The recommendations from the CCA along with the eight Millennium Development Goals were reflected in the UNDAF and CPD.

The national goals of the member states and intended UNDAF outcomes are noted in Box 8. A 'map' of intended development results for each area covered in the CCF, CPD and UNDAF is contained in Annex 8. Other than providing a general framework for the country programme and fostering greater cooperation among the UN agencies, the utility of these documents as management tools to monitor, evaluate or adjust ongoing programme activities has been questioned.

The CPD, like the earlier CCF, gives prominence to Serbia and the state levels of government. Unlike the CCF, the CPD 2005–2009 does not define country programme objectives, but rather "... seeks to further develop three thematic areas: a) public administration reform; b) rule of law and access to justice; and c) sustainable development" (CPD, paragraph 21). Indicative outcomes in the CPD are briefly described for each of themes: for example, for public administration reform it "... is improved efficiency, accountability and transparency in governance structures at both union and SCG member state levels" (Ibid., paragraph 22). It is not clearly stated

in the CPD how such intended outcomes are to be measured, and if measurable, how such improvements might be attributable to UNDP – a small player among many that are active in supporting public administration and related reforms.

These themes represent a significant shift from the priority areas of the CCF where democratic governance has been narrowed to focus on public administration reform and rule of law/access to justice; and where the more general area of crisis prevention and recovery appears to be merged into local government reform. While the terminology has changed, the basic thrust of individual programmes and projects has not – for example, no programmes appear to be developed under the objective of sustainable development. Furthermore, the CPD components for Serbia make no mention of the earlier CCF cross-cutting themes of gender (other than as a reference to the MDGs), and little direct mention is made of policy reform, and no mention of e-governance.

It is the **Country Programme Action Plan** that, for the first time, presents specific programme strategies for Serbia, Montenegro and the State Union – the primary purpose of which is to secure an agreement between UNDP and national partners on the general direction and scope of the country programme.² Programme priorities are set out in the three aforementioned themes noted in the CCA and CPD, now referred to as clusters. Continuing development of partnerships is a key feature of programme implementation in each of the three cluster areas. The CPAP further refines the country programme cluster strategies for Serbia, in part by building on lessons from the CCF:

- Public administration reform – this first thematic area has been expanded to an 'institutional development/public administration reform' cluster, comprising two subclusters of institutional reform and decentralization.

1. UNDP. June 2004. 'Country Programme Document for Serbia and Montenegro (2005–2009)', Executive Board of UNDP and UNFPA, DO/CPO/SCG/1.

2. Specific strategies were also developed for the State Union of Serbia and Montenegro and the Republic of Serbia. See: 'Country Programme Action Plan between the Council of Ministers of Serbia and Montenegro, Government of the Republic of Serbia and Government of the Republic of Montenegro and the United Nations Development Programme', 2 February 2005. The CPAP is the instrument for the implementation of the CPD endorsed by the Executive Board of UNDP at its January 2005 session within the context of the basic agreement signed between the predecessor of the State Union Council of Ministers and UNDP in 1988.

- Rule of law and access to justice focuses on transitional justice, access to knowledge and free legal aid.
- Sustainable development – as a broad, all-encompassing topic – concentrates on development in the broad sense of the word at the national and local level as stipulated in the outcomes of the Rio ‘Earth Summit’ in 1992 and the World Summit on Sustainable Development in Johannesburg in 2002.

However, not all of the current clusters are directly linked to the strategic themes outlined above. It is

not clear which strategic objectives the programmes – present and future, in South Serbia (not a cluster but a programme outside of the cluster framework), and in the poverty reduction and economic growth and human security clusters – are supporting.

The following chapter assesses performance of the main projects and programmes implemented or managed by the UNDP Country Office in Belgrade over the period 2002–2005, and the degree to which they followed or influenced ongoing programme strategy development. A general assessment of the country programme strategies is provided in Chapter 6.

Chapter 4

Assessment of Development Results

Over the period 2001–2005, UNDP programme activity in Serbia has focused on the four main areas of crisis prevention (especially in southern Serbia), poverty and economic development, governance and institutional development (including judicial reform), and human security. The design and effectiveness of UNDP-supported programmes in these areas has relied heavily on development partnerships with Government and especially funding donors. This has required intensive ongoing coordination with donors, Government, other UN agencies, civil society and a range of other stakeholders.

This chapter of the report presents the main findings from the assessment of the major programmes and projects in each of these areas. Also included is an assessment of a selection of smaller projects that fall within the major cluster or thematic areas, and reflect the diverse scope of UNDP activity in Serbia over the past five years. As noted in Chapter 1, the findings rely primarily on independent programme and project reviews and evaluations that have been carried out, supplemented by consultations with all key stakeholders. Many of the findings are based on perceptions of those who have been most involved or impacted by the programmes. Where the documentary evidence exists, a validation of these perceptions has been made or qualified. It is to be expected that in many of the complex programmes, the perceptions of performance or results are a matter of viewpoint. Nonetheless, the analysis attempts to draw out the main findings, lessons and conclusions from UNDP programme implementation experience.

Each of the four main areas of UNDP programme activity is addressed in separate subsections below. At the end of each subsection, summary findings are presented and general conclusions drawn.

Chapter 6 of the report brings out the main conclusions and recommendations pertaining to the overall country programme, and proposes a number of recommendations on future strategic programming. Annex 7 contains graphic ‘programme maps’ for each of the main cluster or programme areas.

4.1 CRISIS PREVENTION: THE CASE OF SOUTH SERBIA

As part of a UN inter-agency mission, UNDP responded to crisis resulting from the ethnic conflict in South Serbia in early 2001. Over the next four years, the crisis abated and the public dialogue shifted to the economic issues of jobs, poverty and the underdevelopment of the region. The case of South Serbia shows that UNDP, by responding quickly, developing and implementing sound programmes, effectively mobilizing resources and building local partnerships made a contribution to the stability of the region and helped to build peace. Furthermore, as the case demonstrates, UNDP played a significant role in introducing change and innovation to local institutions.

4.1.1 TWO CHALLENGES OF SOUTHERN SERBIA: POVERTY AND ETHNIC CONFLICT

The region of southern Serbia borders the province of Kosovo and The former Yugoslav Republic of Macedonia. Its 13 municipalities have been among the poorest in the country¹ and the poverty rates in the region continue to climb, reaching 24 percent in 2003.² In this primarily agricultural region, the rural poverty level is twice the national average. The current population of around 450,000 is declining (4.7 percent loss between 1991–2002) and aging. The young and more educated migrate

1. The two poorest districts in Serbia are in the south: Jablanica, with only 46 percent of the average per capita national income and Pcinja, with 52 percent.

2. Government of Serbia. 2005. *First Progress Report on the Implementation of PRS in Serbia*, p. 21.

Box 9: The Coordination Body: A Stabilizing Force in Southern Serbia

The Coordination Body is a government institution set up by the governments of the Federal Republic of Yugoslavia and the Republic of Serbia in December 2000, with a head office in Bujanovac. The Coordination Body was given overall responsibility for restoring peace and promoting economic recovery in the multi-ethnic municipalities of Bujanovac, Preševo and Medveđa in southern Serbia. It was also responsible for implementing the 'Čović Plan', a strategic political and development strategy named after its broker, Deputy Prime Minister Dr. Nebojsa Čović, to stimulate ethnic reconciliation by improving the security situation, forming a multi-ethnic police force, addressing human rights abuses and assisting in the return of IDPs from Kosovo. The Čovic Plan also included an ambitious list of economic projects necessary for the development of Bujanovac, Preševo and Medveđa municipalities.

Although full funding for the Čovic Plan, estimated at €190 million, proved impossible to obtain, the Government of Serbia, through the Coordination Body, did manage to raise €100–€150 per capita in the three municipalities. Cash grants from the Government, in addition to development projects, funded security needs such as demining, and the collection and disposal of unexploded ordinance. The Coordination Body also requested donor assistance for economic and other development projects.

The Coordination Body has been a substantial stabilizing force for the region of southern Serbia. It contributed significantly to resolving the crisis through political and diplomatic means, involving representatives of the Albanian community and with the participation and support of the international community. The Coordination Body was also able to respond quickly to prevent the spread of violence after several isolated security incidents broke out in the area.

out of the region to more prosperous parts of Serbia and abroad. Southern Serbia, with its high unemployment rates, poor economic structure, dilapidated infrastructure and limited educational opportunities (the region has no university¹) has problems attracting investment and remains a development challenge for local and national governments and the international community.

The legacy of ethnic tensions between the Serbs and the Albanians adds another dimension to the problems facing the region. The municipalities of Bujanovac and Preševo are predominantly Albanian, with about 60 percent and 90 percent Albanian residents, respectively; 30–40 percent of the residents of Medveđa are Albanian.² In the generally volatile period following the Kosovo conflict, nationalist sentiments fuelled the eruption of localized conflict with violent clashes in 2000–2001 between Serbian forces and Albanian secessionist rebels³ in these three municipalities located along the Kosovo administrative border. The Kosovo conflict also affected southern Serbia through the population movements of IDPs and an influx of refugees.

Paradoxically, the conflict in southern Serbia was a catalyst for development in the region. The security interests attracted the attention of the national government and international community and mobilized them toward constructive engagement. Slowly but steadily this engagement is showing results: Over the last four years, progress has been made in addressing the root causes of conflict, which include political exclusion and discrimination in access to and participation in public life and representation. Although the conflict and the needs of immediate post-conflict stabilization have been a starting point for engagement, the public discourse has moved from politics and ethnicity to jobs and economic development. This shift in interest and priorities was articulated in multiple interviews and was confirmed through a review of various strategic documents of organizations working in southern Serbia. Among the international organizations, Community Housing Finance (CHF) is implementing community development programmes for the US Agency for International Development (USAID), UNDP is continuing the municipal revival pro-

1. The closest town with a university is Niš.

2. The three municipalities have 108,000 residents: Bujanovac, with 49,146; Preševo, with 46,000; and Medveđa with 13,500. See Final Performance Report, Rapid Employment Programme. July 2003, p. 7.

3. The Liberation Army of Preševo, Bujanovac and Medveđa (OVPBM). Once the violence ended, the OVPBM combatants were given an opportunity to seek amnesty, exclusive of criminal acts committed.

gramme, and the Serbian Government, through the Coordination Body (see Box 9), is funding socio-economic development. The low capacities of local administration are also being targeted to make local institutions more responsive to citizen's needs, more proactive and more able to implement reforms.

The fact that local development is now the focus of activities in southern Serbia marks a remarkable change in the environment, especially considering that the early post-conflict peace and stabilization measures required deployment of then Yugoslav troops along the administrative border zone with Kosovo. Joint efforts of the Coordination Body, international community and local communities are paying off. The measure of success may be the prevailing calm in the region after outbursts of violence in Kosovo in March 2004. Among the political achievements, elections were held in the multi-ethnic municipalities of Bujanovac, Preševo and Medveđa in the summer of 2002. The elections led to the establishment of multi-ethnic municipal assemblies and municipal councils and to the election of an Albanian mayor in Bujanovac. The international community invested funds that contributed not only to immediate post-conflict stabilization and humanitarian assistance, but also to the initiation of development and economic recovery programmes.¹

4.1.2 UN ENGAGES SEVERAL AGENCIES IN SOUTHERN SERBIA

The UN inter-agency mission to southern Serbia was launched in February 2001 to assess the conflict situation and design a strategy for intervention. The mission recommended a joint UN intervention and the establishment of the Inter-agency Support Office that was set up in Vranje in May 2001. The office comprised representatives from UNHCR, UNICEF, the UN Office for the Coordination of Humanitarian Affairs (OCHA), the International Organization for Migration (IOM), the Food and Agriculture Organization of the UN (FAO), and UNDP.

The UN was well positioned for intervention because it was perceived as being neutral. This was particularly important in the context of other actors, especially the Americans, who were seen as taking sides in the Kosovo conflict. The UN presence had a positive psychological effect, especially for the Albanian population who felt reassured that "somebody cares about them." It took more time and considerably more effort to reach out to the Serb and Roma populations.

The early UN assessment mission made recommendations, implemented by the Inter-agency Support Office, that short-term relief measures should be followed by programmes addressing long-term issues of social and economic development and good governance. UNDP took the lead on development efforts in southern Serbia. The approach to development, with a focus on engaging municipalities, has been remarkably successful and even visionary. UNDP stimulated the reform process at the local level through capacity-building of local government. UNDP also supported stabilization and peace-building efforts by working with communities, providing jobs and giving people the opportunity to express their needs through participation in decision-making.

Since June 2003, UNDP has been the sole UN agency operating in southern Serbia. To date, UNDP has implemented three programmes: the Rapid Employment Programme, the South Serbia Municipal Improvement and Recovery Programme, and the Municipal Improvement and Revival Programme. A new programme, Municipal Improvement and Revival Programme Phase 2 was launched in December 2005.

UNDP programmes engaged local municipalities and communities through the delivery of tangible benefits in the form of subprojects. Local co-financing of these subprojects was required, and UNDP was successful in securing co-funding from municipalities and, for the Municipal Improvement and Revival Programme, from local communities. Because municipalities in southern Serbia could

1. An estimated \$30 million was invested by international donors between mid-2001 and mid-2003 in the municipalities of Bujanovac, Preševo, Medveđa, Vranje, Leskovac and Lebane. Figure found in Final Performance Report, Rapid Employment Programme, p. 8.

not afford co-financing from their budgets,¹ the Coordination Body supplied the extra funds need by municipalities to fulfil their co-funding obligations. In the case of the Rapid Employment Programme, the Coordination Body provided €1.3 million. For the Municipal Improvement and Revival Programme, the Coordination Body is funding 25 percent of the required municipal contribution on subprojects.

4.1.3 UNDP ENTRY INTO DEVELOPMENT IN SOUTHERN SERBIA

UNDP designed the Rapid Employment Programme and South Serbia Municipal Improvement and Recovery Programme as complimentary initiatives supporting the strategic objective of crisis prevention and recovery as outline in the CCF (2002–2004). The employment programme addressed the issue of stabilization and was set up to deliver fast results – temporary employment of the jobless and projects with visible results, such as public works. The municipal improvement programme was a development-oriented intervention focusing on municipalities and their interaction with citizens and NGOs on the design and delivery of projects. Both programmes operated in a difficult, volatile post-conflict environment and achieved impressive results.

(1) Rapid Employment Programme

The overall objective of Rapid Employment Programme (REP) was to contribute to stabilization and peace and the recovery of the local economy. The programme's purpose was to create immediate temporary job opportunities for the unemployed. REP was primarily a labour-intensive public works programme executed in the municipalities of Bujanovac, Preševo, Medveđa and Vranje.² The latter, a Serb municipality, was included to assure that there was no ethnic discrimination in aid. The programme targeted communities³ that had been isolated and neglected by the authorities. It

was the first time that many of them had benefited from foreign assistance. UNDP staff worked with local community structures called *mesna zajednica* (MZ) to generate ideas for subprojects from individuals, groups and local NGOs.

Project results. In order to gain visibility, demonstrate benefits and showcase UN presence – and to serve as a stabilizing factor – UNDP started large, labour-intensive projects. In addition to cash payment for jobs, UNDP distributed work clothes and accessories with the REP logo that became a sign of recognition among workers in various communities. Overall, REP delivered 155 subprojects. Communities directly implemented 84 of them with a large component of unskilled labour. For projects implemented by contractors, use of some local unskilled labour was mandatory. REP employed a total of 6,093 workers for an average of eight weeks, and preference was given to the most vulnerable – ex-combatants, youth and ethnic minorities. Although most workers were unemployed, the targeting of vulnerable groups was not entirely successful.⁴ Still, the act of bringing together different ethnic groups to work served as a valuable reminder of past joint contact and revived habits of collaboration.

In an area with a long history of distrust toward authorities, and following a volatile period of crisis, REP was able to revive communication among citizens, MZs and local governments about needs, expectations and priorities. Most communities in the programme area and every community in the 'ground safety zone'⁵ received assistance. This was seen as a significant achievement since the programme operated in a tense ethnic environment and, especially in the Serb community, in a climate of suspicion of any foreign intervention. UNDP staff worked tirelessly through multiple field visits and in close collaboration with communities. UNDP was directly involved in implementing the subprojects (the project was directly executed by UNDP) including delivery of cash

1. Only Leskovac municipality, the wealthiest in the region, is able to make additional contributions for development initiatives from the municipal budget. These funds are deposited and managed by the Municipal Development Fund.

2. The programme received €4 million in funding from EAR and was extended from January 2002 to June 2003.

3. Local community is defined as an MZ area.

4. Social data of workers employed in REP labour-intensive projects. Halifax Consulting – UNDP South Serbia SSMIRP/REP Evaluation Report. May–June 2003. Annex.

5. Area along the administrative border with Kosovo where the troops were deployed.

Box 10: The Law on Local Self-government

This 2002 Law on Local Self-government gave Serbian municipalities greater responsibility in the areas of fiscal and administrative decision-making. As a result, municipalities have more control over their own finances. Still, the primary source of revenue is through central government transfers. Municipalities can raise revenues by collecting fees on services, but rates are centrally determined. Social services, too, such as health and education, remain a function of central government, with municipalities responsible for maintaining local facilities. The law did not address the ownership of municipal assets, which remain the property of the central government with usage rights for municipalities. This limits the potential of revenue generation and leaves the question of maintenance unresolved.

payments at worksites. This helped to ensure fairness in the selection of workers and build networks of communication between communities and municipal representatives.

(2) South Serbia Municipal Improvement and Recovery Programme

The overall objective of the South Serbia Municipal Improvement and Recovery Programme (SSMIRP) was to reinforce “*peace, prevention of conflict and increased livelihoods in multi-ethnic and minority regions in Serbia consolidated through the promotion of non-discriminatory governance tied to economic and social recovery initiatives.*”¹ The project, extended after the first 18 months, was divided into components of municipal development, social rehabilitation and economic recovery.² The intermediate objectives were to build and strengthen institutional capacity of municipal structures; increase participation and promote activities that improve social cohesion; support development of civil society and provide opportunities for NGOs; and increase economic opportunities, especially through entrepreneurship and small business development.

Programme activities covered six municipalities, four of which were also involved in the Rapid Employment Programme (Bujanovac, Preševo, Medveđa, Vranje), plus Lebane and Leskovac. From the outset, SSMIRP was a development programme oriented towards process intervention. The challenges to working with local governments and administrations were numerous: they included an institutional culture of secrecy and a legacy of central planning that was not conducive to decision-making. An entrenched hierarchical system

inhibited the advancement of bright individuals, and patronage networks exerted control over the distribution of goods. Furthermore, the skill sets of staff administration were limited, and the perception prevailed that the relationship between citizens and municipalities was adversarial. Despite these constraints, SSMIRP achieved good results when measured against its objectives.

Project results. SSMIRP introduced municipalities to new ways of thinking through open, transparent and accountable management of demand-driven subprojects. For citizens, communities and local NGOs, the programme provided an opportunity to participate in development decision-making, including the setting of priorities. The programme built structures and institutions for the delivery of development aid and mechanisms for the formulation and delivery of subprojects. It also built municipal staff capacities through training and direct engagement. Municipal Development Committees were established to liaise between the community and the municipality. To operate efficiently and effectively, these committees required strengthening and greater involvement by municipalities. Eventually this led to the appointment of committee members by municipal assemblies and greater ownership of the process (see Box 10 for a description of a related law on local self-government).

SSMIRP also created technical units to bring project implementation capacity into municipalities. Procurement and other aspects of implementation had to follow UNDP’s rules, which required monitoring and quality control. Finally, to assure

1. SSMIRP project document.

2. The programme received a total of \$2 million in funding from the World Bank (\$1.0 million), SIDA (\$500,000), the Government of Luxembourg (\$300,000), the Government of the Netherlands (\$200,000) and UNDP (\$200,000) for the preparatory phase. The programme extended over the period December 2001–July 2005.

municipal co-financing (with funds made available to municipalities by the Coordination Body) and to deposit SSMIRP resources for financing subprojects, Municipal Development Funds (MDFs) were set up.¹ With the exception of Leskovac, where the MDF is a public legal entity, other MDFs operate as sub-accounts.

SSMIRP introduced participatory processes for subproject proposals to facilitate dialogue between communities, including local NGOs and municipalities. This process was not entirely smooth: Some municipalities and their employees resisted change, were not responsive to the inclusive approach and did not like all of the projects proposed. In addition, there was some struggling to find good ideas for subprojects, especially outside of infrastructure rehabilitation.

NGOs were actively engaged in the programme. The activities promoting social cohesion and inter-ethnic communication included very popular multi-ethnic English classes, winter and summer camps for children and sponsorship of cultural events. NGOs were often used to implement these projects, which demonstrated to municipalities that non-governmental organizations could be effective service delivery providers.

SSMIRP also created a forum for the development of the region. To facilitate common thinking about the needs of southern Serbia, UNDP created a Regional Steering Committee of mayors, government representatives and donors. The committee was a major achievement of the SSMIRP since it provided a forum for Albanian and Serb mayors to meet, exchange information and start a dialogue on common issues pertaining to development. Moreover, the process built trust and an understanding of common concerns.

Economic recovery was partially achieved. Not surprisingly, given the SSMIRP emphasis on capacity-building of municipalities and concentration of resources on the development of participatory processes, the economic recovery objective of

SSMIRP was least successful. It delivered few sub-projects, mostly similar to REP (for example, the clean-up of rivers and public parks, construction of children's playgrounds, rehabilitation of schools). Promotion of entrepreneurship and small-business initiatives was perhaps too ambitious an endeavour in the post-conflict period when economic stabilization was a more immediate need, especially in the absence of a framework for microfinance and given the technical limitations of UNDP staff to facilitate appropriate initiatives.

Lessons. Resource mobilization for REP and SSMIRP has not been difficult, as is often the case in immediate post-conflict interventions.² Donors and the international community were willing to support initiatives that would stabilize the situation and generate quick impact. UNDP used the available funding well and made a significant contribution to the peace-building process in southern Serbia by choosing not only to engage quickly, but with a clear development objective. The funding enabled UNDP to recruit high quality staff and scale-up the programmes.

The initial REP subprojects especially were designed to be highly visible and produce immediate, tangible results. The programme gained popularity and generated considerable interest among the citizens, MZs and municipalities. Direct execution by UNDP did not require setting up new mechanisms or institutions for procurement and disbursement. SSMIRP, in contrast, had a slow start, required explanation of procedures and 'buy-in' from beneficiaries – municipalities, civil society and NGOs. The benefits of SSMIRP – creating local capacity for management of development – were neither immediately obvious nor visible and, at first, might have appeared as a burden, especially in comparison to the easily obtainable outputs of REP.³

Without a doubt, UNDP made the right decision to engage in development alongside rapid recovery. But there are lessons to be drawn from this experience:

1. UNDP initially deposited \$100,000 in each of six Municipal Development Funds.

2. Interviews with UNDP staff and donors confirmed that funding for REP and SSMIRP was not a problem.

3. The mission heard in several interviews that the start-up phase of the SSMIRP was difficult, and would have been easier if more time had been allocated for staff training and for better preparing municipalities to receive the programme. The interviewees noted that the logic of SSMIRP became clear only after municipalities established ownership and gained experience in the process of implementation.

- Rapid economic recovery programmes have high visibility and are popular among beneficiaries, but inflate expectations of what can be delivered.
- Labour-intensive public works programmes are quick fixes and the sustainability of their results, while desired, should not be expected.
- Positive effects achieved by rapid recovery programmes build trust in communities and contribute to an enabling environment for more complex development initiatives.
- While sequencing of rapid recovery and development activities is advised, the initiatives should be managed as components of one programme to maximize benefits and learning among the beneficiaries and programme staff and to minimize administrative costs.
- In multi-ethnic settings, it is important to deliver benefits to all ethnic and minority groups to avoid the perception of unfairness and discrimination.

4.1.4 BUILDING LOCAL CAPACITY FOR DEVELOPMENT

As the security environment improved and the danger of a return to conflict diminished, the priorities in southern Serbia began to shift towards economic needs. UNDP continued its support to the development of southern Serbia with the Municipal Improvement and Revival Programme (MIR) and built on the experience of SSMIRP.¹ The emphasis in MIR was placed on working with local government to strengthen systems for local management and delivery of development assistance.

The environment for development remained difficult. After national elections in 2003, the new Government in Belgrade showed signs of disengagement and, after a very dynamic start, the Coordination Body weakened and underwent a

change in leadership.² The Government had not set policy for the region, and southern Serbia once again experienced marginalization by the Republic's Government in Belgrade.

(1) Municipal Improvement and Revival Programme

The overall objective of MIR was “to contribute to the implementation of national strategies for poverty reduction (PRSP) by strengthening the environment for political stability and community capacity-building in southern Serbia within the decentralization policy of the Republican Government.” MIR organized its activities along three objectives: strengthening municipal capacities for service delivery; strengthening community and civil society structures through participation in municipal planning and identification of key development priorities; and implementing labour-intensive subprojects selected from priority lists to continue economic support for southern Serbia.³

Capacity-building in municipalities was a focal point of MIR. UNDP extended programming in southern Serbia to 11 (out of 13) municipalities. MIR built upon and re-organized structures set up by SSMIRP to increase involvement of the municipalities. And frequent contact and information exchange between the municipalities and UNDP had a positive impact on overall management and supervision of subprojects. UNDP set up Programme Implementation Units in all municipalities covered by the programme. While beneficial to the municipalities, this decentralization of UNDP in southern Serbia made it more difficult for staff to cooperate with each other and to clearly follow management lines.

Project results. The functioning of the Municipal Development Funds, with municipalities nominating a focal person to co-sign payments,⁴ continued. Municipal staff capacity was enhanced through direct participation, but opportunities for professional improvement were also made available to a wider range of administrative and elected of-

1. Some activities of SSMIRP were run concurrently with MIR.

2. The political influence of Dr. Čović, who was a former president of the Coordination Body, subsided after the elections. He was eventually replaced by the state union minister for human and minority rights, Mr. Rasim Ljaić, as president of the Coordination Body in August 2005. The deputy president, Mr. Mica Marcović, resigned in July 2005 after four years in the post.

3. The project extended over the period July 2003 to September 2005 and received a total of €6.5 million from the EAR.

4. All Municipal Development Funds were audited by Deloitte & Touche (April–May 2005). Compliance with UNDP rules was confirmed and no irregularities were found.

ficials. For example, several rounds of training on public procurement, the new Law on Planning and Construction and use of computers and software packages as well as training on communications, public relations and facilitation were delivered.¹ The training benefited municipal staff more than elected representatives who were less willing to commit time.² Some specific training, for example, on the bill of quantities software, was provided to public utilities companies.

The Municipal Development Committees facilitated joint decision-making between municipalities and civil society. MIR placed a clear emphasis on various forms of engagement of municipalities and, in the subproject approval process, engaged them through membership on the committees. The Municipal Development Committees, first developed under SSMIRP, were transformed into nine-member bodies, approved by municipal assemblies, consisting of five municipal and four civil society representatives. The committees were responsible for scoring and approving subproject proposals. Recruitment of civil society members among citizens with some standing and prominence in their communities proved beneficial to the objectivity and transparency of the project approval process. It was recognized that politics played a role and there was pressure on the committees to advance subprojects favoured by mayors and municipal officials. It was reported, however, that as the committees gained recognition for following procedures and open decision-making processes, the attempted ‘interventions’ subsided.

MIR contributed to improvements in the quality of service delivery by municipalities. Conducting business, obtaining documents or even receiving information from municipalities is generally a frustrating experience for citizens in Serbia. Inconvenience, wasted time and the perception that ‘connections’ are necessary for successfully concluding transactions with municipalities harm relations between citizens and local administration.

Issues of improving access to services, streamlining procedures and making them more user-friendly have been addressed throughout Serbia with the organization of Citizen Assistance Centres. These ‘one-stop-shops’ enable citizens to apply for permits, receive documents (such as birth certificates and building licenses), and get information and advice on administrative processes in a professional setting from staff trained in customer service. The demystification of requirements, accessibility of administrative staff and open layout of the centres are also contributing to the transparency of transactions and cut the culture of petty ‘favours’ and gifts that were frequently exchanged in return for services.

After initial hesitancy to open one-stop-shops, municipalities now ask donors to fund them. To date, six one-stop-shops in MIR municipalities of Vranje, Lebane, Leskovac, Bujanovac, Vladicin Han and Bosilegrad have opened.³ Four of these were co-funded by the UNDP programme, CHF and Development Alternatives, Inc. (DAI).⁴ For all municipalities except Bosilegrad, local government co-financing was also provided.

MIR delivered tangible benefits. About half of the MIR budget (€3.3 million) was spent on implementation of subprojects, the value of which amounted to over €6.3 million,⁵ with contributions made by municipalities and others. There was, however, a great deal of frustration with the delivery of some subprojects due to the delays associated with funding for the Coordination Body by the Republic of Serbia.

Local communities were engaged in MIR in the project proposal stage. Communities worked with MZs and MIR facilitators on selecting and preparing proposals and provided the 10 percent required financial contributions. In-kind contributions were accepted and often exceeded the requirements. In some cases, large financial contributions (for example, €100,000 each for two sewage projects) were

1. For a complete list of training sessions, see MIR, Final Report (draft), Annex VIII.

2. There are other organizations, including the OSCE and DAI, that provide training catered to the needs of elected officials.

3. MIR funding for one-stop-shops was €233,800, representing about a third of their total costs.

4. DAI also funded a one-stop-shop in Preševo, and DAI and CHF funded one in Medveđa.

5. The total value of projects was €6.4 million. See MIR, Final Report (draft), Annex V.

collected by communities, which demonstrated their ability to mobilize substantial resources, even in a very poor region, if there is local commitment to a project.

Infrastructure projects were most often proposed and selected (111 out of 145 MIR subprojects were infrastructure).¹ This reflected dire local needs for construction of water, sewage and electrical systems, rehabilitation of schools, and sports and cultural facilities as well as the EAR's decision to devote 80 percent of subproject funding to infrastructure. Because most of the infrastructure projects required skilled labour, and because of the high costs of short-term employment (because of taxes and social security payments), only eight labour-intensive subprojects were implemented. Through these projects and some support for local businesses, MIR created 1,515 short-term jobs. Although local communities benefited from the projects, the MIR model of catering to localized needs was less than ideal since it did not lead to systematic or planned development.

4.1.5 OTHER INTERNATIONAL INTERVENTIONS IN SOUTHERN SERBIA

In the early post-conflict period, the international community brought stabilization and humanitarian aid swiftly and effectively. The United States (USAID/Office of Transition Initiatives), European Union (EAR), the Organization for Security and Cooperation in Europe (OSCE), and the World Bank were all financing programmes along with bilateral donors – the governments of Luxembourg, Norway, Switzerland and Sweden. In retrospect, the cumulative interest in stabilizing southern Serbia may have amounted to an over-reaction, perhaps understandable in the context of recent Balkan and Kosovo crises.

Considerably fewer donors showed interest in long-term development of the region or were willing to fund socio-economic and political activities. OSCE took the lead on political dialogue, training of a multi-ethnic police force and integrating Albanians into the judiciary. USAID funded the Serbia Local Governance Reform Programme, now concluded, with activities in southern Serbia

implemented by DAI. The European Community funded the Regional Socio-economic Development Programme and the Municipal Infrastructure Agency.

The largest programme (with five-year funding of about \$10 million a year) currently operating in southern Serbia is USAID's Community Revitalization through Democratic Action. This community development programme is implemented by Community Housing Finance (CHF). In terms of funding, UNDP implements the second largest international programme in the region. UNDP and CHF work is complementary. The CHF approach focuses on communities and changing the way they work together and with local authorities. UNDP works with local government and opens the door for better interaction and responsiveness of local administration to community needs and priorities.

4.1.6 SUMMARY ASSESSMENT

Clarity in vision and message. The two-pronged approach in southern Serbia – combining improvements in livelihoods through the delivery of immediate impacts and tangible benefits (subprojects) with activities creating an enabling environment for reform of the local administration – has been very effective. UNDP-implemented programmes went beyond responding to local needs and drove the change. The programmes introduced innovation to the frameworks of existing local institutions and built new ones for better delivery of services and management of development aid (through Municipal Development Committees and Municipal Development Funds). The programmes had focus, a clear direction and a message that, in order to prevent conflict, the underlying governance deficiencies must be addressed.

UNDP also sent a clear message that human development is a common good and common goal. Programmes in southern Serbia focused on inclusion and benefited all ethnic groups and minorities. UNDP worked with local officials and their administrations regardless of political affiliation, respecting citizens' will in their electoral choices.

1. For a full list of subprojects and financial reports, see MIR, Final Report (draft), Annex IX.

Flexible programme design. Programmes have been dynamic and tailored to the local political and economic environment. They showed a logical progression from rapid results and high-impact activities (REP) towards process-oriented interventions (SSMIRP and MIR).

(a) Learning from experience. Each consecutive programme showed that experience on the ground was utilized. The local UNDP team learned what worked and what did not work and made adjustments accordingly (for example, there was a shift from working with NGOs to a focus on local administrations between the SSMIRP and MIR programmes; investment in labour-intensive projects decreased to develop projects with more sustainable results). Also, recommendations from programme evaluations were taken seriously and incorporated into new programme design; this was apparent in the design of phase two of MIR.

(b) Focus on process. The programmes emphasized the process of development and the necessity of bringing together local government and civil society. Working on the principle that good governance requires participation and open and transparent decision-making, UNDP fostered dialogue between local government and communities. Through this process, authorities became more aware of local needs and more responsive to them, not only in the time of upcoming elections. Citizens, in return, were increasing their confidence in working with local authorities.

(c) Ownership. Local ownership was delineated by increasing involvement of municipalities, especially in the framework of the MIR programme, in day-to-day management decisions on subproject selection, financing, procurement and technical supervision. The UNDP-supported programme team worked with and through municipal structures, and strengthened and modified them when necessary.¹ New institutions for municipalities (Municipal Development Funds, Citizen Assistance Centres)

were developed to respond to citizens' needs more efficiently and effectively.

(d) Rules and procedures. The transparency of UNDP's rules and procedures and an open-door policy were steps taken to break down the culture of nepotism and favouritism. Project documents and practices were adapted for doing business with municipalities (Leskovac public utility company, for example, now uses UNDP-inspired procurement practices).

(e) Partnerships. UNDP engaged local government structures, MZs, elected officials and bureaucracies in municipalities in sharing responsibility for the process of decision-making as well as the management and implementation of development assistance. Through development of a Regional Steering Committee, UNDP fostered cooperation among local mayors, government representatives and the Coordination Body. UNDP also formed partnerships with other international organizations for joint implementation and co-financing of some subprojects.

Effective local team. The UNDP South Serbia programme team contributed significantly to the effectiveness of programmes and the accomplishment of results.² The team is professional, motivated and engaged in day-to-day programme implementation. Over 40 team members are local residents who, in addition to direct knowledge of local conditions, have a stake in the programme's success. Indeed, they are and will be beneficiaries of long-term development of southern Serbia. Many team members worked for UNDP for several years and on several programmes, and consequently have developed knowledge and experience to contribute to better programme design. The mission observed cordial and professional relations between UNDP and municipal staff. The UNDP leadership is strong and encourages participatory programme decisions, exchange of knowledge and information-sharing.

1. Building structures for the delivery of development aid outside of local institutions may allow for better efficiency and gives the implementing organization/donor more control over the process. However, the drawback of 'parallel structures' is lack of sustainability and local ownership. The criticism of building parallel structures has been expressed in regard to the USAID/Community Revitalization through Democratic Action programme. See: USAID. 2004. CRDA Evaluation.

2. This assessment was formed through interviews with UNDP staff, municipal representative and donors, who made positive comments about the South Serbia programme team. Similar assessments were made by other missions (see SSMIRP/MIR and MIR Mid-Term Reviews).

On the other hand, in MIR, the geographic spread of Project Implementation Units, the every-day issues of implementation as well as a cumbersome organizational structure diverted the team's attention away from the overall aim of the programme. This issue was addressed, and corrected, through a new organizational structure and new job descriptions¹ that linked performance to results. UNDP applied an innovative approach to management in southern Serbia: all staff had to re-apply and compete for the new positions that were created for the implementation of the MIR 2 programme. This decision was controversial and brought anxiety to the staff. But it also enabled UNDP to practise modern management and utilize the strategic planning practices it wants to introduce to municipalities in southern Serbia.

Transfer of knowledge. UNDP facilitated transfer of knowledge on development, passing it on to municipalities. This has been accomplished through training linked to the application of knowledge, skills improvement and participation in a process that is changing perceptions as to how things should work. The language of rules and procedures is starting to be used by mayors in discussions on development. The newly acquired knowledge, and the experience gained through participation in UNDP-implemented projects enables municipalities and mayors to be better positioned to seek development aid from other donors.

Excellent donor coordination. International organizations working in southern Serbia – UNDP, CHF, OSCE and, until its recent departure, DAI – have developed strong and effective working relationships. For example, care is taken to avoid duplication of efforts, and some subprojects are co-financed (for example, one-stop-shops as well as larger infrastructure projects). Information and ideas are exchanged informally and in regular meetings among the local

team leaders of international organizations.² All international organizations are also working with the Coordinating Body and the Regional Steering Committee. UNDP work in southern Serbia was recognized by the funding donors for high-quality results and effectiveness of approach. UNDP is perceived as a valuable and trusted partner for the implementation of donors' resources.

High visibility. UNDP is very well known in southern Serbia. In the five years it has had a presence there, UNDP formed effective partnerships at the local level, implemented several million dollars' worth of development aid and has a wide geographic reach with Programme Implementation Units in 11 municipalities. Thousands of people benefited from job opportunities created by donor-funded and UNDP-implemented projects, many more are beneficiaries of infrastructure improvements and have better access to municipal services. Anecdotal evidence³ indicates that programmes like REP are still remembered in villages where they were implemented. Surveys conducted during MIR showed that up to 50 percent of the population in southern Serbia were aware of the UNDP-implemented programme.⁴

While perceptions and numbers suggest excellent results for UNDP in southern Serbia, there are two drawbacks to the high degree of visibility that has been attributed to the organization. First, affiliation of UNDP with aid management and delivery adds to the local perception that aid comes from outside and perpetuates a 'culture of expectation.' It also overshadows the role that local actors – municipalities and communities – play in the process of change and reform in the region. Second, high visibility of UNDP retracts the visibility of donors. Some donors indicated to the ADR team that greater attention should be paid to the attribution and publicity given to the donors.

1. *Municipal Improvement and Revival (MIR) Programme Phase II, Towards Greater Efficiency and Effectiveness: Improved Management and Implementation.*

2. In interviews with the mission, recognition and credit for the positive role in fostering good working relationships among the international organizations in South Serbia was given to a UNDP programme manager.

3. Mission interviews with UNDP staff, 5–6 December 2005.

4. MIR, Final Report (draft), p. 6.

Uncoordinated and ad hoc development efforts.

The primary mode of delivery of tangible benefits to communities in southern Serbia has been through infrastructure rehabilitation subprojects. In the three programmes, UNDP worked on over 300 subprojects that varied in size and type and included water and sewage, electrical works, the building and repairing of schools, bus stops and roads, and cleaning of rivers, parks and green areas. These improvements, in a geographic area that has been under-invested in and poorly maintained by the Government, made an immediate difference to beneficiaries and to local communities who requested and made an effort to secure matching funds for implementation. Subprojects were also an important entry point for UNDP for other interventions in the area and offered incentives for municipalities to become involved in the process of participatory decision-making.

However, as much as the subprojects may have reflected the needs and priorities of local communities, the result was an ad hoc development effort. Lack of coordination, planning and insufficient procedures to prevent capture by local interests at times stimulated competition rather than cooperation and had a negative impact on the overall efficiency and effectiveness of development assistance for the region.

On the positive side, UNDP-implemented programmes and UNDP staff working at Project Implementation Units helped municipalities gain experience in the process of subproject delivery. Local administrations, however, continued to be more reactive than proactive in responding to needs and requests. By its willingness to support infrastructure projects, UNDP might have also sent a message that infrastructure should be a priority for development planning rather than a stimulus for business and services development.

4.1.7 CONCLUSIONS AND RECOMMENDATIONS

Poor governance is seen as one of the root causes of conflict. The UNDP-implemented programmes in southern Serbia provide a textbook example of how governance-oriented interventions can be executed in a post-conflict environment. The drivers of success for the programmes and for UNDP in south-

ern Serbia are found in innovative approaches to respond to conflict and the excellence of the local staff and UNDP local management team. UNDP was an effective catalyst for change at the local level by building capacity, introducing new thinking, bringing knowledge of democratic processes and implementing effective local mechanisms for delivery of development assistance. The overall recommendation, reflecting endorsement of the programme and the team's achievements, is that UNDP should continue its support of programmes in southern Serbia.

However, some adjustments may be necessary. UNDP in southern Serbia played the role of 'reform driver', and it should continue to advocate for more reforms, especially in the areas of municipal and regional strategic planning. Development in the region can only happen if there is cooperation and collaboration among local actors. UNDP is aware of these challenges. The programme document for Municipal Improvement and Revival Phase 2 reflects the donors' and UNDP's emphasis on building "*local government capacities so that southern Serbia municipalities, individually and jointly, plan and take strategic action to achieve the sustainable economic and social development of the region and fulfil their obligations to citizens.*"¹ UNDP, with its wide geographic reach and internal institutional capacity for coordination among municipalities, is well positioned to deliver results.

To date, the South Serbia programmes implemented by UNDP have operated more as stand-alone activities rather than as part of an integrated UNDP programme in Serbia. Although there are formal institutional linkages, the UNDP South Serbia office and its programmes are not well incorporated into Country Office structures. Under the CCF (2002-2004), the South Serbia programmes were placed – appropriately – under the crisis prevention and recovery cluster. In the CPD (2005-2009), South Serbia programmes are included as part of the sustainable development objective and their results are targeted to contribute to MDGs 1, 7 and 8. Under the current organizational structure of the UNDP Serbia Country Office, MIR and MIR2 and the local team are not attached to any cluster.

1. Municipal Improvement and Revival Programme (MIR) Phase II. Programme document, p. 6.

Arguably, these are only bureaucratic arrangements, but they have an effect on perceptions. UNDP staff in Belgrade and in southern Serbia have little interaction, and this adversely impacts the potential of and opportunities for knowledge exchange and learning. UNDP management in Belgrade have increased the frequency of their visits to southern Serbia and have made more efforts recently to be better informed and more engaged in programmes there. These gestures have been appreciated by the local South Serbia team, but more needs to be done in terms of advocacy for and increasing the visibility of these programmes in Belgrade.

In light of the increasing focus on capacity-building of local government structures and with the emphasis on regional strategic planning, the South Serbia team will need to increase their own capacities to deliver on these objectives. The professional knowledge and experience of UNDP in capacity-building, institutional development and decentralization should be better utilized. Potential should be explored for linkages with the Belgrade-run local governance and decentralization programmes: for example, the programme in Sandžac and MIR 2. Finally, the UNDP Country Office should explore how to best utilize lessons that the South Serbia team and programmes generated. UNDP Vranje has done an excellent job staying tuned to local needs in a volatile environment; it remained innovative, dynamic and willing to take risks to stimulate much needed changes in the region that will remain a challenge to development for many years to come.

4.2 SOCIAL INCLUSION, POVERTY REDUCTION AND ECONOMIC DEVELOPMENT

Protection and social inclusion of the most vulnerable requires sound policy as well as opportunities for participation in the economy. Although the state takes the lead on policy-making and the private sector on job creation, there is a role for civil society in economic development. Civil society can advocate for the poor, provide social services, gather and disseminate research and information.

It can also keep Government and the private sector accountable (for example, by monitoring labour laws). However, bringing together two parties that are not natural allies to work for the poor and the vulnerable is a challenge.

UNDP began to respond to this challenge through civil society strengthening activities soon after programming resumed in Serbia in 2001. It has since refined its approach to poverty reduction through socially responsible economic development. Under a broad objective of democratic governance established in the CCF 2002-2004, UNDP developed and implemented two projects for the Ministry of Social Affairs as part of the Civil Society Development Programme: support for the preparation of the Poverty Reduction Strategy Paper (PRSP) and for the Social Innovation Fund (SIF). These projects were established as part of a programme supporting policy dialogue between the Government and civil society. The third project, Beautiful Serbia, was designed as a stand-alone project. It represented UNDP efforts to replicate a successful project in Bulgaria that served as an entry into economic development: the objective of the 'Beautiful Bulgaria' project was to use active labour-market measures to target unemployment among the most vulnerable.

At present, the three projects are managed by the poverty reduction and economic development (PRED) cluster formed in March 2005. The cluster is a strategic response by UNDP to consolidate its experience in working with civil society, Government and the private sector on poverty-related issues. However, at their inception, the projects were designed to support the CCF strategic objective of developing democratic governance in Serbia and pre-date the formulation of the strategy for the PRED cluster. Therefore, the projects are not assessed in regard to the current UNDP and PRED approach to social inclusion, poverty reduction and economic development. Rather, this section focuses on an assessment of these projects as discrete units and the lessons that they generated. The three projects reviewed here were previously evaluated, and the following sections draw information from these studies.¹

1. Civil Society Advisory Committee and the Social Innovation Fund: Allen, R. May 2005. *UNDP Serbia Civil Society Development Programme. Mid-term Review Final Report*; Beautiful Serbia: Allen, R. December 2004. *Beautiful Serbia. Mid-term Review* and GfK. December 2005; *Evaluation of the 'Beautiful Serbia' Project*.

4.2.1 CIVIL SOCIETY INCLUSION IN PRSP PREPARATION, IMPLEMENTATION AND MONITORING

In the early transition period, the World Bank and the IMF assessed Yugoslavia as a low-income country, and, in April 2002, asked the Government of FRY to prepare a national document on poverty reduction. The process of drafting the Poverty Reduction Strategy Paper (PRSP) was separate for Serbia and Montenegro: Each republic produced a document relevant to its national needs and goals. In Montenegro, admitting that poverty was a problem was a major challenge to the PRSP process. In contrast, in Serbia there was little doubt that poverty was a major obstacle to the country's development; the Serbian Government also recognized that poverty was most widespread among the vulnerable.

The Ministry of Social Affairs of Serbia, whose mandate included the protection and provision of social services to the vulnerable, was given the lead and assigned the coordination function for the PRSP process.¹ Once drafted and approved in October 2003, the PRS became the Government's primary framework for macroeconomic and market reforms. The Deputy Prime Minister's Office is currently designated as the focal point for coordinating PRS implementation. However, as Serbia continues to improve its economic performance, the designation of a PRSP country is increasingly being questioned. The new national development strategy is likely to focus more on economic stability and EU accession and give less prominence to the issue of poverty.

UNDP project response.² Consultation between civil society and the Government as well as inclusion of civil society in the preparation, implementation and monitoring of the PRS is a World Bank requirement. The Ministry of Social Affairs had previous experience with UNDP, through the Capacity Building Fund, and asked UNDP to facilitate the engagement of civil society in the process. UNDP set up one of seven PRSP advisory com-

mittees, a Civil Society Advisory Committee, and facilitated a consultative process between the committee and the Government between December 2002 and September 2003.

The World Bank requirement for civil society participation in the PRSP does not specify a format or method of consultation. Nor does it define civil society. Based on the experience of other countries, NGOs, trade unions, publicly funded national and local media, think-tanks, research institutes as well as citizens associations were included in conceptualizing the Civil Society Advisory Committee. Eventually, to avoid conflict of interest, the think-tanks and university experts who played a role in drafting the PRSP on behalf of the Government, were excluded from participation in the committee. The media were not interested in drafting the PRSP and the trade unions decided to form a separate advisory committee.

The final Civil Society Advisory Committee was formed by UNDP and Catholic Relief Services – designated by the World Bank to oversee the consultative process – with membership drawn from established NGOs and NGO networks. Funding (\$27,450) for setting up and operating the committee was provided by the Canadian International Development Agency (CIDA); EAR covered the consultation process (around \$130,000 from a larger EAR-funded programme, which also included support to the Social Innovation Fund).

Participation in the PRSP process was an opportunity for NGOs sitting on the committee to share their views and act as a channel for the perspectives of a larger group of civil society organizations, associations, groups and individuals solicited in the process of preparation for the talks with the Government. As both sides lacked capacity and experience in policy dialogue and negotiation, the talks were difficult and hampered by distrust and a history of tense relations between NGOs and Government. Communication issues persisted: Government experts used PRSP 'exclu-

1. The Ministry of Social Affairs set up a PRSP Management Unit, funded by the World Bank (\$250,000) and DFID (\$300,000). Additional funding for projects implemented in the consultative PRSP process was obtained from a variety of donors on a per-project basis.

2. The role of UNDP in the PRSP process in Serbia was different and more limited than the role of UNDP in a parallel process in Montenegro, where UNDP coordinated and facilitated the process and provided substantial technical assistance to the Government.

sionary' jargon of policy speak and the committee had problems translating field experience into policy recommendations. There were also internal divisions in the committee over its role and the impact it was having on the process (that is, was the committee engaged by the Government only for legitimizing the process?).¹ Overall, the process was described by the NGOs and UNDP as frustrating and time-consuming. It was also conducted under exceptionally tight deadlines – 10 months rather than the usual two years allocated by the World Bank in other countries. The process was further disrupted by the state of emergency imposed following the assassination of the prime minister.

Project results. Despite these problems, the Civil Society Advisory Committee – with UNDP support – accomplished the process of consulting with the Government on time and, through its networks, worked with about 250 organizations. The committee submitted comments on two drafts of the PRSP. Through these inputs and continued negotiations, the final draft of the PRSP placed greater emphasis on issues of interest to NGOs – the environment, corruption, a human rights-based approach to poverty and gender sensitive analysis. The most formative input of the committee to the PRSP has been advocacy for the vulnerable – especially refugees, IDPs and the Roma – and raising the profile of these excluded groups in the final document. From the Government's perspective, the consultations with the advisory committee expanded its understanding and awareness of poverty and pointed to potential solutions.

UNDP role and contribution. Under deadlines and with pressure to deliver input into the PRSP from a group it coordinated, UNDP focused on making the Civil Society Advisory Committee

work and on overcoming multiple internal disputes that were a permanent feature of it. Within the confines of the process, UNDP handled the facilitation of dialogue between of the committee and the Government well. As an international organization, UNDP was well positioned to facilitate discussion and debate due to the perception of UNDP as a neutral arbiter. The UNDP role as coach and gentle mentor was much appreciated. It helped the group reach consensus and maintain focus in discussions, internally and with government counterparts. UNDP's active approach was assessed as sensible and 'not overly prescriptive'.² NGOs appreciated UNDP for helping them build capacity in negotiation and for improving their standing vis-à-vis the Government.

Although the Civil Society Advisory Committee and the Government were satisfied with the process, questions have been raised about the possibly too narrow representation of civil society by the committee and its adherence to the principle of consensus endorsed by UNDP.³ The latter might have led to an over-representation of views of a minority with stronger powers of persuasion and better knowledge of the subject.⁴ However, it is impossible to tell if a differently facilitated PRSP consultation process could have led to better advocacy on behalf of civil society and given it a stronger voice in the implementation process. UNDP could have chosen a different, broader and more inclusive approach to the consultation process, but the overall delay in establishing a dialogue with civil society in the implementation and monitoring of the PRSP occurred on the government side: There was a change in leadership and time was needed before the Government was able to re-commit itself to the PRS. The *First Progress Report on the Implementation of PRSP* shows no evidence

1. A good analysis of the process is presented in: UNDP. May 2004. Action Reflection Note on Poverty Reduction (Civic Engagement in Practice). The difficulty of the dialogue was also conveyed in interviews in Belgrade in December 2005.

2. Allen. *UNDP Serbia Civil Society Development Programme*, p. 13.

3. See discussion in: Allen. *UNDP Serbia Civil Society Development Programme*, pp. 13-19 and UNDP. Action Reflection Note, p. 2.

4. For example, the issues of refugees and IDPs were of greater general concern to Grupa 484 than other NGO members of the committee. Grupa 484 is a dynamic NGO that focuses on problems of refugees and IDPs in Serbia. Without the strong presence of the Grupa 484 and its chairmanship of the Civil Society Advisory Committee, the issue of refugees and IDPs may not have been so heavily emphasized.

of government effort towards civil society inclusion, apart from restating the importance of the consultative mechanism.

Lessons. From the outset, UNDP recognized that the PRSP may have a limited duration and relevance in the context of Serbia, and that increasing importance will be given to the EU social inclusion agenda. UNDP seriously re-examined the role it had played in the PRSP process and published a Poverty Reduction in Serbia. The Role of Civil Society report in 2005. The report critically reviews the PRS and explores, through policy advice and examples from the field, civil society entry points into the poverty-reduction initiatives.

When the Government re-committed itself to the PRS in January 2006, the lessons learned through the process of facilitating civil society engagement were used to define a broader scope for civil society inclusion in PRS implementation and monitoring. A joint UNDP-Government of Serbia agreement concluded that the government PRS team will have direct interaction with civil society organizations (CSOs). UNDP will continue to support selected CSOs, focusing on themes relevant for poverty alleviation, rather than providing support to permanent structures such as the Civil Society Advisory Committee. The agreement also pointed out that, from the government perspective, UNDP has fulfilled its role in the phase of PRSP formulation and that CSOs have been empowered to engage directly in policy dialogue with Government.

4.2.2 SOCIAL WELFARE REFORM: THE SOCIAL INNOVATION FUND

The new democratic Government of Serbia had a strong commitment to social welfare reform and was prepared to experiment in search of solutions to social service delivery problems. Minimal attention had been paid to social services by the Milošević regime and, consequently, the sector operated in the old socialist framework of centralized policy with heavy bureaucracy and limited resources. The Ministry of Social Affairs – now transformed into the Ministry of Labour, Employment and Social Policy – set up the Social Innovation Fund (SIF) as a model of a reform mechanism

in the social service delivery sector that would follow the principles of diversification of services, pluralism of service providers, better outreach and a rights-based approach. This new, fast-track mechanism was designed to address the problems of poor choice and quality of services at the local level by emphasizing pluralism among service providers, engaging NGOs in the sector, and creating local-level demand for their services. Further, the SIF was designed as a mechanism for information-gathering and transfer of knowledge from the local to the central ministry level to better inform social policy-making.

The Ministry of Social Affairs made a decision to align SIF interventions with the PRSP recommendations and to focus on the most vulnerable populations in the projects. To date, SIF projects have responded to the needs of children (especially the abused and those without parental care), the elderly, people with disabilities and families at risk. SIF activities have promoted services fostering social inclusion and de-institutionalization through the establishment of day-care services, foster care, halfway houses, guardianships and support for families providing home care. SIF also funded counselling services and shelters as well as advocacy and awareness-raising initiatives (for example, against domestic violence).¹

At the municipal level, SIF works with the Centres for Social Work that represent part of a well-established government institutional framework from the socialist period: SIF works with centres on their gradual modernization by including them in the implementation of time-limited innovative projects. However, the main innovation of SIF is the introduction of partnerships between public institutions – Centres for Social Work, for example – and civil society organizations to expand the range and outreach of services and to upgrade their quality.

UNDP programme response. In 2002–2003, when the SIF was conceptualized, the UNDP approach to civil society development focused on the NGO sector. Hence, UNDP welcomed an opportunity to help strengthen NGOs as service providers and was happy to engage with the Ministry

1. For a list of 88 projects funded in the first two rounds of the SIF see: Ministry of Labour, Employment and Social Policy. June 2005. *Social Innovation Fund. Achieving Changes Through Partnership*, Annexes 1 and 2.

of Social Affairs to make the Social Innovation Fund operational. From the beginning, and based on the lessons drawn from the Capacity Building Fund, it was UNDP's intention to develop SIF as a programme that will have strong ministry identity and ownership.

Under the guidelines of the Fund's Operational Manual,¹ UNDP set up the management tools for the implementation of the SIF, including the creation of the SIF unit at the ministry, developing appraisal criteria for projects, project recording systems and tendering procedures. UNDP also put in place a process – based on the principles of voluntary practice sharing and adoption – for feedback of local experience to the national level. It also selected six NGOs as monitoring and evaluation units for the SIF programme.²

SIF funding for local-level projects is provided jointly by the Government of Serbia and donors (the Government of Norway and EAR through UNDP).³ The programme is managed and implemented for the Ministry of Social Affairs/Ministry of Labour, Employment and Social Policy by the UNDP-supported SIF management unit located at the ministry. The operating costs of SIF management unit are covered by EAR. It has been agreed among UNDP, EAR and the Ministry of Labour, Employment and Social Policy that, by end-2008, SIF will transition into a fixed mechanism at the ministry.

Programme results. UNDP success in fostering national ownership of the SIF makes it difficult to distinguish between the results achieved by the

Fund and the results of UNDP implementation support to the programme. SIF is a well-regarded, effective and influential social programme, operating throughout Serbia.⁴ The programme engages NGOs as social welfare providers, continues to build their capacity for service delivery and to bridge the gap between statutory welfare provision agencies and NGOs at the local level.⁵ The experience and lessons of the SIF programme provided key inputs to the Social Welfare Reform Strategy, adopted in December 2005.

A similar difficulty in attribution of results applies to the SIF management unit. The SIF unit is administratively linked to UNDP through management lines and work plans, but it is located in the Ministry of Labour, Employment and Social Policy and perceives itself as part of the ministry. An independent evaluation found the unit to have done a very good job.⁶ It fully operationalized the programme and manages it professionally and transparently. The SIF unit has capacity for project review and policy advice, evidenced by the participation of its members in the drafting of the social welfare strategy. The ministry is satisfied with the unit and sees its role expanding in the future through planned SIF initiatives, that is, the implementation of the new strategy.

As was intended by the Operational Manual and UNDP project documents, the SIF management unit has become a primary mechanism for gathering information and for feeding it back into the government policy process: The SIF unit contributed to policy-making, encouraged innovation by highlighting local-level experience

1. Ministry of Social Affairs. June 2003. *Social Innovation Fund: Empowering the Poor and Vulnerable. Operational Manual.*

2. The inclusion of six NGOs as SIF monitoring and evaluation units is a clear example of linking civil society engagement in monitoring poverty alleviation interventions with monitoring of SIF activities as a mechanism for PRSP implementation.

3. In the first round of funding (2003–2004), the Government of Serbia provided approximately €700,000 and the Government of Norway, €1.5 million. In the second round (2005), the Government of Serbia gave 25 million dinars and EAR €0.9 million (through the CARDS account).

4. A beneficiary survey showed a very high degree of satisfaction (over 90 percent) with the services provided by the SIF. This result should be interpreted with caution, however. If not for the 'innovative', that is, otherwise unavailable services, the beneficiaries would have been unlikely to receive any support under the current rules. However, if interpreted more broadly, the high degree of satisfaction can be a proxy indicator for the quality of services received. The survey was conducted by the NGO monitoring and evaluation units of the SIF. Source: SIF. 2005. *Beneficiary Assessment.*

5. In the first call for proposals (not funded by EAR/UNDP), government support was primarily targeting institutions for social protection – Centres for Social Work and residential institutions; while the partnerships with NGOs/CSOs were possible, they were not mandatory. In the second call for proposals in 2005, due to EAR/UNDP funding requirements, a public-CSO partnership became a condition for obtaining SIF grants. Only in the third round (in progress), are municipalities able to apply to the SIF directly for project funding.

6. Allen, *UNDP Serbia Civil Society Development Programme*, pp. 22–32.

to the ministry and provided extensive advice to NGOs working in the welfare service provision sector. The SIF unit also contributed to capacity-building in the ministry through an initiative of secondment of ministry staff to the SIF.

UNDP role and contribution. The primary contribution of UNDP to the Social Innovation Fund was to design a sound programme and to select a professional team to manage it. UNDP carefully maintained a distance from the programme to encourage ministry ownership and engagement in the programme. At the same time, given the political volatility and change of Government, including major restructuring of the ministry, it was also important for the programme to have UNDP-EAR support; this ensured the survival of SIF in a time of transition and the continuous commitment to the SIF model by the ministry and the Government. Furthermore, civil society inclusion in service provision and monitoring of SIF activities would not have taken place without strong encouragement from UNDP and the EAR.

Ministry ownership of SIF leaves the issue of accountability for the programme and the SIF unit somewhat unresolved. A Steering Committee to provide oversight for the SIF has been formally constituted. But the ministry did not organize regular meetings of the committee. This limited the ability of the committee to act as a management mechanism, with responsibilities regarding SIF operations and accountability. Accountability is maintained through UNDP and ministry meetings and the exchange of official correspondence related to SIF operations to ensure that the Operations Manual and EAR-UNDP project documents and agreements are followed. UNDP maintains regular consultations with the SIF unit and has clear reporting and management lines.

4.2.3 VOCATIONAL TRAINING AND TEMPORARY JOBS: BEAUTIFUL SERBIA

After the assassination of the prime minister in March 2003, the Government expressed a need to the donors for a project that could visibly demonstrate continued international support for Serbia.

Among the ideas considered was the replication of a UNDP-implemented programme in Bulgaria, that had caught the imagination of the Government and donors. ‘Beautiful Bulgaria’ was perceived to be a successful programme with high impact and visibility.¹ In contrast, Beautiful Serbia turned out to be perhaps the most problem-ridden project in the UNDP portfolio. The project was poorly designed, executed with great difficulty and required several mid-course corrections in management and implementation. Leadership change at the national and local government levels (UNDP counterparts) and changes among the donors’ staff multiplied problems since, with each change, UNDP had to get all sides re-committed by explaining the project’s complex nature.

The two components of Beautiful Serbia – improving the urban environment and creating temporary jobs by targeting the most vulnerable among the unemployed (refugees, IDPs and Roma) – were to be combined at sites selected for beautification. Temporary workers were to receive vocational training and gain experience for future employment. The temporary employment approach was designed in a larger framework of contributions to poverty alleviation in Serbia.

UNDP project response. UNDP, under pressure to start the project very quickly, essentially copied the Beautiful Bulgaria model without assessing needs or giving any consideration to the disparity in funding of the two projects (Beautiful Bulgaria had funding of about €40 million; Beautiful Serbia, on the other hand, had a budget of only \$2.5 million, from CIDA and the governments of Austria, Greece and the Netherlands, for the period 2003 to 2005). Furthermore, the site selection was not completed prior to signing the agreements with the Ministry of Labour, Employment and Social Policy and the city of Belgrade. Because municipal co-funding was required, large cities with bigger resources were chosen – Belgrade, Niš in southern Serbia and Novi Sad in Vojvodina; Novi Sad was replaced later by the much smaller municipality of Zrenjanin, also in Vojvodina.

Beautiful Serbia was a pilot project that was nationally executed, and a National Programme

1. UNDP Evaluation Office. 2003. *Bulgaria. Country Evaluation: Assessment of Development Results*, especially pp. 42-45.

Management Unit was set up at the ministry. However, there was a lack of clarity in lines of responsibility for implementation, given the fact that the subprojects were executed at the municipal level. A mixed NEX-DEX modality became a necessary tool for carrying out large procurement processes by international UNDP standards.

Several problems emerged as a result of an unrealistic project design: targets were not met (80 percent of the temporary workers were to be recruited from the ranks of the unemployed¹); contractors were inexperienced and required to bid on complex tenders required by UNDP procedures; a focus was placed on the restoration of historic buildings² that called for highly-skilled labour that was difficult to find; and negotiations were difficult with the Institute for the Protection of Cultural Monuments. All these combined to delay the project considerably. With very little progress by mid-2004, it became obvious that the programme was in serious trouble.

UNDP took corrective measures that made it possible to finish the project. A new (and third) programme manager was hired and was able to turn the project around. An evaluation was carried out³ and provided solid management recommendations that were followed. A study tour to Bulgaria for project counterparts was also organized to learn from that country's experience.

Project results. The outputs of Beautiful Serbia were modest: 34 facades and one pedestrian pathway were renovated (22 sites were refurbished in Belgrade, 11 in Niš and 2 in Zrenjanin); 321 unemployed people got temporary jobs and 238 (out of 252) completed vocational training. The programme fell short of all of its expected results, including alleviation of unemployment problems

in the targeted municipalities, contributing to the skills of the labour force, regenerating the urban environment, generating civic pride and optimism among citizens, and supporting decentralization and local governance.⁴ The high expectations of the Beautiful Serbia programme were the root of the problem: The project was not clear in its objectives, lacked focus and attempted to solve too many problems at the same time. UNDP had separate agreements with each donor and, in the absence of a coordination mechanism, donors expected Beautiful Serbia to focus on the issues they were interested in (that is, employment of the Roma and development of local enterprises). Although there was some effort to publicize Beautiful Serbia, the project was not recognized or associated with UNDP.⁵ This may be seen as a positive result considering how poorly the project performed.

Lessons. Copying a model from Bulgaria without adapting it to the Serbian context was a clear mistake made by UNDP in designing Beautiful Serbia. However, the more fundamental problem accounting for failure was the lack of UNDP capacity and experience in implementing the project. Beautiful Serbia was intended to be UNDP's entry into employment promotion through active labour-market measures. As UNDP was just beginning to gain expertise in the provision of vocational training, promotion of small- and medium-sized enterprises and working with the National Employment Services, the field was already crowded. Other donors – the World Bank, EAR, DFID, SIDA and the International Labour Organization (ILO) – had made substantive investments, developed capacity and strategies for targeting Serbia's unemployment several years prior to UNDP involvement. Arguably, the UNDP focus on the vulnerable could have been a valuable

1. This requirement was later amended to a more realistic target of 50 percent, on average, when it became clear that there was a lack of interest and motivation among many of the unemployed to get jobs offered by Beautiful Serbia subprojects. The contractors were also not willing to employ unskilled labour and complained about poor work habits.

2. Not all sites were of historical value. Beautiful Serbia also renovated facades of private residences and commercial restaurants.

3. Allen, R. December 2004. Beautiful Serbia. Mid-term Review.

4. UNDP. December 2005. *Beautiful Serbia. Final Report*. Eight expected results are listed on pp. 3-4.

5. GfK. December 2005. *Evaluation of the 'Beautiful Serbia' Project*. This is a survey report of perceptions among project participants, not an analytical evaluation. See pp. 12-13 for a discussion of survey results of general public awareness of 'Beautiful Serbia'.

contribution. However, for practical reasons,¹ it was not realized.

Further, the role of UNDP as a broker among donors, the Ministry of Labour, Employment and Social Policy and the municipalities might have unnecessarily complicated implementation by adding layers of procedures and administration. For the Beautiful Bulgaria programme, UNDP had set up a system of procedures for implementation and coordination of a large programme with a wide national reach. UNDP in Bulgaria was also engaged by donors to assure overall accountability of the programme. For a much smaller Beautiful Serbia programme, similar functions played by UNDP brought redundancy and debatable utility.

Beautiful Serbia was certainly a learning experience for UNDP, although at over \$2 million dollars it was an expensive one. UNDP attempted to use it to mobilize resources for the continuation of Beautiful Serbia, but it is the donors who learned the lesson. As Beautiful Serbia never generated the energy or impact that it promised, it will not continue.

4.2.4 CONCLUSIONS AND RECOMMENDATIONS

Poverty is and will be, at least in the near future, a challenge to Serbia. Drawing on the experience of the non-implementation of the PRSP and looking at development from a rights-based perspective, UNDP correctly assessed that targeting the needs of the most disadvantaged among the poor will fall on donors. However, the programmes that UNDP implemented under the umbrella of democratic governance, civil society development, and economic empowerment of the poor and vulnerable had, at best, a limited impact. The Social Innovation Fund is a notable exception. However, as argued above, the primary UNDP contribution to SIF was to facilitate national ownership of the programme. The work with the Civil Society Advisory Committee was effective in the short run: It enabled completion of the PRSP, but the weak commitment of the Government has stalled further collaboration with civil society. Beautiful Serbia provided example of an intervention where UNDP involvement was more of an obstacle than an asset to the efficiency and effectiveness of a project.

Social inclusion. Through a review of its experience as a broker between the Government and civil society, UNDP has refined its approach to social inclusion and poverty reduction. The new poverty reduction and economic growth cluster represents UNDP's effort to address poverty across sectors from a socio-economic perspective. The PRED cluster will focus on social inclusion and civil society development for monitoring poverty-related interventions, and support to civil society organizations to advocate for pro-poor legal frameworks. The cluster will also work on the accreditation of NGOs in relation to social services provision and provide assistance to the Serbian Parliament to monitor PRS implementation.

The cluster is still developing programmes, hence any review of its efforts is not yet possible. However, caution is advised against overly high ambitions, especially in light of a volatile commitment of Government.

A cluster may want to establish linkages to complement other initiatives undertaken by UNDP. The human security cluster is focusing on support for the vulnerable (refugees, IDPs, Roma) and is developing programmes with NGOs. These activities could benefit from inclusion of a socio-economic component – for example, strengthening NGOs as service delivery providers – or could be cautiously expanded into small business development for the disadvantaged to bring them out of poverty.

Economic development. Economic development of Serbia requires structural reforms, fundamental interventions into the labour market, strengthening the market economy and private sector, large resources and access to expertise that are beyond the scope of UNDP as a relatively small player in Serbia. UNDP should focus on where and how it can be effective and scale down the aspirations it set out for itself. In the current political climate, support to government capacity-building (for example, the Ministry of Labour, Employment and Social Policy) or attempting to work with the Government so that *“patterns of pro-poor and pro-job growth [are] incorporated into key strategies at central and local level”*¹ do not promise sustainable

1. Inability to find enough candidates among the targeted vulnerable groups and the reluctance of refugees, IDPs and Roma to participate. yu/areas/?area=IDPAR for a description of the strategies and programmes of the institutional development cluster.

results: Serbia already has many strategies, but they are not being implemented. UNDP may be able to liaise with and foster development of the private sector in niche areas at the local level. But any initiatives to establish economic development projects should also be evaluated against UNDP's existing internal capacity and experience, which are limited.

In 2005, UNDP began to explore the feasibility of launching a programme in support of the private sector. One major legacy of the socialist system is the high level of mistrust and lack of communication between the public sector, private sector and civil society in Serbia, although the PRSP process began to break down some of the barriers between civil society and Government. The general thrust of the UNDP strategy is to find ways and means of securing the involvement of the private sector as a partner in development, with a focus on poverty, vulnerable groups, local development and corporate social responsibility. With grant funding from UNDP, the strategy has resulted in three new projects: Promotion of Corporate Social Responsibility, Sustainable Barriers for Poverty Alleviation, and Public-Private Partnerships for a Knowledge-based Economy. The first two are related to UNDP global initiatives (that is, the Global Compact). It is too early yet to know if these projects will generate other projects or attract donor funding. Additional attention could be focused on developing the private sector at the local level through reform of services delivery. For example, with projects already under way at the local level (for example, programmes in South Serbia), UNDP could advocate and support alternative municipal services delivery through the formation of public-private partnerships, contracting out and outsourcing.

4.3 INSTITUTIONAL DEVELOPMENT

The institutional development cluster or thematic area supports the state union and Serbian Republic levels of government in priority areas of capacity- and institutional-development.² Although the cluster was only recently formed, UNDP was active in supporting institutional development, capacity-building and public administration reform as soon as the Country Office presence was established in late 2001. The first major initiative was the Capacity Building Fund (CBF), which is serving as a general facility to fill key capacity gaps and functions as a catalyst for public administration reform. The CBF was soon followed by support to capacity-development at the local administration level, primarily through assistance to the Standing Conference of Towns and Municipalities (SCTM).³ These two initiatives in particular have generated considerable experience, results and lessons. The CBF is by far the larger programme, with a good base of evaluative evidence revealing a mix of performance results.

4.3.1 THE GOVERNANCE AND PUBLIC ADMINISTRATION CONTEXT IN SERBIA

During the extended period of conflict, combined with authoritarian rule, the systems of governance and public administration at both the state union and republic levels suffered from years of mismanagement and a severe depletion of financial and especially human resources. Isolation from the international community prevented the introduction of any sort of reform or development at any level of the state administration.

1. These and other examples of potential interventions envisioned by the PRED cluster were found in UNDP, Cluster Strategic Plan, pp. 1-3.

2. The cluster, set up in June 2004, is the UNDP Country Office response to the first key thematic area of the UNDAF: institutional reform and reform of public administration, and more specifically, to support the need for an efficient, accountable and people-centred public sector. Programmes within the cluster are further organized into institutional reform (including information society development) and decentralization & local governance. See the UNDP website at: <http://www.undp.org>.

3. Other recent programme initiatives under the institutional development cluster include support to ICT4D (information and communications technology for development), support to the development and implementation of Serbia's new Public Administration Reform Strategy, and the provision of a range of technical and policy assistance to a number of ministries (most are spin-offs from the CBF). Another major initiative was the one-year project, 'Support to Strategic Policy Management in the Deputy Prime Minister's Office', which ended in late December 2005. However, as performance experience from these initiatives is limited and the evaluative evidence was not available as of end 2005, they are not addressed in this ADR.

When the newly elected coalition Government came into power in early 2001, the notion of a professional civil service was, for the most part, alien to public administrators and the country as a whole. Political authority had driven decisions in public administration and had guided its culture and behaviour. Each ministry was managed as a separate entity, where rules were altered with changes in leadership, resulting in little horizontal coordination or alignment with broader reform priorities or needs. Since the higher levels of the administrative echelons were tied to political parties, there was little potential for an independent civil service – the notion of ‘service to the citizen’ was non-existent.

There was no professional training of civil servants¹ and leadership in administrative reform didn’t exist. Performance was weak and not measured, and – with an absence of any accountability frameworks or enforcement measures – replete with corrupt practices. Indeed, the poor salary and remuneration systems were not only major disincentives for managers and staff, but also a contributing cause of corrupt practices. The motivation and discipline for work was low since many civil servants had to seek earning opportunities outside of government in the informal sector. These were also factors that contributed to the ‘brain drain’, further eroding government institutional capacity at all levels.

The strengthening of government institutions and associated capacities then was seen by the new Government as a high-priority area for reform, both to restore the trust and confidence of the people in government as well as to meet pressing needs for service delivery. This was also mirrored by a pressing need from the international community to ensure progress on the reform agenda. The governments at both the union and republic levels recognized that administrative reform was essential for the implementation of social and economic reforms. The transition to democratic governance called for reform, including of the judiciary and electoral system, and for the review and establishment of laws to create enabling environments for good governance, economic recovery and social cohesion. Concerted effort

would be needed to combat corruption through the institution of a code of conduct for civil servants plus other measures.

At the central levels of public administration, the new governing authorities saw as a high priority the establishment of a fiscally sustainable and an accountable and competitively remunerated professional civil service, capable of building strong partnerships with lower levels of government, civil society and the emerging private sector. The machinery and organization of government needed attention in terms of re-defining missions and structures for ministries and public agencies, streamlining and simplifying systems and procedures, and strengthening policy development.

4.3.2 UNDP ENTRY INTO GOVERNANCE AND PUBLIC ADMINISTRATION REFORM

The daunting challenges associated with post-conflict governance and public administration in Serbia formed the background to UNDP entry into this arena. Immediately after the change of regime in late 2000, UNDP fielded a high-priority mission to Belgrade to identify the main challenges and priorities for reform of the state administration, but approached this from the angle of enhancing ‘governance for human development’. The resulting report² contained a general assessment of the political and economic context of the then Federal Republic of Yugoslavia, with a more focused analysis of reform and development challenges within the social sector, central and local government, the non-governmental sector and the media. Priority areas for rebuilding national capacities were identified and general proposals were forwarded on democratic governance, the administration of justice, economic and financial management, public administration, social development, and modalities for international cooperation.

It was recognized that the FRY would require a very substantial and sustained level of capacity-building assistance in all branches of the various levels of government. Furthermore, the UNDP report emphasized that “... *the effective and*

1. The Yugoslav Public Administration Institute that had been active in the 1980s was abolished in 1991.

2. See: UNDP-Serbia and Montenegro. December 2000. *Governance for Human Development: An Overview of Key Issues*. Belgrade. The report was used for discussions at a major Donors Coordination Meeting on assistance to the Federal Republic of Yugoslavia, co-organized by the World Bank and European Union on 12 December 2000 in Brussels.

coordinated utilization of technical cooperation resources [required] the creation of a facilitating mechanism to channel, monitor and evaluate the impact of the resources invested in building national institutions.”¹ The UNDP report was seen as the key ‘baseline’ document from which an immediate response could be made by the Government and by UNDP for the formulation of development assistance and, to a certain degree, for resource mobilization and joint donor action. It proposed a Capacity Building Fund that, as mentioned, would serve as a general facility to fill key capacity gaps and serve as a catalyst for public administration reform.

4.3.3 THE CAPACITY BUILDING FUND

The genesis of the CBF was a discussion between the president of the Fund for an Open Society – Yugoslavia (FOSYU) and the UNDP Administrator in November 2000. This occurred in the immediate aftermath of the democratic overthrow of the former regime and following the convening by UNDP of the first-ever joint meeting of international agencies, NGOs, and government representatives on transition management matters. One of the main constraints discussed at the outset was the gap between government salaries and those in the private and non-governmental sectors. Government salaries were 20–25 percent of the comparable non-governmental market, and were well below the living wage in Belgrade at the time. If

the salary differential issue could not be resolved, the Government faced the prospect of not only being unable to attract new talent, but also of losing even more of their limited base of existing top staff. The Government felt that without a critical mass of senior level human resources skilled in policy analysis, they would lose any real chance to design and implement the necessary reforms – reforms imposed by the International Monetary Fund (IMF) and needed for accession to the EU.

Recognizing that time was of the essence, UNDP engaged an international expert to help in the design of a programme with three main objectives: (1) to meet the pressing need to strengthen the Government’s human resources, (2) to begin the process of support to needed public administration and institutional development reforms through capacity-building, and (3) to attract the Serbian diaspora to support government reforms (that is, the ‘brain gain’) (see Box 11). The initial funding partners (Government, UNDP and FOSYU) weighed in differently as to where they felt priority attention should be given. The Government viewed the first objective as the top priority for the programme. UNDP and a number of other donors saw the second objective as the top priority and a more conventional approach to development assistance in such situations. FOSYU was especially concerned with measures to accelerate the brain gain. The challenge of balancing the differing but

Box 11: Bringing Home the Serbian Diaspora

One of the objectives of the CBF was to attract the diaspora back to Serbia – especially individuals at the senior managerial, professional and technical ranks of the civil service. Since no tracking and follow-up mechanisms were established by the CBF (an easy enough task), it is not possible to provide exact figures on the degree to which this objective was achieved. Based on anecdotal evidence, of the 500 or so national consultants recruited by the CBF, it is estimated that perhaps 10–15 percent were drawn back from the diaspora. Among those, it is estimated that half that number stayed in the country once project tasks were completed, in the range of 25–40 individuals. Some of those who stayed were employed at senior levels in Government, while others assumed senior positions in the private (for example, banking) and civil society sectors.

The ‘brain drain’ continues to be a problem for Serbia. Government, donors, economists and others are concerned about the economic consequences of losing more of the best and brightest people to opportunities presented in more developed countries. With potential for EU accession, the Serbian diaspora may well increase. Over the medium to longer term, the main challenge for Serbia (and other countries in the region) lies in knowledge becoming the key resource for economic development, productivity and competitive advantage – especially in an increasingly globalized economy. Further, it is most often the case that knowledge workers own the means of production. One lesson from the CBF is that more analysis is needed on the ongoing diaspora debate to ensure the adoption of policies leading to more ‘brain gain’ and ‘brain retain’ than ‘brain drain’.

1. Ibid., p. 6.

compatible agendas of the different players was to be given to a joint government-donor steering committee to be chaired by the Government.

The first round of support from the CBF was to extend for one year and was to be provided to three Serbian Republic ministries and one Serbian agency: the Ministry of International Economic Relations, the Ministry of Social Affairs, the Ministry of Justice, and the Civil Service Council.¹ Each was consulted as to their needs and priority areas for support. These initial partners signed the CBF Programme Support Document in March 2001. The pace of reform activity (including CBF programming and delivery) under the Djindjic Government was energetic. However, after his assassination, things slowed down considerably due to political uncertainty and the subsequent election of the coalition Government. This had a direct impact on the CBF in the sense that ministries became divided by party affiliation, slowing down decision-making, exacerbating horizontal coordination and hampering progress on reform of the public administration.

Nonetheless, the CBF was seen as a positive response to a critical government need at the right time. Given the many uncertainties in the country, both UNDP and FOSYU made a calculated risk to support the FRY and the Republic of Serbia at a time when no other donors were willing to take such risks or simply were not ready to provide development assistance. The UNDP physical presence in the country, combined with funding availability from both UNDP and FOSYU, enabled a 'quick response' in the form of the CBF. It provided needed early assurance to the Government that the UNDP, the FOSYU and other donors were ready and willing to help. This was seen then, and now, as a case of innovation and quick response.

The main objective of the CBF was to support "... *the Government of the Republic of Serbia in fulfilling*

the objectives of its public administration reform and building the administrative capacity to formulate and implement public policies in an efficient and effective manner. The programme activities initiate a series of projects for capacity-building to be formulated by ministries/public agencies and municipalities to be financed under a Capacity Building Fund."²

The CBF was to serve as a programme framework and financing mechanism for projects according to needs and priorities set by the joint steering committee and under a yet-to-be developed National Public Administration Reform Strategy. The CBF also presented a coordination mechanism for donors interested in supporting the reforms, but who did not have the internal embassy capacity to manage or implement their own programmes, to pool funds. In practice, the CBF initiative was not a fund per se, but rather a collection of individual cost-shared projects, most of which were signed with counterpart ministries or agencies. Legal agreements were between UNDP and the Government, and between UNDP and donors. But in all cases, UNDP played the role of executing agent (direct execution).

Growth and Highlights of the Capacity Building Fund

The CBF proved to be a long running programme, despite several challenges – not the least of which was operating in a difficult and uncertain political and bureaucratic environment. Over the nearly five-year period from its launch in March 2001 to late 2005, when the last few remaining projects wound down, the CBF had grown rapidly from four government recipients to encompass a total portfolio of 15 projects in both federal (subsequently state union) and Serbian Republic ministries and agencies (see Annex 4). The total amount of funds committed by donors in cost-sharing agreements amounted to \$10 million over that period. A diverse community of donors supported CBF projects.³ The Fund's rapid growth may be seen as

1. The CSC existed only in concept at the time, but a senior Serbian official had been nominated to head it up.

2. See: UNDP. March 2001. 'Capacity Building Fund – Capacity Building Programme – Phase 1: an International Public-Private Partnership in Support of Institutional Reforms'. Programme Support Document. UNDP, Belgrade. The quote is extracted from the signature page.

3. The findings on performance and results are, for the most part, extracted from a limited base of documentary evidence. This includes: (1) a major mid-term independent review of the CBF as a whole in May 2003; (2) 'CBF as a Country Case Study on Capacity Development Facilities', prepared by the UNDP Country Office and presented at a UNDP Capacity Building Seminar in the Slovak Republic in November 2005; and (3) three individual project/ministry level reviews/evaluations carried out by UNDP: (a) the Ministry of Labour and Employment (April 2004); (b) the Ministry of Social Affairs (May 2004); and (c) the Serbian Ministry of International Economic Relations (June 2004). These were supplemented by interviews with some of the initial key designers and managers of the programme.

success in its own right, but it gave rise to several implementation and growth challenges.

Given the programme's magnitude, its multiplicity of objectives and its diverse nature in the uncertain Serbian context, it is to be expected that CBF performance would generate diverse opinion. Much depended on the 'stake' that a particular CBF partner had put into the programme – as mentioned above – and what they expected from it (whether UNDP, funding donor or individual government entity). To a certain extent, questions of focus, approach and management, results or impact are a matter of divergent opinion and perception. Beyond the pure metrics of programme performance, the absence of any baselines or quantifiable measures for substantive performance left ample room for subjective interpretation as to where CBF performance was strong or weak, effective or not. This is not to say that one perception is more valid than another. Rather, as mentioned, it is very much a function of individual viewpoint. The following assessment of performance attempts to strike a balance.

The performance of the numerous CBF projects focused to a large extent on the recruitment of national experts, with the provision of some training and computer systems and other inputs. Without these 'human resources inputs', a number of government economic reforms and agencies would probably not have taken off, according to the views of several heads of agencies and ministries (this was also supported by the findings of independent project evaluations). Despite the 'input' nature of the assistance, the various project documents endeavoured to define the utilization of such expertise in the context of time-bound, results- or output-oriented activities – either packaged as 'projects' in UNDP project documents, or packaged in ministry-based work groups, change management units or projects.

It is not possible in the limited space of this report to cover the results of all the CBF projects or all dimensions of the programme. One of the government ministries that first received CBF assistance was the former Ministry of Social

Affairs, and it is indicative of the more positive results. Highlights of the external evaluation carried out for the ministry, supplemented by follow-up interviews by the ADR team, are presented below.¹

(1) The Former Ministry of Social Affairs

Ministry context. The former Ministry of Social Affairs serves as an example of successful and effective delivery of project support through the CBF within a ministry that had a firm reform strategy, strong and committed leadership from the minister and substantive support from several donors on parallel, but complementary, non-UNDP projects. The former ministry was established as a separate ministry in the beginning of 2001, by dividing the previous Ministry of Labour, Employment, Social Affairs and Veterans into two separate institutions.² As noted in Chapter 2 of this report, social safety network reform was recognized as a key priority in Serbia. Social services and the pension system needed to be more cost-effective and to focus on alleviating the negative impact of economic restructuring, especially on the standard of living and poverty alleviation for vulnerable groups.

The Ministry of Social Affairs defined both short-term and long-term strategies. Crisis management was featured in the short term in view of the then significant arrears in social benefits as well as widespread poverty. Among immediate measures for the protection of vulnerable groups was the attention given to changes in the pension system. Longer-term reforms comprised assistance to vulnerable groups to achieve a minimal level of social security, programmes of assistance to the elderly and those with disabilities, care for children, prevention of violence and provision of assistance to victims of violence.

UNDP project response. The CBF project for the Ministry of Social Affairs (seen as the first phase in a longer-term development programme) was designed as a quick response mechanism to help the ministry implement its short-term strategies and to build the needed capacities for longer-term reform. The project was implemented by UNDP

1. The evaluation reports were considered by some to be controversial since there were no baselines and the assessment was designed on the basis of the individual perceptions of mainly government officials. See: UNDP, November 2005. *CBF as a Country Case Study on Capacity Development Facilities*. Prepared for the Capacity Building Seminar in the Slovak Republic, p. 6.

2. The ministry was reorganized again in early 2004 into the new Ministry of Labour, Employment and Social Policy.

over the period 1 September 2003 to 31 July 2004 with a total budget of \$441,000 dollars, funded by the Government of the Netherlands. The main role of UNDP was the recruitment of national and international experts, resource mobilization, and ongoing monitoring and evaluation. An independent external evaluation was carried out at the end of the first phase.¹

A main feature of the project was the establishment of working expert groups consisting of external (but generally national) and internal (that is, ministry staff) consultants to address specific problems. The project comprised eight subprojects with a ninth focused on the set-up and support to the Policy Support Unit that is staffed for the most part by external resources through the CBF project. The unit was responsible for coordinating the execution of the subprojects and providing general expert support to various ministry sectors. The Policy Support Unit was found to be the driving force of project execution as well as for the implementation of the overall social reform strategy.

Project results. One of the most significant early achievements of the ministry was its leading role in the formulation of the Poverty Reduction Strategy Paper with support from the World Bank. With assistance from national consultants provided through the CBF project, the Ministry of Foreign Affairs was able to create and sustain the broad-based participatory process, which included all other ministries, government representatives, think-tanks and the academic community, NGOs, business representatives, donors, international partners, and representatives of vulnerable groups. This resulted in a well-received strategic government document that was widely accepted by various stakeholders and ready for implementation. It is important to note that this was accomplished at a time of post-conflict political and economic uncertainty. UNDP was seen as an independent and objective facilitator of the process, a neutral arbiter, a builder of networks and agent of change. UNDP also contributed to policy dialogue through the sharing of international experience and recruitment of international experts in such specialized areas as pension reform.

In addition to the above, the project supported the production of several key outputs:

- Databases and software packages that contributed to capacity-building for policy formulation and analysis as well as implementation.
- Support for the drafting of laws that were either passed or well on their way to being passed (that is, Law/Programme for Merging Pension Funds, an updated Family Code that encompasses family violence to reflect Serbia's ratification of the international convention, a Law on Social Contributions aimed at harmonization, and a Law on Voluntary Pension Contributions).
- Training delivered mostly at the local level: for example, training of professionals on the opening of a system of schools for parents of children with special needs, training for professional caregivers employed in institutions for children with special needs, and training and joint planning of local stakeholders in the area of social protection for social reform processes. Participant evaluations of these and other training events were positive.
- Several situation assessments and studies on the merging of pension funds and the harmonization of social contributions.

Considerable time will be needed to see if the various laws, reforms and assistance provided by the project will be sustainable or have any impact. Clearly, social reforms are very much dependent on the success of economic reforms and reforms in broader public administration. However, in the short term, the Ministry of Social Affairs-CBF project proved to be flexible and responsive to the immediate needs of the ministry. The project was seen as a successful short-term solution to fill key capacity gaps – perceived by some to be mere capacity substitution. The focus on the use of national consultants combined with ministry staff incentives was found to have contributed to the internalization and ownership of the reforms (the issue of the role of national consultants and salary supplements is discussed further under the Ministry of International Economic Relations case). Based on the positive performance of the project, a second phase was formulated and received donor funding.

1. See Morsiani, G. et al. May 2004. 'Final Evaluation of Capacity Building Fund Programme: Ministry of Social Affairs'.

Based on an independent evaluation, plus comments provided by the former minister and corroborated by UNDP programme staff, it is felt that the developed institutional and staff capacities supported by the project have a high likelihood of sustainability. This has been achieved primarily through the training of civil servants, the development of reference materials and handbooks, the transfer of know-how and generally expanding the understanding of more modern methods of policy formulation, project management, monitoring and reporting and related functions (for example, organizing and conducting meetings and workshops, information-sharing and public communication, liaison and so on). All these were seen as elements of an exit strategy, with the project completed by end-2005.

(2) Other Notable CBF Experiences

Public administration reform. In the broader sense, the CBF was not particularly successful in advancing public administration reform in the Government of Serbia, even though it was initially to be aligned with the overall public sector reform agenda. In early 2001, the Government had established the Civil Service Council and the Agency for Public Administration Development. The Civil Service Council was to function as the high-level government policy advisory body while the Agency for Public Administration Development would serve as the implementing agency. Due to political and other constraints, these agencies failed to deliver on their mandates. The Council has been inactive since November 2003, and the Agency for Public Administration Development was abolished by decree on 12 May 2004, with its functions transferred to the new Ministry of Public Administration and Local Self-governance, which had been established in 2002. Hence, CBF support delivered to these agencies is considered unsuccessful.

After setting up the institutional development cluster and rationalizing UNDP projects in the area, UNDP provided continuing support to the Ministry of Public Administration and Local Self-governance, but outside of the CBF (which, by that time, was winding down). With a new Government in place, the World Bank, among others, had encouraged the new Government to develop and formally approve the needed strategy on public ad-

ministration reform (which was also required as a condition for EU accession). Because of UNDP's earlier involvement in PAR-related issues as well as facilitation of capacity-building processes in several ministries, the World Bank suggested that UNDP assist in facilitating the PAR development process. UNDP provided some initial seed funds, carried out consultations with donors, conducted various meetings, and engaged three local experts to help draft specialized sections of the strategy. The ministry drafted the PAR strategy document and it was seen as Government-owned. It was approved by the Council of State Administration Reform (chaired by the prime minister) and formally approved by Government in late 2004. This milestone fulfilled a World Bank criterion for further funding support in the country. High priority elements of the PAR strategy are to be implemented in early 2006, with donor funding and implementation support from UNDP.

UNDP role and performance. UNDP played a similar role in the cases of the Ministry of International Economic Relations and the Ministry of Social Affairs, as well as many other CBF projects. The role was that of implementing agent. By far the most important dimension of this role was support to the selection and recruitment of national and international experts and consultants. However, when the CBF was first launched, UNDP did not have adequate implementation or operational capacity to meet what turned out to be a major operational task (over 500 national and international consultants/experts/advisers were deployed through the various projects over the term of the CBF). Furthermore, the limited existing capacities in the Country Office at the time had to be applied across programmes and projects other than the CBF.

In 2003, the Country Office had set up a rather large and complex 'Executive Office', with the exclusive mandate to manage the CBF and increase its rate of delivery. As the mid-term review of the CBF noted, the roles and responsibilities of the CBF Executive Office were unclear, with numerous layers of management and confused communications between it and the Country Office governance cluster and operations unit. Nonetheless, UNDP did sustain performance levels that, for the most part, met the expectations of most ministries and funding donors. In 2004,

as a result of the cluster re-organization in the Country Office, the CBF Executive Office was disbanded and remaining projects were rolled into the institutional development cluster.

In the case of the Serbian Investment and Export Promotion Agency (SIEPA), the first phase of the CBF project was directly executed by UNDP. This gave way to a nationally executed second phase designed by SIEPA with funding from the Dutch and implementation support from UNDP. Budget support was provided to the Government, from which a performance incentive scheme for civil servants was devised and implemented.¹ At present, it is felt that such budget support may be required for another year or two, depending on the ability of Government to raise civil service salaries to competitive levels and to generate the necessary resources to finance them.

This has raised the broader issue of sustainability and the need for clear exit strategies on the part of the funding donor and UNDP. Continued ad hoc or fragmented funding support for civil service performance incentives could further distort the labour market, reflect badly on both Government and donors (including UNDP). However, if such support is withdrawn, and the Government lacks the necessary financial capacity to adequately compensate its staff, the risk of ‘brain drain’ could re-emerge, potentially complicating plans and timing for EU accession.

4.3.4 CONCLUSIONS AND RECOMMENDATIONS

A recent internal UNDP assessment of capacity-building funds concluded that, in the case of

the Serbia CBF, “... *If resource mobilization and policy support to furthering democratic change and economic reform in Serbia are to be taken as indicators – then CBF was a great success. However, if genuine capacity development and public administration reform/sustainable institutional development are the indicators – then CBF did not meet all the original expectations.*”² The aforementioned mid-term review also concluded that the CBF had expanded to encompass a complex range of projects across government and had lost focus.³ Of the 15 CBF projects, only three were evaluated – leaving a sparse and potentially biased documentary record of CBF performance.

Moving to a longer-term cluster strategy. The CBF programme was essentially a mechanism to respond to what had been an emergency (capacity) situation. In that respect, it must be seen as having delivered a reasonably successful response for most government entities it supported. However, the post-conflict and crisis situation had, for the most part, dissipated by 2004, and more strategic and development-oriented solutions were needed. Also, there existed mixed and residual perceptions of the CBF of having supported salary supplementation⁴ and capacity-substitution rather than supporting more fundamental administrative reform. It was the decision of the Country Office in late 2004 to convert the CBF into a long-term development framework, reflected in the current institutional development cluster strategic plan for 2005.⁵

The current long-term plan for the cluster is directly aligned with the UNDAF and with the Country Programme Document. It responds to the first thematic key area of the UNDAF, *Insti-*

1. As the agency was transferred to the Office of the Deputy Prime Minister, the second phase of the project was included as a component in a new, but separate, (non-CBF) UNDP project, ‘Support to Strategic Policy Management in the Deputy Prime Minister’s Office (December 2004–December 2005)’.

2. UNDP. February 2006. ‘Capacity Building Funds - Support to Economic and State Reform in Transition Countries’. Internal document prepared by Kalman Mizsei (RBEC) and Lene Jespersen (Serbia Country Office).

3. There was also strong ‘delivery pressure’ on the Country Office to enable it to generate sufficient extra-budgetary income to cover the costs of office staff and operations. This is seen as one of the main reasons for the expansion of the CBF. Such delivery pressure continues to influence the overall country programme.

4. Salary ‘top-ups’ became a major issue for some donors. Salary top-ups were indeed provided, but their extent and magnitude could not be ascertained, as data were not readily available.

5. Two missions were undertaken in 2004 in order to assist UNDP on decisions regarding the future of the CBF. UNDP’s Bureau for Development Policy supported a preparatory mission in September 2004 to examine performance of the CBF in the context of public administration reform and to provide input for the development of a draft ‘Strategic Framework for 2005–2009’ for institutional development/PAR. The framework was subsequently translated into Cluster Strategy Notes for the institutional development area. The second mission was supported by the UNDP Bratislava Regional Centre (October 2004). It built on the findings of the first mission in relation to PAR and examined the capacity-building elements of the CBF that might define future niche support for UNDP in institutional development/PAR for the period 2005–2009.

tutional Reform and Reform of Public Administration, and especially to UNDAF outcome 1.1: *'efficient, accountable and a people-centred public sector'*. With respect to the CPD, the cluster responds to (1) the outcome: *'Improved efficiency, accountability and transparency in governance structures at both Union and SCG levels'*, and (2) the first thematic key area, public administration reform. Combined, they will contribute to MDG 1 (eradicate extreme poverty & hunger) and MDG 8 (develop global partnerships for development). The cluster will foster democratic governance, as per UNDP's Multi-Year Funding Framework Goal 2, with special attention to subgoals 2.1 (policy support for democratic governance), 2.5 (e-governance), 2.6 (decentralization, local governance and urban/rural development), and 2.7 (public administration reform).

The new cluster strategy aims to build on the lessons of the past while also factoring in current needs and trends within the broad thematic area. To better organize its strategic response over the period 2005–2009, the institutional development cluster is organized into two subclusters: (1) public administration reform (including information society development) and (2) decentralization and local governance.

Main lessons and recommendations. The CBF experience showed that UNDP had either superior strategic marketing skills or was 'at the right place at the right time' during the immediate post-conflict period (most likely a combination of both factors). UNDP local management identified and secured major opportunities such as the CBF and the South Serbia initiatives. However, strategic marketing strengths were not sufficiently matched by strengths in management and implementation. One lesson from the CBF experience is the need for strong UNDP internal strategic management capacity: that is, to better assess and manage not only the opportunities associated with a large programme but also the risks, and to better assess UNDP internal strengths and weaknesses as they pertain to execution and, especially, implementation.

The fact that UNDP may have well-developed execution and implementation procedures and rules are not in and of themselves assurances of success. In hindsight, the organization itself might well have carried out an internal capacity assessment and developed a concrete capacity-building programme (that is, a 'business plan') to ensure cost-effective implementation. That means having the right mix of managerial skills and staff at the outset (with a plan to grow with the programme), a proper financing model (whether funded through extra-budgetary or UNDP internal resources), the right systems (for example, in recruitment) and better-tuned and donor-responsive systems for monitoring and control. The main recommendation is that UNDP might adapt the business practice of 'business planning', especially in the area of its operations, and seek to find alternative and more national sourcing for these functions.¹

UNDP played a significant role in public administration reform policy dialogue and advocacy, even though the initial attempts of UNDP through the CBF to assist the Government in developing a PAR strategy and building capacity in supporting institutions were not successful. The main reason for lack of initial success was the absence of political leadership and will to lead and coordinate the implementation of needed reforms, combined with the government decision to close down the associated agencies and merge their operations with the Ministry of Public Administration and Local Self-government. Further, the EAR had very early on established itself as the main 'partner' to the Government in the broad domain of PAR (as it had successfully done in Montenegro). In the early stages, UNDP and EAR did not or were not able to coordinate their efforts.

With the recent change of government, PAR has been developed and the levels of cooperation among donors in supporting its implementation are reported to have improved.² The main recommendation here would be that UNDP augment its efforts in securing collaborative relationships, especially with EAR or its successor organization in the area of public administration reform. This may take the form of

1. A 'Validation mission' from UNDP Headquarters was carried out in 2005 with the purpose of assessing internal capacities, systems, procedures and organizational structures, and to recommend how the current programme might be better consolidated under the 'cluster' arrangement.

2. A UNDP project is currently being formulated with DFID and SIDA funding to support priority components of PAR implementation. Discussions are proceeding with EAR to coordinate downstream activities.

a working partnership where UNDP might build on its experience, established strength and credible role as ‘implementing agent’. UNDP has recently been successful in securing such partnership arrangements with EAR in the implementation of phase two of the Municipal Improvement and Revival Programme and Municipal Development in the Sandžac area, as discussed in Chapter 4.1 of this report.

In the absence of reasonable and agreed-upon measures, CBF performance ended up being defined by perspective and viewpoint. Performance of the CBF projects from the ministries’ perspective was measured in terms of responsiveness to their human resource (capacity-substitution) needs. From the UNDP and most donors’ views, performance was measured more in terms of the outputs produced, results achieved or success according to the ‘success criteria’ contained in some of the project agreements (these were linked more to substantive ‘reforms’). In the latter view, performance expectations tended to be exceptionally high – especially given the very uncertain political context and absence of a national PAR strategy. This applied to the CBF programme as a whole as well as to many of the individual projects. The main recommendation is that programme framework documents and longer-term strategies need focus and a basic minimum set of practical measures of performance – whether in the form of results or expected outcomes – and these need to be agreed upon among the parties.

4.3.5 STANDING CONFERENCE OF TOWNS AND MUNICIPALITIES

The ‘Capacity Development for Standing Conference of Town and Municipalities’ project was implemented as a CBF activity aimed at capacity-building for decentralization and local governance. The Standing Conference of Towns and Municipalities (SCTM) is a national association of local authorities in Serbia;¹ all 169 municipalities in Serbia are members. Membership is voluntary and the membership fees, along with donor funding, support its operations.

Founded in 1953, SCTM was based on the Western model of local government associations. Its supreme organ is an assembly of the representatives of all members. Guidelines for the SCTM are defined by the assembly and executed by the presidency. The SCTM has 10 policy committees (for example, local finances, urban and municipal infrastructure, environmental protection, social policy, international cooperation) and a secretariat. The secretariat is responsible for expert, administrative and managerial support to all activities. The secretary-general is elected by the assembly and is a member of the presidency.

The mandate of the SCTM is (1) to represent the interests of local governments before the central government through lobbying and advocacy; (2) to support local governments in efforts to improve organization and functionality of municipal bodies and communication with citizens by providing advice, technical know-how and training; (3) to foster cooperation among towns and municipalities in Serbia, internationally and with donors through technical assistance and advice, including project development and coordination; and (4) to represent local government at the international level.

Context. The SCTM has historically been a strong, active and valued organization in Yugoslavia, reflecting the importance of local government. The organization declined and stagnated in the 1990s and most of its functions and responsibilities were shifted to the central level as the state re-centralized under the Milošević regime. After the democratic local elections in 1996, the Association of Free Cities of Serbia² was formed as an alternative association that was perceived as weak and connected to the regime. After the democratic change in 2000, the SCTM and the Association merged, combining the strengths of the two organizations – leadership skills of the Association and the premises and staff of SCTM. Even with new leadership, the SCTM remained weak, ineffective and inefficient as its own, albeit small, bureaucracy (around 10 people worked in the Belgrade office at that time) was entrenched in

1. Montenegro has its equivalent of the Standing Conference and there is some cooperation between the two organizations through the Network of the Associations of Local Authorities from South East Europe and a joint Serbia and Montenegro delegation to the Council of European Municipalities and Regions.

2. American donors (National Democratic Institute and National Endowment for Democracy) supporting the development of civil society opposition to the Milošević regime were providing primary funding and technical advice.

the old ways of doing business, unmotivated and reluctant to change.

Early attempts at SCTM strengthening in 2001–2003 failed despite a good deal of interest and several attempts by donors to work with the SCTM to build internal capacity and to coordinate projects. The political climate of Serbia was also not conducive to SCTM strengthening. Although the Government passed a Law on Local Self-government in 2002, there was no political commitment to decentralization and the implementation of local governance reform was not a priority. The situation has not changed significantly through the duration of the project.

UNDP project response. UNDP was approached by SIDA¹ in 2003 to design a project for the reform of SCTM under the umbrella of the CBF. The project followed the CBF institutional capacity-building approach with two modifications: (1) target – as an association, the SCTM is not part of the Government, and (2) execution modality – the project was to be executed nationally (NEX), but implemented by UNDP. However, elements of DEX had to be used due to the low initial capacity of the SCTM (see Chapter 5.3 for a discussion on UNDP execution modalities). SIDA provided \$772,200, with an additional contribution from the SCTM estimated at about \$102,000 (this included office space, maintenance and running costs of office and personnel support, including employment of the Project Management Unit). The project was implemented over the period November 2003 to December 2005.

The project had three objectives: to support development of SCTM into a modern and responsive association of local authorities in Serbia; to provide policy advice to bridge the existing lack of SCTM expertise; and to design new services to help SCTM fulfil its mission and become sustain-

able.² The project facilitated achievement of these objectives through engagement of experts, training, support for drafting policy papers and manuals, purchase of equipment and the establishment of the Municipal Training Centre. The project was externally evaluated, and the findings of the evaluation³ informed this review.

Project results. With the support of the project, SCTM was able to accomplish major changes in its organizational and management systems and to significantly improve internal capacity for and efficiency and effectiveness of service provision to members.⁴ The SCTM, with the help of external experts engaged by the project, developed and implemented a new institutional structure, systematized internal management policies (that is, defined roles of the committees) and human resource management, including recruitment and staff evaluation. The SCTM developed and adopted a new Act on Rules and Procedures for the organization. A new system for document management and archives was also put in place.

First step were taken towards building SCTM capacity as a policy adviser. The project brought in top national experts to help the organization define its policy platform and draft policy papers for the SCTM Assembly on local self-government, local finances and economic development. The project facilitated organization of a round table and drafting of a policy paper on the position of local self-government in the new constitution. This activity helped SCTM to begin revitalizing its role as an advocate for interests of local government at the central level. To improve communication with members and to inform the external audience (the Government and the public) about the SCTM, the project supported a website, publication of a newsletter and magazine, public campaigns and the development of a communications strategy.

1. Prior to engaging UNDP, SIDA had a bilateral project with SCTM.

2. UNDP. 2003. *Capacity Development for Standing Conference of Town and Municipalities*. Project proposal to SIDA, pp. 8-9.

3. Langbakk Consulting AB. 2005. *Evaluation of SIDA/UNDP 'Capacity Building for Standing Conference of Towns and Municipalities, Serbia' Project*. Stockholm, p. 6. This evaluation focused on in-depth analysis of SCTM and recommendations for further institutional strengthening.

4. For example, SCTM is currently implementing an EAR-funded, €5 million exchange programme for Serbian municipalities, so that they can be exposed to practices of the European Union through site visits. Another project, funded by the Government of Norway, is helping municipalities prepare strategic plans under the Agenda 21 pilot programme. The SCTM has also been approached by municipalities seeking help in preparing project proposals using the principles of good governance.

Recognizing the training needs of the SCTM members and sensing the potential for the enhancement of long-term sustainability, the project helped the SCTM establish a Municipal Training Centre. This unit, housed in its premises in Belgrade, is now fully operational.¹ A training needs assessment is in progress as is the development of a core curriculum for training local officials. The idea behind the Training Centre is that, in time, municipalities will seek and self-finance participation in the training offered by SCTM. Among the tangible outputs of the SCTM through UNDP support were the following:

- Establishment of a Municipal Training Centre
- Training of about 1,800 mayors and local council officials on the basics of government after local elections in 2004
- Defining a methodology for and carrying out a comprehensive Training Needs Assessment
- Initiating development of the National Training Strategy for Local Governments in Serbia (together with the Council of Europe)
- Publication of a book on local self-government
- Publication of a *Handbook for Councillors of City and Municipal Assemblies*.

UNDP role and contribution. The role of UNDP in capacity-building, institutional strengthening and the establishment of the Municipal Training Centre were described by a SCTM official as ‘indispensable’. The SCTM perceived the UNDP-implemented project as crucial and formative in the process of transforming the institution and making it functional. The role of UNDP was recognized by the SCTM through an invitation to the resident representative to make the keynote address at the SCTM Assembly meeting in December 2005.

The UNDP approach to implementation was valued for its responsiveness and flexibility. There was a genuine dialogue and partnership established between SCTM and UNDP on the best solutions to the issues SCTM was facing and how to optimize the assistance that the project could bring. This flexibility and openness to create solutions was

also embedded in the project documents, which were not prescriptive, but rather stressed process and results.

The results achieved exceeded SCTM’s expectations. The transformation of the SCTM enabled the organization to improve its standing vis-à-vis donors, who now see the organization as a partner, and among local mayors. UNDP sustained a high level of performance throughout the project and the results were found to be ‘fully satisfactory’ by the external evaluation, with a recommendation for continued funding and long-term commitment by SIDA. The project resonated well and brought visibility to UNDP in the donor community and among the local organizations involved in democracy promotion and governance.

4.3.6 CONCLUSIONS AND RECOMMENDATIONS

Outside of the South Serbia programmes, which targeting capacity-development at the local government level, the SCTM project was among very few donor-supported projects focusing on decentralization and reform of local governance. It was the only such project implemented under the framework of the CBF. While in most of the CBF projects UNDP established itself as a capable and credible implementing agent, UNDP played the role of catalyst for change for the SCTM.

However, there is more to the success of the SCTM than the right timing and the right people. Unlike most of the CBF projects, where the emphasis was placed on outputs, in the SCTM intervention UNDP focused on process and building ownership of the project by the beneficiary.² UNDP established itself as a technical adviser and capable service provider (by making sure that project activities were funded and high-quality expertise engaged). Both sides were proactive and creative as demonstrated by the establishment of the Municipal Training Centre.

The SCTM intervention targeting local-level government was a good choice. The political climate and lack of will to decentralize proved to be less of an obstacle to SCTM activity than UNDP

1. The ADR mission made a site visit to the Training Centre and was able to witness training session using modern equipment and participatory learning methods.

2. Similar factors were identified as drivers of success in South Serbia, see Chapter 4.1.

expected. Through the project, UNDP helped to improve capacity of the SCTM to advocate for local-level interests and, in the process, UNDP demonstrated its ability to advise, advocate and be 'indispensable'. UNDP should capitalize on this experience and explore the possibility for a wider engagement with organizations at the local level, where the potential for impact beyond that of 'implementing agent' is greater than that at the central-level administration.

The project laid a foundation for SCTM. The SCTM is now stronger, better organized and more capable of fulfilling its mission. But it still needs to strengthen its policy advisory capacity and develop better confidence to liaise with the Government. The Municipal Training Centre, as well as most of the SCTM operations, depend on donor support.¹ This has been identified as one of the main problems of the SCTM.

The second phase of the project (\$2.4 million for 2006–2009) will, appropriately, focus on strengthening the institution and will work on a business plan that will enable SCTM to operate in a more financially sustainable manner. It will also support the implementation of the National Public Administration Strategy and the development of municipal partnerships. For project implementation, it recommended that the partnership approach continue. However, now that the SCTM is larger and has more organizational capacity, and with continued national execution, UNDP should also be thinking about an exit strategy.

4.4 HUMAN SECURITY: SMALL ARMS AND HIV/AIDS

Human security is a prerequisite for human development. It encompasses not only the absence of conflict, but the social, economic and political security of individuals and communities.² In Serbia and Montenegro, the factors that endanger human security and human development include "slow economic progress, political instability, ethnic, religious or sexual discrimination, social and economic displacement, growing violence, increasing criminality, and the spread of HIV/AIDS" (UN Common Country Assessment, 2003).

Human security is not a concept or objective defined in the strategic plans of the Serbia and Montenegro Government or its development partners.³ However, the various aspects of human security do correspond to the mandates of various state union and republic line ministries and commissions, and are the subject of strategies that respond to national and international agreements.⁴ Among them are a strategy (2002) and commission (2004) to address the reintegration of refugees and internally displaced persons⁵ and draft strategies for the integration and empowerment of the Roma. The latter involves membership in a 2005 regional initiative, 'Decade of Roma Inclusion', and a draft strategy for the reform of the social protection system.

1. At the time of this review, SCTM was the recipient of 14 donor-funded projects. These included projects funded by EAR, DFID, OSCE, German Technical Cooperation (GTZ), Citès Unies France (CUF), Council of Europe, Open Society Institute, World Bank and SIDA/UNDP.

2. The concept of human security was first introduced in the *Human Development Report 1994*.

3. Among the paradigms in operation that address sectors together, the European Union's Stabilization and Association Process (SAP) and the IMF/World Bank-supported poverty reduction strategy (PRS) are current, with a nascent strategy for sustainable development as an attempt to bridge the PRS and SAP being supported through the Office of the Deputy Prime Minister. In each case, components of human security are addressed, but formulated with different objectives.

4. At the state union level, the Ministry of Human and Minority Rights has a mandate to prepare laws on national minorities and to support visa, migration and basic and human rights issues (of women, children, the elderly); the Ministry of Defence and republican ministries of interior are responsible for security sector issues; and the republican Ministry of External Economic Relations, and the Ministry of Labour, Employment and Social Policy are mandated to address social protection issues.

5. To close the post-Dayton refugee section by 2006, the governments of Serbia and Montenegro, Bosnia and Herzegovina and Croatia, with UNHCR, OSCE and EU, have signed the regional 3*3 initiative.

4.4.1 UNDP STRATEGY

The concept of human security as an objective of UNDP programming in Serbia and Montenegro evolved from the crisis period of the mid-1990s. It was defined as one of the objectives of crisis prevention and recovery initiatives targeted in the Common Country Framework 2002–2004.¹

The framework outlined a broad agenda of work covering vulnerability monitoring and prevention through early warning, reintegration of refugees and IDPs, recovery in southern Serbia, social inclusion and the advancement of women, and a response to the AIDS pandemic. This agenda is broken down into the following three areas in the preparatory assistance programme document for crisis prevention and recovery (2002):

- Post-crisis recovery (through area-based schemes in southern Serbia and Sandžac)
- Vulnerability reduction (integration of refugees, IDPs, Roma; HIV/AIDS prevention and urban employment)
- Human security governance (security sector reform, small-arms control and disaster-management planning).

The second phase of programming marks a shift away from post-conflict response towards a development-oriented agenda (Country Programme Document 2005–2009). Human security is not specifically addressed in the country programme, although it is a reference in the focus on judicial reform.² By contrast, the Country Programme Ac-

tion Plan does make reference to human security programming under the auspices of sustainable development, stating that the needs of migrants and vulnerable groups require joint UN programming (Country Programme Action Plan, pp. 21–22).

A human security cluster was established in the UNDP Country Office in 2005, which advanced three of four projects initiated through the crisis prevention and recovery preparatory assistance programme of 2002. A new strategy for human security programming was outlined in December 2005,³ with four main areas of focus: HIV/AIDS; illegal possession of small arms and light weapons; specific problems for vulnerable groups; and disaster management.⁴

Of the projects initiated through the crisis prevention and recovery cluster, only those that have been identified as specifically addressing human security are assessed here.⁵ These include the projects related to security sector reform and the prevention of HIV.

4.4.2 SECURITY SECTOR REFORM

The European Union launched the Stability Pact for South Eastern Europe in 1999 to identify measures and projects that could contribute to the stability and development of the region. Among the mechanisms established were a regional steering group that included representatives of donor organizations, NATO, the EU, OSCE, NGOs, the UNDP Regional Centre in Bratislava and the UNDP Bureau for Crisis Prevention and Recovery

1. While no mention is made of the concept prior to 2002, there is a programmatic link back to the four projects managed by UNDP between 1996 and 2000 addressing refugee-related problems and providing humanitarian support to UNHCR and OCHA.

2. The Country Programme Document states that UNDP will support judicial reform, highlighting its essential role in promoting social and economic development for marginalized groups, including refugees and IDPs.

3. Defined as a shift within the “context of development priorities of the country in the context of the wider human rights approach and the EU integration process.” Personal communication, 15 December 2005.

4. The emphasis of the strategy is largely on regional and inter-agency support for minority groups, such as the Roma, IDPs and refugees. Examples include proposed support for the implementation of national action plans for Roma integration through a proposed regional project and a joint UN Country Team initiative.

5. The selection is based on the projects identified by the UNDP Country Office’s human security cluster. It should be noted that the largest and most sustained project from the original crisis prevention and recovery cluster – Area-based Post-crisis Assistance in Southern Serbia – is addressed in Chapter 4.1 of this report. The only other completed project that is not assessed in detail is the Home for Elderly Refugees and IDPs, for which no final report was evident. The cluster leader stated that the project, conducted with the Ministry of Labour and Social Affairs, had included a comparative study on the de-institutionalization of foster care, including the production of a manual, and had helped accommodate 50–60 families and introduce foster care and protected housing for the elderly in three municipalities. It was not evident whether or not the project had been replicated or had any wider impact through other government programmes or the more general reform of the social protection system.

in Geneva. Another was the South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons, which was based in Belgrade¹ and funded by the EU and UNDP.

Within the framework of the Stability Pact, the Government of the Socialist Federal Republic of Yugoslavia established a working table for defence and security, encompassing, among things, arms control, non-proliferation, defence reform, defence conversion and control of small arms and light weapons. At the request of the Government, UNDP organized a mission in April 2002 to assist in programme development in the areas of security sector reform and defence conversion. The main recommendations of the mission involved security sector reform, including the creation of a commission on human security, legislative reform of the defence budget and management process, the establishment of a military asset conversion agency, and capacity-building of appropriate governmental and non-governmental bodies.

Based on these recommendations and the demand identified, UNDP, in 2003, launched a 14-month capacity-building project with the State Union's Ministry of Defence, under the auspices of the Capacity Building Fund.² The project aimed to establish an international change management team within the ministry to facilitate the reform process and build the capacity of civilian staff and officials to provide oversight of military forces.

In 2004, UNDP initiated a small arms and light weapons project incorporating the state union ministries of defence, foreign affairs and international economic relations and the republican ministries of interior in both Serbia and Montenegro to establish and implement an effective and comprehensive control strategy. The first phase of the project (2004–2005) established the strategy and the second phase (2005–2006) is supporting its implementation.

Results

Establishing a basis for military conversion.

The UNDP mission and study report of April 2002 drew on the experiences of other countries in the region and was considered to be the first objective assessment of the problem of military conversion. According to national experts who participated in a subsequent roundtable, it was the most authoritative and substantive report by any organization in Serbia and Montenegro at the time on a critical issue. Several of the recommendations that emanated from the study were adopted by the Ministry of Defence, and further consultations have broadened to include other civil society actors.

Promoting civilian oversight in sensitive areas.

Support to the Ministry of Defence through the Capacity Building Fund has resulted in the completion of a functional analysis; the reorganization of the ministry and transfer of important functions from General Staff³ to the Ministry of Defence; and, significantly, the decision to create an independent Department of Budget and Finance, which will report directly to the minister. However, a report on the project also noted that the commitment and necessary mechanisms for reform overall did not exist.

Initiating a strategy on small arms and light weapons.

A draft national strategy for the control of small arms and light weapons was produced in May 2005, addressing issues of production, procurement, import/export, stockpile management and the regulation of civilian possession. In view of the evolving political context, the strategy was written as one document with three annexes, addressing separately the two republics (Serbia, Montenegro) and the State Union of Serbia and Montenegro. While the annex on Montenegro was adopted by the republic's Ministry of Internal Affairs in Podgorica in August 2005, the annex on Serbia has not been adopted, and the document as a whole remains in limbo. There is pressure on the Government of Serbia to adopt a strategy. However, a focus on larger issues, notably the political status of the state union, including Kosovo, com-

1. Belgrade was chosen as the location for the Clearinghouse to enhance Serbia's reintegration back into the international community after a period of isolation.

2. For more details on the Capacity Building Fund, see Chapter 4.3.

3. General Staff is a group of military officers who act in a staff or administrative role under the command of a general officer.

pliance with the International Criminal Tribunal for former Yugoslavia, and the slow process of reform makes the republican Government unlikely to move ahead with unilateral acceptance until these matters have been addressed. The strategy for control in Montenegro has advanced, but independently of the overall framework proposed.

Destroying weapons and carrying out related advocacy. As a result of collaboration among the Ministry of Interior, the South Eastern Europe Clearinghouse and UNDP, there has been success in the destruction of small arms and light weapons and related promotion in the media. Arms and weapons were identified and collected by the ministry, resources were mobilized by the Clearinghouse, and UNDP supported the implementation of destruction and arranged high-profile media events to call public attention to it. Reasonably successful campaigns against seasonal ‘celebratory gunfire’, a cause of injury and projected instability, have also been conducted over the last two years.

UNDP Role and Performance

Since supporting the study on military conversion in 2002, UNDP has continued to be involved in security sector reform and the control of small arms and light weapons. Nevertheless, the success or failure of many of these activities ultimately hinges on the future relationship of Serbia and Montenegro, now that Montenegro has secured its independence. Those in charge of implementation and coordination determine movement, and coordination between Serbia and Montenegro and within Serbian ministries remains difficult.

Providing a unique form of assistance. UNDP’s willingness to engage with the Ministry of Defence in civilian oversight was critical in providing assistance in an area where no other donor was willing to invest or be supported by Government. By bringing a senior adviser to the project, it

was noted that UNDP had maintained the only credible, senior, non-bilateral and influential adviser within the ministry whose relationships developed to the point where his views were sought at the ministerial level. Despite the withdrawal of the adviser, much was achieved within the project period.

Operating effectively, despite the challenges. The issue of small arms and light weapons does not have the high profile of other union issues (such as corruption and human trafficking). Still, a number of stakeholders believe that it is an appropriate area for UNDP involvement. Though small arms are defined as a security issue (which is a republican responsibility), the link to defence¹ (a union concern) has not helped UNDP’s cause. Nevertheless, UNDP has been seen as a transparent and effective partner, assessing the risks appropriately and supporting progress where opportunities have presented themselves. It has been further acknowledged that the overall project will not be wasted since both republics need the strategies – whether they are in a union or not.

Forging a strong relationship with the South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC). SEESAC is a regional project that uses the procurement infrastructure and premises of the UNDP office in Belgrade.² Approximately 85 per cent of the project has been funded by UNDP through the Thematic Trust Fund managed by the Bureau for Crisis Prevention and Recovery in Geneva, and 15 per cent by the EU. The relationship between the project and the UNDP Country Office has been mutually beneficial. SEESAC has gained from the recognition, physical security, and financial and operational transparency afforded by UNDP and its support services. Similarly, UNDP benefited from SEESAC’s regional knowledge and the links that have developed with the Small Arms and Light Weapons Project, which is located in the

1. The national focal point for small arms and light weapons, appointed under the Stability Pact regional implementation plan, is from the Ministry of Defence.

2. UNDP-State Union of Serbia and Montenegro is responsible for the administrative management and financial probity of SEESAC, but the strategic and operational aspects of the initiative rest with a regional steering group made up of eight governments in the region. SEESAC reports to the director of the Stability Pact Table 3 – Security, and to UNDP through the Regional Centre in Bratislava.

SEESAC office. UNDP can certainly take credit for supporting SEESAC. But as a regional project, the UNDP office in Belgrade should not seek to incorporate it within its organizational structure, since this would imply that it is a UNDP Country Office initiative.

4.4.3 HIV PREVENTION AMONG VULNERABLE POPULATIONS

AIDS has been addressed through both an inter-agency UN-AIDS theme group and a project called HIV Prevention among Vulnerable Populations. The theme group was established in 2001 to develop an integrated work plan to address this national challenge, and to fund specific projects. Eligible projects sought to strengthen the AIDS-related commissions and strategies of the two republics, improve the existing surveillance system, and support national campaigns, dialogue and capacity-building among key stakeholders.

The HIV Prevention among Vulnerable Populations Initiative began in 2004. It grew out of a national assessment of HIV/AIDS among vulnerable groups conducted by Imperial College London in 2003. Following the assessment, Imperial College London approached UNDP, seeking to utilize its office space, accounting systems and contracting arrangements for hosting the project. This evolved into a collaboration between the British university, UNDP and the Open Society Institute. The lead government partners were the AIDS commissions of the two republics.¹ The project seeks to provide a coherent approach to HIV prevention and control in both Serbia and Montenegro through the development of strategies, demonstration projects, capacity development and the regional transfer of expertise.

Results. At mid-term, the project had demonstrated a number of concrete results.² In both republics, HIV strategies have been developed through consultative processes and, in Serbia, the strategy has been approved. The Serbian Minister of Health now chairs the Republican AIDS Committee and

the Country Coordination Mechanism for the Global Fund, and the Government has committed to invest funds in HIV prevention directly. A national HIV/AIDS office has been opened to support the capacity of the Republican AIDS Committee and the Institute of Public Health.

Twelve demonstration projects have been established, providing outreach services, home visits, counselling and community mobilization. Through these projects, over 2,000 clients have been assisted and over 24,000 clean syringes and needles have distributed. Moreover, continuous roundtable discussions, radio broadcasts and newspaper articles have brought exposure to the issues surrounding AIDS. Training has been extended to the police and the media and links have been established with the Ministry of Justice and the Ministry of Health in developing a strategy to improve the health situation in prisons.

The project has also made strides in supporting the transference of HIV prevention expertise and capacity within the region, through a network of some 35 NGO, UN agency and government representatives. Study tours to Poland, Romania, Slovenia and The former Yugoslav Republic of Macedonia have taken place. However, there has been less success in Montenegro, with significant delays in approving the national strategy. This appears to be the result of tensions within the Ministry of Health. Montenegro has also failed in its previous applications to the Global Fund.

The inter-agency UN-AIDS group³ has played a more minor role, focusing largely on campaigns, supporting the establishment of the national HIV office, and providing a coordinating link with the NGO sector. While the group has grown to include nine members of UN Country Team, the broader level of cooperation and joint programming has remained low. Each agency has continued to work predominately on its own HIV-related initiatives, and the size of the group's budget (approximately \$50,000–\$100,000 per year) has not enabled any substantive activities to take place.

1. The HIV prevention project was also approached to advance the vulnerable populations component of a \$3.6 million grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria due to the limited implementation capacity of the Economic Institute, which is managing the grant.

2. The evidence in this section is drawn largely from a mid-term review of the project, conducted by DFID in May 2005.

3. The inter-agency UN-AIDS theme group has not been subjected to external review or evaluation. Thus, evidence of its role and performance is drawn solely from the perceptions of staff and external stakeholders.

UNDP role and performance. UNDP is a key partner in the implementation of the HIV Prevention among Vulnerable Populations Initiative. A number of stakeholders noted that UNDP's reputation provides legitimacy to the project and greater access to government officials and policy makers. The project manager has been made UNDP focal point for HIV/AIDS activities in Serbia and Montenegro, which will provide greater formal access to the Republican AIDS Committee and the Country Coordination Mechanism for the Global Fund, and may benefit the work of the UN theme group.

However, it was also noted that UNDP is not yet fulfilling its potential role and function in the project – that of providing additional value by liaising more actively with other UN partners, ensuring policy consistency between poverty reduction and HIV strategies, and in providing expertise in strategic planning and organizational development to the Republican AIDS Committee.¹

4.4.4 SUMMARY ASSESSMENT

Relevance. Security sector reform and HIV prevention in vulnerable populations have both been important interventions. As far as security sector reform is concerned, a proliferation of organizations are keen to engage in security sector issues, but few, if any, have sufficient presence or status to do so. The OSCE, for example, is active in helping institutions exercise control and oversight of armed forces, police and related institutions, and is working with the intelligence services. But it does not have the capacity to engage fully on small arms and light weapons. The extreme sensitivity of the security sector is evidenced by the difficulties in working with the Ministry of Defence, the outstanding issue of compliance with the International Criminal Tribunal, the relationship with Montenegro and the unresolved status of Kosovo. Due to this sensitivity, many feel that the UN will continue to be the most appropriate partner for engagement in this area.

In mid-2004, the choice of becoming involved in

HIV prevention was less clear, at a point when a number of UN agencies, notably WHO and UNICEF, already had a presence in the field and a comparative advantage. The initial choice by Imperial College London to work with UNDP appeared to have more to do with UNDP's facilities than its focus. Furthermore, the lack of progress made through the inter-agency UN-AIDS group suggested that cooperation in this area would be difficult. That said, HIV/AIDS is a UNDP practice area, there was a clear need among those at risk of HIV and an institutional vacuum in addressing it. Internally, the HIV prevention project is also establishing links to other initiatives supporting social protection reform and the inclusion of vulnerable and minority groups.²

Coherence and effectiveness. The human security cluster has evolved from crisis prevention and recovery under the 2002-2004 Common Country Framework to a strategy for human security. Until this point, it had suffered from a lack of clear parameters, defined objectives and coherent actions. The projects conducted through the cluster are only loosely affiliated, and in both of the two larger initiatives assessed, neither felt strongly aligned to a coherent foundation or shared set of objectives. It has been noted that there has yet to be evidence of synergies from the projects. In fact, in the case of the small arms and light weapons project, there appears to be closer ties to the institutional development cluster through the project's capacity-building work at the ministerial level. More broadly, while there has been strong support from SEESAC and the Bureau for Crisis Prevention and Recovery's Small Arms and Demobilization Unit in Geneva, it was noted that cooperation on security issues with the Regional Centre in Bratislava and to a lesser extent with the Regional Bureau in New York could be improved.

UNDP has been largely effective in its support of security sector reform, within the constraints of the political context, and in its work on HIV prevention. However, without a common basis or objectives, it is not possible to determine the effectiveness of the cluster as a whole.

1. DFID Mid-Term Review, May 2005, p. 14.

2. Through the earlier mentioned Home for Elderly Refugees and IDPs project, the *National Human Development Report* and the Social Investment Fund.

4.4.5 CONCLUSIONS AND RECOMMENDATIONS

Security sector. Increasingly, reforms in Serbia and Montenegro are linked with prospective EU membership, and in seeking to fulfil the conditions of the *acquis communautaire*. As the biggest actor, the EU will be best placed to raise the issues of security sector reform in line with its treaties and associated codes of conduct. Likewise, UNDP's Global Thematic Trust Fund – the funding source that provided much of the assistance to SEESAC and the UNDP projects – is shifting support away from Europe towards other priority areas, reflecting both its seed funding nature and the needs in sub-Saharan Africa and Asia.

SEESAC and UNDP's small arms and light weapons projects must therefore seek funding elsewhere. In 2006, SEESAC secured €1.5 million from the EU, shifting its dependency from UNDP to the EU. The Small Arms and Light Weapons Project has secured financing from UNDP only until May 2006, and the sharing of these funds is being heavily contested between the republics and their union counterparts. However, SEESAC has since indicated that funding for small arms and light weapons may be available for 2007, under the auspices of a SEESAC-led EU initiative.

The broader *raison d'être* of UNDP's continued involvement in security sector work, including small arms and light weapons, has been questioned both externally and internally. From one perspective, the Country Office's move away from post-conflict response appears out of touch with the current reality in Serbia (which entails a UN-administered territory and issues regarding compliance with the International Criminal Tribunal). However, it may also be noted that this move seeks to improve the overall coherence of the UNDP programme, linking it more closely with the development focus of other clusters.

In view of the difficulties experienced with the state of the union, and the lack of substantive and coherent support within the Country Office and UNDP more broadly, it may be strategic for UNDP not to pursue interventions in the

security sector beyond the end of the current cycle, or to transfer the direct project management responsibility to SEESAC. The European Union, known to be active in the control of small arms and light weapons in Southeast Asia, has also recently begun to show interest and is a natural partner.¹ With the commitment to fund SEESAC through 2006, and with funds available to support control of small arms and light weapons, it may be an opportune time to hand over responsibility.

HIV/AIDS. The early successes of the HIV prevention project have led key stakeholders to suggest that UNDP could play an expanded role in this area, especially to take advantage of its access to government counterparts to resolve a number of political impasses. Having established itself as a strong partner, UNDP may want to now consider how to facilitate the greater involvement of other mandated agencies. Within the organization, as with the work on security sector reform, more could be done to define the possible interrelationships within the human security cluster.

Cluster future. Human security as an objective, and as a broad area of involvement, relates to UNDP's overall mandate of promoting human development. Defining this more narrowly within the context of Serbia and Montenegro has placed the emphasis on vulnerable populations. In this regard, the recent definition of a strategy is a positive step, identifying the niche, taking stock of prior interventions, and providing a platform for possible future growth. The focus on vulnerable populations is seen as a cross-cutting theme² for UNDP in Serbia and Montenegro, and there are possible reconfigurations that may benefit the overall programme. In terms of the current arrangement, there is an argument for considering justice and home affairs work as part of security sector reform, implying a reconfiguration of both rule of law and human security clusters.

Certainly, there appear to be numerous national needs in supporting the development and implementation of laws and strategies – on anti-discrimination, for example, Roma Action Plans

1. The EU published a strategy for the control of small arms and light weapons in December 2005, and has since allocated €1.5 million for the Western Balkans for 2006–2007.

2. Drawing on some components of the institutional development cluster addressing policies in this area, the Social Investment Fund under the poverty reduction and economic development cluster, and projected work through the rule of law cluster on human rights law and transitional justice.

and the like, and these opportunities can be supported by the UN Country Team working group of the same name and through regional initiatives. While this may be optimal, it will be important to clarify roles and responsibilities with other UN agencies, and UNDP will need to be cautious not to ‘invade the turf’ of UNHCR in particular. Beyond this, the challenge for UNDP will be to determine what its real objectives are, and then decide whether they warrant a separate cluster or whether they can be ably addressed through other, more established, work programmes.

4.5 JUDICIAL REFORM AND RULE OF LAW

Under the Milošević regime, the rule of law system suffered terrible setbacks, moving even further away from the already questionable independence of the judiciary in Yugoslavia. Formally, there was a separation between the three branches of the Government in Serbia, but politics and pressures of the regime have been used in the judicial system against dissidents and to ‘legalize’ impunity. Key judicial institutions were captured by the pro-regime elite and tightly controlled the nomination, appointment and dismissal of judges. Human rights entered the agenda only in the context of their violation. Furthermore, the administration of justice – the courts, the prosecutors’ office, the penal system – had problems characteristic of any unreformed bureaucracy; the administration was inefficient and incompetent and the staff was poorly paid and poorly trained.

The new democratic Government came into power in 2000 with a strong intent to reform the rule of law in Serbia. The death penalty and military courts were abolished. The legal environment for human rights greatly improved: the State Union became a signatory to six core UN human rights treaties and, at the Republic of Serbia level, a Law on the Protection of Rights and Freedoms of National Minorities was passed. A package of five Laws¹ designed to re-institutionalize the separation of the executive and the judiciary was passed in November 2001. A Judicial Reform Council was formed in 2002. The prospect of EU accession

also mobilized the Government and the Ministry of Justice to enter the process of harmonization of laws with the *acquis communautaire*.

However, the state of emergency, declared after the assassination of the prime minister in March 2003, adversely affected the ongoing rule of law reform. The Judicial Reform Council – slow to begin its operations – stalled completely, the five laws were amended or rescinded and the Assembly continues to retain control over judicial appointments. Also, under the state of emergency, there were violations of civil liberties and human rights due to the extraordinary powers granted to the police and the courts. After the state of emergency was lifted, the overall situation normalized, but the Government appears to have lost its will for reform and there is a serious concern in the European Union and among donors about the current state of affairs.

4.5.1 UNDP STRATEGY

It is against this backdrop that UNDP entered the field of rule of law reform in 2001. Under CCF 2002–2004, rule of law initiatives were developed as part of the democratic governance objective. Programmatic assistance was consolidated under a strategic objective of Judicial Reform and Rule of Law in CPD and CPAP (2005–2009). The UNDP Country Office created a rule of law cluster in 2004 to respond programmatically to this objective as well as to provide a strategic response to the UNDAF outcome of strengthening rule of law, equal access to justice and promotion of rights.

The rule of law cluster “*is concerned with a need to re-establish rule of law and reform judiciary as well as fostering human rights protection mechanisms within the framework of existing institutions.*”² The cluster currently manages, and is designing new, projects to:

- Create a roadmap for an effective and affordable state-run and state-funded legal aid system for those who cannot afford legal services
- Build capacities of post-conflict social institutions through research, training, knowledge-sharing and public information

1. The Laws on the High Judicial Council, Judges, Organization of Courts, Public Prosecutors, and the Seat and Territorial Jurisdiction of Courts and Public Prosecutors’ Office.

2. UNDP. 2005. *Judicial Reform/Rule of Law Cluster*. Strategic Plan, p. 1.

- Improve professional capacities of the judicial profession.

The cluster is supporting rule of law reforms by developing tools for education, training, research and knowledge-sharing that are necessary for modernization and advancement of the legal profession in Serbia. The cluster is also working on a roadmap for the creation of an effective and affordable state-funded and run legal aid system for those who cannot afford legal services as well as anti-corruption and anti-discrimination projects. There is a process-oriented, pro-training orientation and focus on making learning resources available to the profession that evolved from the experience of the cluster in developing and implementing its ‘flagship’ project – the Judicial Training Centre. It is also an innovative approach to building institutions.

4.5.2. JUDICIAL TRAINING CENTRE

The necessity of judiciary reform was recognized by the democratically minded wing of the profession for a long time before the fall of the Milošević regime. In 1997, a group of judges founded, with donor support, the Judges Association of Serbia, with a membership of about 600.¹ In the summer and fall of 2000, the Fund for an Open Society and the Judges Association began to explore the idea of setting up a training programme for judges who, in a decade of conflict, were professionally isolated in Serbia and abroad and had no access to new research and training. The legal training in Serbia was assessed as inadequate: It did not, and regrettably still does not, give graduates sufficient exposure to the practice of law and training for working as a judge. It was also understood that if a real change was to occur, the mind-set of the profession had to change. Judicial independence is not only a matter of institutional arrangements but a matter of confidence, knowledge and integrity of the professionals who serve the law.

The idea for training the judiciary was also championed by the senior leadership of the profession, including the then president of the Supreme Court of Serbia. With the change in political leadership

and a new commitment to reform the rule of law, the issue of judicial training escalated from being a good idea to a necessity that had to be operationalized quickly.

UNDP project response. UNDP worked with the Fund for an Open Society in the early post-crisis period in 2001. It was through this relationship that UNDP and the Judges Association were brought together. UNDP worked with the Association, the Ministry of Justice and the donors. By the end of December 2001, a project document for ‘Development of a Centre for the Continuous Training of Judges and Prosecutors (Judicial Training Centre) in the Republic of Serbia’ was signed. The Judges Association and the Ministry of Justice were co-founders of the Judicial Training Centre (JTC), and UNDP was designated as implementer of the project. The funding was provided by the governments of Sweden and the Netherlands (initially \$850,000 each), with later contributions by CIDA. The Ministry of Justice provided and renovated premises in Belgrade, outside the ministry building, and covered their operating costs. Since its inception, the JTC has expanded its operations and now has a branch office in Niš, supported by the Government of Germany.

The objectives of the project were simple and, at the same time, extraordinarily difficult: to put in place an institution that would deliver high-quality, cutting-edge demand-driven training to judges, prosecutors and legal staff; to build capacity of this institution for research and knowledge management; and to make the institution sustainable.

UNDP designed a project using a standardized approach that has not provided the flexibility necessary to adapt to the changing needs of the JTC. Hence, during implementation, UNDP learned to adapt its processes and models. For example, after a relatively brief period of direct execution (DEX) by UNDP, the project was transferred to the national execution (NEX) modality. In fact, it became the first locally piloted NEX project in Serbia. UNDP’s willingness to experiment and be flexible resulted in the overall success of the JTC: UNDP performed well and built an institution that is well known, respected and utilized by the

1. Belonging to the Judges Association was a political risk: Some judges were dismissed from the bench after joining. Currently, the majority of judges are members (1,600–1,700 out of about 2,400 judges in Serbia).

Serbian judicial profession. The notable results of the project include the following:

- Organization of over 280 workshops, seminars and conferences, drawing more than 8,000 participants (every judge in Serbia participated in at least one event)
- Establishment of a Judicial Training Resources Database accessible to all district courts in Serbia and an e-library
- Publication of a *Judicial Education for Development – Turn Guide*

There have been two evaluations¹ of the project, whose findings are reflected in this report.

UNDP role and contribution. Both UNDP and the JTC have been recognized and praised for their work in establishing the institution and share a common appreciation for it. Although UNDP is not a ‘founder’ of the JTC, it is its ‘builder’. UNDP supported the JTC in the development of management and operations, facilitated training and curricula development and worked with the institution through strategic planning and implementation of its mission to enable judicial reform through professional advancement of the judiciary. The stakeholders and the donors acknowledge that, without the UNDP-implemented project, the institution would probably not have achieved the success it did.

The process of building the JTC was arduous.² The undertaking was new, and UNDP and the newly hired staff of JTC worked without any model for institution-building. There was general pressure to commence with the training, due to the needs of the judiciary and the eagerness to begin, even before the premises and the organization of the JTC were established. The start-up period of the JTC was characterized by a high level of frustration, which resulted from administrative procedures, delays in payments and a continuous clash of

institutional cultures among UNDP, the ministry and the JTC. All of this was further complicated by the necessary but stressful transition to the NEX system. At the same time, and in spite of the problems outlined above, JTC did not falter in its mission of becoming a training institution and UNDP delivered support. The centre was “able to establish an impressive volume of training activity, with a wide scope of fields ... and a high coverage of judges as participants ... [and] the training has met with a positive reception among the participants.”³ The JTC programmes were and are held across Serbia to the continuous satisfaction of the participants.⁴

Sustainability. To date, the JTC has operated as an independent institution, not incorporated into the judicial administration structures of Serbia. The issue of making the JTC a permanent state institution is important, since it has implications for the centre’s sustainability and, consequently, the future of judicial training in the country.

UNDP has been actively focusing on JTC sustainability since of the beginning of the project cycle: the centre has been included in the state budget through the progressive responsibility of and, finally, the full absorption of the salaries of JTC employees by the Ministry of Justice. In addition, the current National Judicial Reform Strategy,⁵ drafted by the Ministry of Justice, envisages the full institutionalization of the JTC as a National Training Academy.

In order to ensure that the strategy is implemented and the National Training Academy established, it should focus on the areas where the JTC is most likely to build its constituency for support – that is, in the judicial profession in Serbia. The JTC is known and valued by the profession, but it has to become indispensable. A new unit for judicial resources and programmes enhancing judicial cooperation, currently being developed at the JTC, are steps in the right direction.

1. Sims, T. August 2003. *Evaluation of the Judicial Training Centre Project*; Dietrich, M., Djuricic, D., Hauge A., and Oxner, S. E. January 2004. *Outcome Evaluation: Efficient Administration and Access to Justice in Serbia and Montenegro*. The latter is also an assessment of judicial reform in Serbia.

2. The beginnings were described to the mission as ‘awful’ and ‘terrible’.

3. Dietrich et al., pp. 17-18.

4. The impact of judicial education is very difficult to measure. It has been estimated that it takes about 10 years before ‘the culture of institutions’ changes and training results are translated into actual change. See: Toope, S. J. September 2003. ‘Legal and Judicial Reform through Development Assistance: Some Lessons’, McGill Law Journal.

5. The Government of Serbia. 2006. *National Judicial Reform Strategy of the Republic of Serbia*.

The Turn Guide: lessons captured. Understandably, since the project was new and required approaches and methodology outside the standard project design, UNDP and the JTC made mistakes in the process: curricula development and research capacity-building had a slow start; the evaluation system and participatory learning methodologies are just now evolving; sequencing and priority-setting were not always right. These and the joint experience of building support, designing strategies and implementing judicial education led to the design of a multimedia *Judicial Education for Development – Turn Guide*.¹ The *Turn Guide* is a unique and innovative learning tool available for use by UNDP Country Offices globally.

The goal of the *Turn Guide* is to align judicial education with the overall effectiveness of development and to present approaches and methods that can be used to enhance judicial professional advancement around key development issues. In addition, the *Turn Guide* documents best practices from the experience of UNDP in Serbia. Thus, the guide seeks to provide a streamlined policy portfolio by improving the understanding of reform demands, bridging interrelated fields of intervention, strengthening practical understanding and building up capacity for policy advice and design strategies.

4.5.3 CONCLUSIONS AND RECOMMENDATIONS

UNDP is recognized as the partner of JTC and readily accepts credit for the work it did with the institution. Donors queried on the topic acknowledged the issue of attribution, but expressed no concern about it; the donors were satisfied with the outcome of the project (creation and operations of the JTC) and UNDP's role in implementing it. Among local organizations, UNDP was criticized for monopolizing work with the JTC and for an insufficient strengthening of ties between the JTC and the Ministry of Justice. At the same time, the institutionalization of judicial training, albeit still outside of the administrative structures of the judiciary in Serbia, is one of the

few facets of judicial reform that was implemented. The JTC was able to engage the Ministry of Justice constructively on the issue of judicial training and get continuous commitment for cooperation.²

UNDP entry into rule of law reform – the JTC project – was characteristic of many others developed in the Country Office in the early post-conflict period. Although developed in consultation with donors and stakeholders, the JTC project was not thought out well and was implemented in a progressively worsening political climate. In other words, the project had a high likelihood of failure. Nevertheless, it turned out to be one of the most successful examples of support by UNDP in the reform process in Serbia.

Why did the project work? Beyond staff dedication and commitment that was instrumental in overcoming the rough start-up phase, success resulted from a steady project focus as well as flexibility and innovation in its approach. UNDP worked with one institution on a small aspect of the overall reform and used its own and the JTC's experience and expertise for capacity-building and research. The JTC project has acted as a springboard for shaping new UNDP projects and for focusing UNDP on strategic priorities in the field of judicial reform/rule of law.

After UNDP found a niche (or was placed in one), it developed its expertise carefully and cautiously scaled up. The rule of law team, which later became a cluster, commissioned an evaluation of judicial reform in Serbia³ and followed its recommendations to pursue process-oriented assistance at the subsectoral level. As the rule of law will continue to be a pressing issue for Serbia, UNDP has positioned itself well to make a difference on a few, well chosen issues (for example, improving the professionalism and competency of the judiciary,⁴ legal aid, support to transitional justice through research and facilitation of information exchanges).

Other clusters and the Country Office can learn a great deal from the rule of law experience about focus, realistic assessments of capability and

1. UNDP and JTC. 2005. *Turn Guide*. Online version available at <http://turnguide.undp.org.yu/>

2. In contrast, the present relationship between the Judges Association and the Ministry of Justice is strained.

3. Dietrich et al.

4. UNDP facilitated an international meeting to share experiences among judges working on war crimes.

preserving institutional knowledge. Although the cluster is active in a highly specialized field, it is able to offer other clusters its well-developed technical expertise. The rule of law cluster is currently cooperating with the human security cluster on an anti-discrimination project and with the public administration reform cluster on an anti-corruption project.

4.6 COORDINATION

4.6.1 DONOR COORDINATION BY GOVERNMENT

The Ministry of International Economic Relations (MIER) at the state union and republic levels was established in 2001 to support the promotion of international economic relations and foreign investments, and coordinate the use of donations and other forms of foreign assistance. Within the ministry, the Development and Cooperation Unit (DACU) was created to formalize coordination between the Government and donors. As a high priority ministry, MIER was included in the UNDP Capacity Building Fund, with support initiated in early 2003 focused on three key institutions.¹ DACU, not included in the CBF, has been supported through separate technical assistance and capacity-building by the UK Department for International Development (DFID) and Swedish SIDA.

The capacity-building initiatives in MIER/DACU reflect broadly acknowledged weaknesses in coordination. Donors themselves admit to continued unilateral behaviour by establishing their own projects, procedures and bilateral relationships with relevant sector ministries. Thus, while several donors acknowledge the need to improve their own conduct, there is also an expectation that MIER will move beyond facilitating and recording donor activity to becoming a proactive body capable of ensuring the selection and alignment of donor initiatives with government priorities.² MIER itself has acknowledged that coordination occurs

on a case-by-case basis, with the role devolving more to republic-level ministries.

Coordination mechanisms have also been established pertaining to specific sectors and strategies. The UNDP CBF was intended to include the function of being a forum for donor coordination for capacity-building and support to public administration reform. The CBF Steering Committee, chaired by the minister of MIER, was initially active. But due to the many political changes and uncertainties, the committee failed to coordinate the increasing number of CBF projects. More recently, a Poverty Reduction Strategy Support Unit has been set up in the Office of the Deputy Prime Minister to support general coordination of the implementation of the PRS. With funding support from DFID, the Support Unit has a three-year mandate (ending 2008), by which time it is expected that implementation capacity for the PRS will have been built in national institutions, including the establishment of coordination mechanisms with the private and civil society sectors.

4.6.2 DONOR AGENCY COORDINATION

The coordination of donors amongst themselves has varied in consistency and leadership since the end of the last decade. After the fall of the Milošević regime, a number of donors established a rapid and substantial presence in Serbia, notably the World Bank, USAID and the EU, and activities were largely coordinated between these agencies. UNDP had a very small presence in Serbia until late 2001, and only assumed the UN resident coordinator function in mid-2002 with a formal appointment. From this point until mid-2004, there were some efforts by the resident coordinator to take the lead in donor coordination, but with mixed results.³ The lack of a single agency lead has shifted more recently, with the World Bank agreeing to establish and lead two monthly 'heads of agency meetings, including the IMF, USAID, the US Embassy, the UN resident coordinator,

1. The Serbian Investment and Export Promotion Agency, the European Integration Office and the World Trade Organization Unit.

2. MIER/DACU currently holds regular open meetings for all donors to share information on their support activities, but not to coordinate them per se.

3. Several observers noted that the appropriateness of the UN taking the lead in coordination in Serbia at that point in time, coupled with the dual role of leading UNDP's strategic and programmatic development with that of the UN resident coordinator function may go some way in explaining this.

EAR and DFID. This is currently in the initial stages and the structure and procedures have yet to be worked out.¹

Inter-agency coordination has been much stronger among those working in the same sectors or regions. In the rule of law area, UNDP, OSCE, the Council of Europe and USAID have arranged informal rather than structured periodic meetings, focusing on specific topics and initiatives, including the judicial reform strategy and training centre. Similarly, in public administration reform, where the World Bank, USAID, DFID and SIDA are all active, coordination has been proactive and UNDP has been effective as a facilitator and intermediary in dialogue between Government and donors on key issues. UNDP has also been seen as taking the lead more recently in HIV/AIDS through the HIV Prevention among Vulnerable Populations Initiative. Furthermore, coordination between UNDP (which represents other partners, such as EC/EAR, SIDA, Norway and, recently, Austria) and USAID/CHF in South Serbia was cited as a good example of agencies taking care to complement rather than duplicate efforts.

4.6.3 COORDINATION AMONG UNITED NATIONS AGENCIES

UNDP in Serbia and Montenegro is part of the 14-member United Nations Country Team² with a combined total of almost 400 international and national staff (see Figure 2). The variety of agencies reflects the breadth of the overall UN presence, ranging from the development agencies to the Hague Tribunal (ICTY) and UN Interim Administration Mission in Kosovo (under the UN Office in Belgrade). Of these, only two are agencies of the Executive Committee of the UN Development Group: UNDP and UNICEF (UNHCR is an ex-officio member) and thus have an established field presence. The other agency representatives are project-based, although in most cases are mandated to represent their agency in

dealings with the Government. Thus, the challenge of coordination is both large and complex.

Inter-agency coordination in southern Serbia.

The UN launched an inter-agency mission to southern Serbia in February 2001 to assess the conflict situation and design a strategy for intervention. A consequence of the mission was the establishment in May of an Inter-agency Support Office (IASO) with representatives of UNHCR; UNICEF, OCHA, IOM, FAO and UNDP. The presence of the UN as an organization that was perceived to be neutral was found to be both positive and vital during this early period. The IASO provided a platform for initial emergency response and assistance to Kosovo, primarily through UNHCR, transitioning to longer-term programming in social and economic development and governance was led by UNDP.

Collaboration on the MDGs. Since 2002, aside from country-level coordination among the agencies, the work plan for the UN Country Team has focused on improving support to national efforts in achieving the MDGs. In 2002, a UN working group was established that managed the production of the first baseline report for the MDGs, followed by awareness-raising campaigns in 2003, drawing in high-profile figures as advocates.³ In 2004, the Government established an interministerial MDG working group to work jointly with the PRS. As part of a broader effort to raise the profile of the UN on its 60th Anniversary in 2005, the Office of the Resident Coordinator organized a tour of 12 towns, with between three and five agencies present together in each town. The tour enabled different agencies, including the IMF, to discuss perspectives on issues such as the MDGs with the public, local politicians and NGOs.

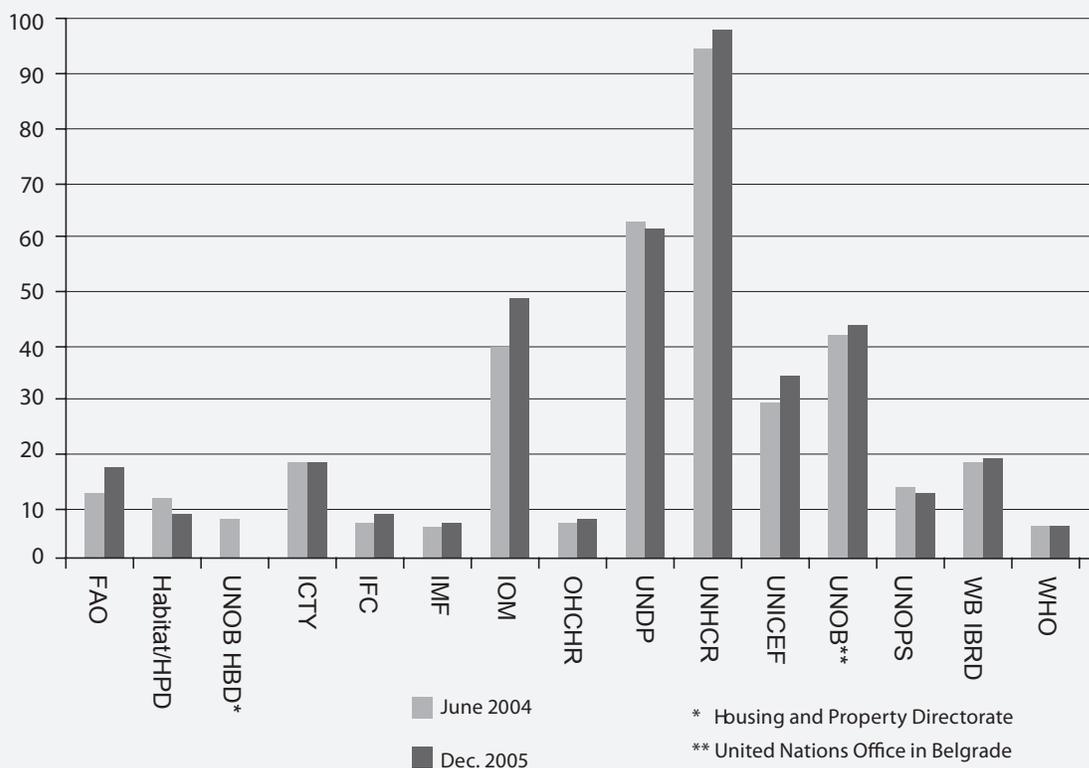
Despite these efforts, there is a shared feeling that the UN has missed an opportunity to make the MDGs part of the domestic agenda. MDG campaigns were not felt to be well publicized, and generally did not catch the attention of the

1. The evaluation team was informed that this group does not want to expand into a larger intra-donor entity, but there is agreement that a larger group might be separately established.

2. Other UN resident agencies in the State Union of Serbia and Montenegro are: FAO, ICTY, OHCHR, UNEP, UN-Habitat, UNHCR, UNICEF, UN Office in Belgrade, WFP, WHO and IOM. These agencies collectively interact with the resident international financial institutions, that is, the IFC, IMF and World Bank.

3. Including the wife of the President of the State Union of Serbia and Montenegro, Mrs. Marovic.

Figure 2: Staffing Levels of UN Country Team Members, Serbia and Montenegro, 2004/2005



Source: Resident Coordinator's Office, Serbia and Montenegro

media or the public. While attempts have been made to integrate MDG and poverty reduction strategies, they have not been considered entirely successful, and it has been noted that the UN was not as strong an advocate as the World Bank for poverty reduction. Furthermore, there has been little sense that MDG work and advocacy has been a joint UN Country Team effort, rather primarily that of UNDP. It should be noted, however, that the 'applicability' of the MDGs to EU accession countries (with the policy and planning frameworks dominated by this process) is different and more limited than in other developing and less developed transition countries. This continues to be the subject of discussion in UNDP, particularly with reference to efforts to link MDGs with the European social inclusion agenda.

Joint planning and programming. Since the establishment of the resident coordinator function, overall coordination between UN agencies has been managed through monthly meetings chaired by the resident coordinator, and through the establishment of numerous inter-agency thematic groups aimed at promoting joint programming and policy advocacy in areas of common interest.¹ During 2003, the CCA was prepared by the UN Country Team led by the resident coordinator, through the establishment of inter-agency theme groups, stakeholders workshops and the commissioning of external studies. In March 2004, the UN Country Team and Government signed the UNDAF, representing the first mandated basis for UN agencies to align, coordinate and plan joint programmes within a synchronized cycle.² The first UNDAF

1. Theme groups established include Poverty Alleviation, Employment & Social Protection, Human Security & MDGs and Aid Coordination, Human Rights & Gender Equity. Of these, the UN-AIDS and MDG groups have been the most active.
2. Of the UN Country Team agencies, only UNDP and UNICEF have five-year planning cycles.

annual review was conducted in September 2005, drawing together 30 participants from eight of the agencies, and resulting in the establishment of new coordination mechanisms around common activities or interests in the rule of law (including UNDP and UNHCR), decentralization (UNDP, UNICEF) and participatory monitoring.

The quality of the cooperation and coordination through these mechanisms has been weak, though improving. The partner survey of 2003 found that familiarity and satisfaction with the resident coordinator role and function among partners in Serbia and Montenegro to be below both the regional and global averages (see Annex 5). Stability in leadership though has been absent with several changes in personnel over the past two years.¹ Thus, while indicator values of overall familiarity with the resident coordinator system over the 2003–2005 period show considerable increase (57–70 percent), satisfaction levels have fallen (69–61 percent). This has not aided the building of a coherent, singular mission for the UN in Serbia. Consequently, the image projected to Government and other partners is of many agencies with their specific mandates and relationships.

Until 2005 and the initiation of UNDAF, the UN Country Team had not established any joint programmes, with the exception of HIV/AIDS. Despite efforts to align activities in some areas, including human security, UN agencies under the leadership of the resident coordinator were unable to attract financial support for such initiatives. The UNDAF 2005–2009 outlines a number of areas of joint work in each of the outcome areas, but the first annual review noted that, in most cases, these remain as parallel activities and joint planning is required. The primary exception, and a stated good practice, has been the work on developing HIV/AIDS strategies, protocols, guidelines and services through the UN-AIDS Task Group. In addition, the perception of UNDP's improved collaboration with other UN agencies working in Serbia is a positive step.

Conclusions and Recommendations

Coordination among UN Country Team members appears to have suffered from variable and fragmented leadership over the past five years. Despite a regulated structure, thematic groups and an evolving joint work programme, the need for far greater coordination among the agencies and improved leadership have been highlighted by UN agencies themselves. As noted by one agency head, *“One of the lessons of the CCA/UNDAF process is that forward planning often risks falling victim to individual agency posturing and resultant excessive process management at the expense of substantive dialogue and consensus-building.”*

Clearly, greater inter-agency attention to the process and machinery of forward planning, combined with better understanding of respective roles and responsibilities, and more attention to mutual accountability, will be necessary for the effective transition to UNDAF implementation and pursuit of global conference follow-up. With a new resident coordinator (in post in November 2005), there is a clear opportunity to build on the efforts of the predecessor and collaborate more openly. The early signs are positive.

The UNDAF has been viewed broadly as a positive platform upon which the UN Country Team can begin to improve their alignment and work together. A broad range of joint activities were identified in the formulation stage in 2004, and the annual review has identified limited progress. However, the establishment of new areas for cooperation is tempered by the strength of the relationship of individual agencies with government counterpart ministries, the noted weakness of Government-donor coordination and the narrowness of inter-donor cooperation. Within this context, a number of UN agencies themselves are cautious about seeking to establish too many joint activities or programmes.

UN agencies have largely developed and operated alone in Serbia, establishing themselves in a competitive market by promoting their individual and

1. During most of 2005, the resident coordinator position was held temporarily by UNICEF, while UNDP sought a permanent resident representative/resident coordinator replacement.

corporate strengths. Despite this fact, a number of stakeholders and recipients of UN assistance were unable to differentiate between UN agencies. The harmonization of efforts in southern Serbia provides an excellent example of this, and should be used as a model of cooperation. With the UNDAF and a new resident coordinator, there are opportunities to both consolidate around common work

areas, and present a more coherent UN image to the Government and development partners. With the absence of clear leadership in the donor community, there are also signs that the resident coordinator may be supported by the Government and a number of key donors in playing a lead role in donor coordination.

Chapter 5

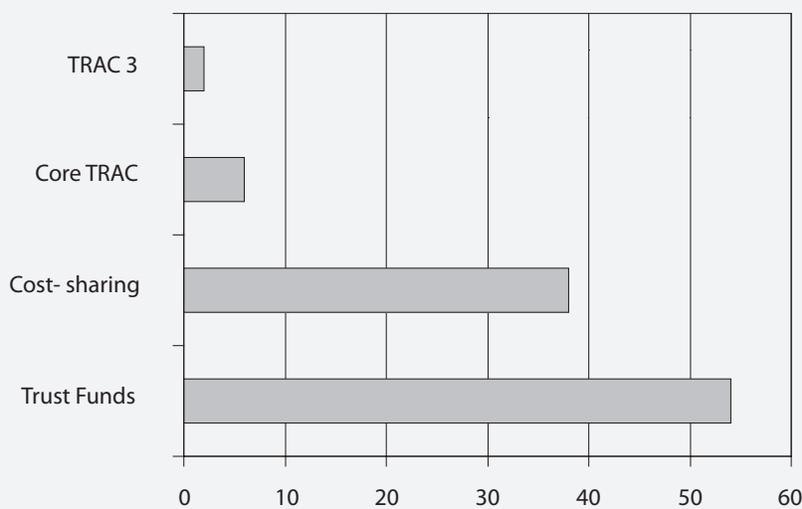
Management of UNDP Assistance

UNDP's programme strategies from 2001–2005 identified *what* was to have been accomplished – the results, outcomes and eventual impacts. Their success or effectiveness depended on *how* they were implemented: that is, *management*. An assessment of development results would not be complete without looking at the management dimensions of UNDP assistance, which include financial resources to fund programmes and recover implementation costs, human resources, planning and organization, accountability structures, supporting systems and information, monitoring and evaluation. This chapter examines the nature and effectiveness of UNDP management strategies across these various dimensions.¹

5.1 SOURCE AND APPLICATION OF FUNDS

Financing sources. By the end of 2005, the Country Office in Belgrade (including South Serbia) had delivered or was in the process of delivering 68 projects with a total budget of \$77.5 million (See Table 1, Annex 4).² Figure 3 lists the major sources of financing of UNDP-implemented projects in Serbia. Non-core cost sharing (from both Government and other donors) along with UNDP-administered Thematic Trust Funds constitute by far the largest source of financing (about 92 percent of the total). Financing provided through UNDP sources – TRAC resources, TRAC-3 and Support services for policy and programme services (SPPD)/ Support for Technical Services

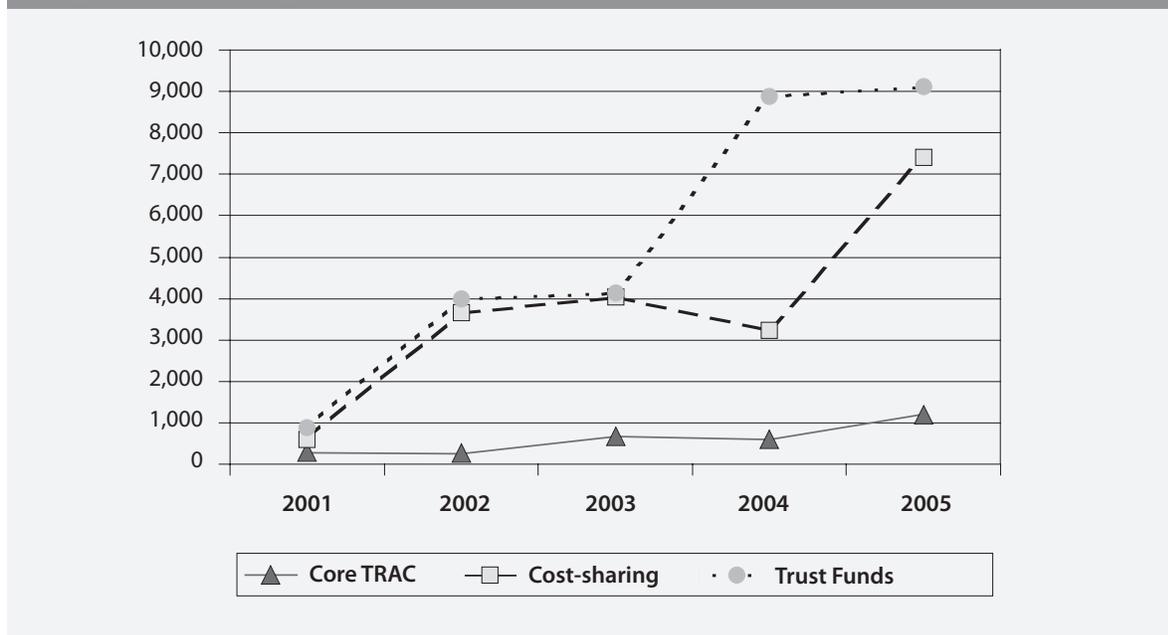
Figure 3: Source of UNDP-Serbia Project Financing, 2001–2005 (percent of total)



Note: Core TRAC includes \$214,000 in SPPD/STS funding.

1. This general assessment of selected management dimensions of the Country Office is based on a review of financial and other performance-related data provided by the Country Office and corporate management systems, interviews and consultations with Country Office management and staff, and reference to various supporting documents such as the cluster Strategy Notes, audit report, and the Validation Report (a PowerPoint presentation based on a brief validation mission carried out for the Belgrade office from 16–25 July 2006). The observations and findings contained in this section should be seen as preliminary and point to the need for a comprehensive management review.
2. The UNDP shifted its financial systems in 2004 to the new Atlas system. Not all data from earlier systems may have been converted, and hence some of the data presented here may not be complete.

Figure 4: Financing Trend by Source, 2001–2005 (US\$ x 1,000)



(STS) amounted to about \$4.3 million or about 9 percent of the total (see Table 2, Annex 4).

Figure 4 graphically illustrates the growth in financing over the five-year period. The flow of core resources increased from about \$0.3 to \$1.1 million over the five-year period. The greatest increase was in cost-sharing, which grew 11-fold – from \$0.5 million in 2001 to \$7.6 million by 2005. A significant source of funds has been specially set up trust funds – the method selected by some of the main donors (such as EC/EAR and SIDA) to channel their resources to UNDP, rather than using the standard cost-sharing agreements. The amounts channelled through these funds increased from about \$0.9 million in 2001 to \$9.1 million by 2005. The levelling or tapering off of financing levels in 2003 is due primarily to the assassination of the prime minister and ensuing political uncertainty. Funding picked up considerably in 2005, following the 2004 elections.

Resource mobilization. Over the period 2001–2005, close to \$68 million in funds had been mobilized from some 24 sources, including the Government of Serbia (see Table 2). The main source of cost-shared funds was the European Union (through the EAR), which accounts for over 40 percent of total cost-shared resources, mostly for South Serbia programmes. As these programmes expand in southern Serbia and other

regions of the republic, it is expected that the EU will continue to be a major source for financing projects implemented by UNDP. Although several bilateral donors have been major sources of cost-sharing (such as Sweden and the Netherlands), it is interesting to note the varied non-bilateral sources: Fund for an Open Society-Serbia, the Imperial College London and Rockefeller Brothers Fund, among others. The high level of non-core financing is seen to be the result of government and donor confidence in UNDP capacity to implement projects and programmes.

As noted in Chapter 3, the Country Office has placed a heavy emphasis on resource mobilization. While resources have been raised within the context of UNDP's broad programmatic framework, the variety of projects has generated some perception of UNDP needing to raise money to cover the costs of its office operation or pursuing project and programme opportunities where funding might be found.

The issue of resource mobilization raises the broader question (for the Serbia and Montenegro Country Office as well as other Country Offices in the region): Is there a danger that UNDP might become simply a donor aid implementer, rather than a true partner? The question may be answered in part as to how projects and programmes are developed. In the case of Serbia, as discussed in

Table 2: Resource Mobilization 2001–2005 (US\$ x 1,000)

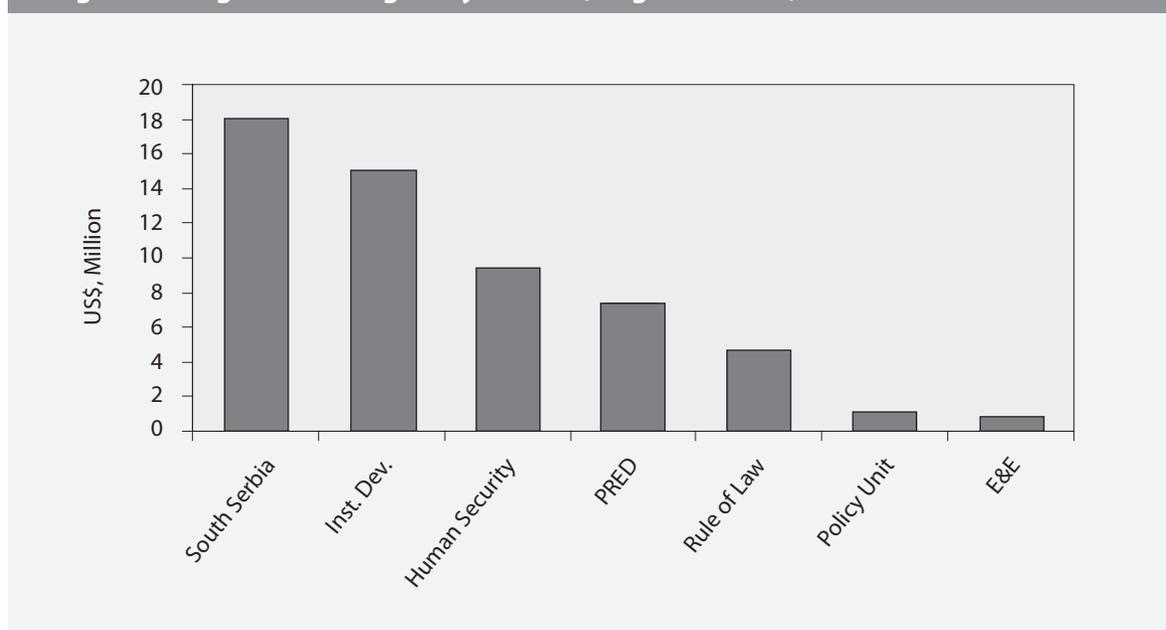
Source	Total	Source	Total
EU (EAR)	29,000	Germany	550
Sweden (SIDA)	13,000	UN agencies	345
Netherlands	9,400	Poverty Action Fund	335
Italy	3,100	Rockefeller Brothers Fund	330
Thematic Trust Funds	3,097	United Kingdom	260
Austria	2,620	Canada (CIDA)	180
Fund for an Open Society-Serbia	1,250	Greece	100
Imperial College London	1,100	Belgrade Economics Institute	96
World Bank	830	Global PRSP	31
Norway	800	Global Environment Facility	68
Luxembourg	615	DFID	20
Government of Serbia	570	Switzerland	18
		Total	67,715

Chapter 4, the Country Office has participated substantively in developing project/programme concepts and designs in collaboration with donors and other partners, and in this sense may be seen as a donor and government partner. On the other hand, some donors still perceive the UNDP role primarily as one of implementer – which, in effect, is still a partner role. The question requires further exploration. Such mixed perceptions also

indicate the need for UNDP to clearly define and communicate its resource mobilization strategy.

Programme budgets and delivery. Since the re-organization of the Country Office in 2004, projects and programmes have been grouped into four main clusters plus a small policy unit, an ‘area of intervention’ unit where energy and environment (sustainable development) projects are grouped,¹ and the South Serbia programme that operates

Figure 5: Programme Budgets by Cluster (Belgrade Office)



1. The UNDP Country Office is currently managing the few projects in this ‘Area of Intervention’ unit separately to determine if this part of the portfolio will be closed or combined into the human security cluster as an environmental aspect of human security.

Table 3: Projects, Budgets and Expenditures, 2001–2005 (US\$ x 1,000)

Cluster/Unit	No. Projects	Budget	Expenditure	Delivery Rate*
South Serbia	4	17,883	14,326	80%
Institutional development	33	14,760	12,403	84%
Poverty reduction and economic development	11	7,206	6,134	85%
Human security	7	9,205	7,764	85%
Rule of law	6	4,352	3,301	75%
Policy Unit	2	822	688	84%
Sustainable development/ energy and environment	5	448	354	79%
Total	68	54,156	44,970	83%

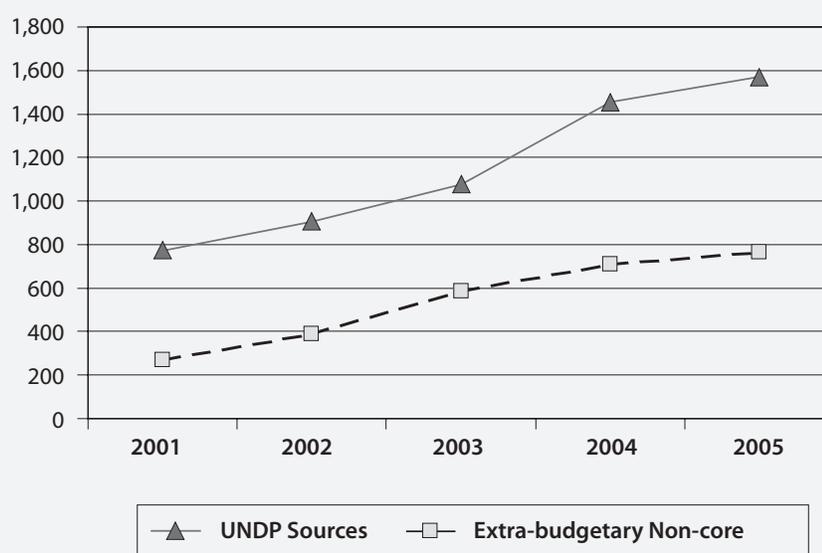
* **Note:** Measured as expenditure / budget x 100.

from an office in Vranje (see Table 3). The institutional development cluster includes 15 CBF projects (since completed), 10 projects in institutional development/public administration reform, and eight projects in decentralization (including the City-to-City Programme, executed by the UN Office for Project Services (UNOPS) and a special institutional development project).¹

The cumulative programme budget amounts by cluster over the period 2001–2005 are illustrated in Figure 5 (please refer to Table 4 in Annex 4

for annual distributions). As can be seen, the South Serbia programme has been the largest thus far (accounting for over 33 percent of the total). The cumulative programme budget of the institutional development cluster includes the CBF projects (valued at \$10 million). The energy and environment area of programme support is by far the smallest in terms of programme size (\$448,000 or 0.8 percent of the Country Office total over five years). The rule of law, human security and South Serbia programmes have seen the greatest and most consistent growth over period 2002–2005.

Figure 6: Operations Budgets (Belgrade Office), 2001–2005 (US\$ x 1,000)



1. As noted in Chapter 4, the re-organization resulting in the setting up of the institutional development/PAR cluster has led to a shift away from the CBF, to more focused programming and a smaller project portfolio.

The expenditure or 'delivery' of programmes is often used as a measure of performance. It might also be seen as a proxy for UNDP implementation capacity and the capacity of national counterpart organizations to absorb external assistance. Funding agencies such as EAR will often request UNDP to implement their programmes to get around cumbersome and time-consuming EC rules and procedures. This is seen by the Government and many donors as a UNDP strength (that is, flexibility and responsiveness). However, flexibility in terms of a rapid response to a requirement could be seen as opening up a potential weakness, in which certain rules and procedures may be bypassed or circumvented.¹ Nevertheless, over a two-year period (2004–2005), the delivery rate for the Country Office (which combines the Belgrade, Vranje and Podgorica offices) has averaged 67 percent and compares favourably to the average of the UNDP Regional Bureau for Europe and the CIS (RBEC) of 65 percent.² Programme delivery in 2005 was up by 63 percent from 2004 levels, and this is seen as a function, in part, of better planning and an improvement in management and operational procedures.

Data on expenditure by input type (for example, personnel, training and procurement) was not available. Therefore no comment can be made as to which inputs programme funds have been used for. A comparison of programme budgets, number of projects and expenditure patterns by cluster over the period 2001–2005 are given in Table 3. The five-year patterns show fairly high delivery rates, averaging 83 percent for all programmes over the period.

Annual **operations budgets** of the Belgrade and Podgorica offices are provided in Table 3 in Annex 4. The five-year trend for the Country Office in Belgrade is graphically illustrated in Figure 6.³ The financing of Country Office operations from UNDP include several sources, while the extra-budgetary non-core (XB non-core) refers to the costs recovered by UNDP for the implementation of non-core (or cost-shared) projects.

In the case of the Country Office in Belgrade, the 2005 operations budget of \$2.33 million represents about 15.8 percent of total 2005 *expenditures*.⁴ For the Belgrade and Podgorica offices together, the management expenditure for 2005 (\$1.99 million), or the 'management ratio', was 11.9 percent of total programme expenditures of \$18.83 million (representing a reduction from 13.8 percent in 2004). These ratios compare favourably with the RBEC 2005 management ratio of 12.4 percent (Source: UNDP 'Executive Snapshot' Intranet database). The favourable comparison with other RBEC Country Offices is significant: Operational expenses depend on the overall costs in a specific country (salaries of local staff based on salary surveys, rent and other expenditures). The Country Office maintains that the office costs are a legacy of the former Yugoslavia with relatively high salaries, and the need to maintain an expensive office facility that is not provided by the Government.

1. For example, the 2002 Comprehensive Audit of the UNDP Office in the Federal Republic of Yugoslavia assessed the recruitment of CBF project consultants as deficient: lack of transparency in the recruitment process, advertisements not done on a consistent basis, competencies of consultants difficult to assess from their resumes, most of the SSA contracts done retroactively (reference UNDP Report IA S0072, dated 28 May 2002, pp 30-31). Another example may be UNDP's payment of salary top-ups for public servants, discussed in Chapter 4 of this report. These deficiencies have since been remedied, although it is suggested that a follow-up comprehensive audit of the UNDP and selected projects/programmes be carried out. The ADR team was informed that a human resources harmonization mission was conducted in 2004 to harmonize the contractual modalities and levels across the three offices (Belgrade, Podgorica and Vranje), resulting in minimizing inconsistencies as well as correcting several incorrectly applied contractual modalities.

2. Information extracted from the UNDP corporate 'Executive Snapshots' database. Figures prior to 2004 are not available from this database.

3. As noted in Table 3, Annex 4, breakouts for the Podgorica and Belgrade offices are provided for only 2004 and 2005. The operations budgets for the Belgrade office were reverse-extrapolated, based on the Belgrade percentage of total operations budget amounts in 2004 (or 85 percent of the total), except for 2001, when the Podgorica office was still in start-up mode and a 90 percent proportion was used.

4. Total 2005 expenditures for the Belgrade office were estimated to be \$14.7 million. This is based on \$18.8 million total expenditure for Serbia and Montenegro combined as reported by the UNDP 'Executive Snapshot' system, less \$4.1 million total expenditures reported by the Podgorica office for 2005.

5.2 ORGANIZATION, HUMAN RESOURCES AND PLANNING

Decentralized management style. UNDP decentralized its country programmes to the Country Offices some time ago. These offices, including the Country Office for Serbia and Montenegro, have received delegated authority and full responsibility for developing and implementing the country programmes. There exist minor variations in the delegations of authority and managerial styles, depending on the UNDP Regional Bureau and Regional Programme, the nature of the country programme (for example, crisis, post-conflict), and involvement of other UNDP Headquarters groups such as the Bureau for Development Policy that manages the Global Programme. In the case of Serbia and Montenegro, the Country Office has been given a fair degree of autonomy. Similarly, as the South Serbia and Podgorica ‘suboffices’ were established, they, too, were delegated considerable authority and autonomy from the Country Office by the resident representative.¹

Country Office structure and organization. The organization of the Belgrade office as of mid-2005 is graphically illustrated in Annex 6. While the current UNDAF and CPD (2005–2009) identify three thematic areas or objectives for programming (public administration reform, rule of law and access to justice, and sustainable development), the structure of the country office comprises *four* programme clusters (institutional development/public administration reform, rule of law, poverty reduction and economic development and human security); *three* other units or offices dealing with programmes and projects (the South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons unit, the South Serbia Project Office, and sustainable development/energy and environment) and *three* other supporting units

(Policy Unit, Operations Unit, and the Information and Communications Office). When the Office of the Resident Coordinator is added to this, the Country Office structure, which includes 11 units, appears to be large and somewhat complex. The structure presents a considerable challenge in regards to inter-cluster coordination and complementarity. As noted, the Country Office is currently in the process of examining this structure with a view to streamlining it.

The growth in programme activity, along with changes resulting from the aforementioned validation report, have been the main drivers for organizational structuring of the Country Office in Belgrade. Programme growth was the major source of organizational change over the period 2001–2002, complicated by considerable turnover at the ranks of senior management.² One viewpoint is that organizational change within the Country Office was an expected consequence of a rapidly growing office, and indeed may demonstrate a certain degree of organizational flexibility in responding to major changes in the external and programme environments. An alternative viewpoint is that better planning may have resulted in a more stable organizational platform, and one that could adjust according to the strategic direction of the programme.

Potential for growth based on demand is seen in judicial reform, human security and decentralization/local development and administrative capacity-building. This becomes a question of focus, and where UNDP should set its priorities for development cooperation, building on its existing programme development and implementation strengths.

Human resources management. Table 4 charts staffing growth over the period 2001–2005. By 2005, the office had a combined total of 55 staff,

1. The aforementioned comprehensive audit questioned whether the Podgorica Liaison Office should be considered as an official UN/UNDP representation office or whether it should be considered simply as a project office. The audit noted that according to the UNDP Bureau of Management/Audit Services department, only the Administrator can authorize the opening of a UNDP Office.

2. The resident representative post had experienced some volatility from September 2004 to November 2005 (with one new resident representative lasting a few months, and an acting resident representative for several more). It was only in late 2005 that a new resident representative was finally appointed: a total of four official or acting appointments over the five-year period (when the UNDP norm for a resident representative in a country is approximately three years). Such change in the top leadership of the Country Office is bound to have its effects on organization and staffing. It is all the more remarkable and a credit to the Country Office that it has been able to sustain and increase programme growth and delivery over the past two years.

Table 4: UNDP Staffing, Serbia * 2001–2005 *

Posts	2001	2002	2003	2004	2005
International	5	13	18	17	13
National	10	11	14	13	13
Support	3	29	29	25	29
Total	18	53	61	55	55

Table 5: UNDP Project/Programme Personnel, Serbia* 2001–2005 (number of persons)

Category	2001	2002	2003	2004	2005	Total
International	3	22	48	49	32	154
National	67	162	484	320	326	1,359
Total	70	184	532	369	358	1,513

Table 6: UNDP Project/Programme Personnel, Serbia* (by cluster/unit and number of persons)

Cluster/Unit	International	National	Total
Institutional development	52	778	830
Rule of law	14	75	89
Poverty reduction and economic development	17	168	185
Human security	20	76	96
Sustainable development/energy and environment	1	23	24
Policy Unit	8	21	29
South Serbia	21	162	183
Total	133	1,303	1,436

***Note:** Figures provided by the Country Office; they do not include Montenegro

a level that has remained fairly stable since 2002.¹ The ratio of international to total posts in 2005 was 19 percent, somewhat higher than the RBEC average of 15 percent. It is interesting to note the rapid increases in staffing from 3 to 53 from 2000 to 2002. The ‘growth pains’ caused by such dramatic increases presented several challenges

to the Country Office in terms of training, team-building, communications and general alignment of staff resources to the Country Office’s programme mission. Some of the donors commented on the large size of the Country Office. Many of the posts or positions in the office are funded from project and programme budgets, which is understandable

1. The staffing figures do not reconcile exactly with the UNDP corporate ‘Executive Snapshot’ figures that show a total of 59 posts in 2005 (12 international, 7 national and 40 support).

for those projects directly executed by UNDP. However, as a result of the validation exercise, the Country Office is planning to relocate or outpost most of these resources to project work-sites.

Human resources management has been substantial as well in terms of the numbers of international and national experts and consultants recruited as project and programme resources. Table 5 shows that a total of 1,513 contracts had been let (154 international and 1,359 national) over the period 2001–2005. A further breakdown by cluster/unit is provided in Table 6. Of these totals, the CBF accounted for close to half (713) of all contracts (33 international and 680 national contracts). While the data are not available, the Country Office estimates that up to 20 percent of the contracts were repeats for the same individual.

The large number of UNDP professional resources may be seen to comprise two groups: (1) those personnel resident in Country Office facilities (filling regular UNDP posts as well as some project/programme-funded posts), and (2) project or programme staff for the most part contracted to work in government ministries and agencies (for example, Programme Management Units).

The relatively large number of UNDP project and programme personnel working in government organizations has also generated some concern that UNDP may be ‘crowding the field’ among implementers/potential implementers and building capacity for itself rather than building local capacity.¹ Donors also expressed concern about the large number of programme staff supported by grant funding. It is noted that these staff are providing direct support to project implementation

and, according to the UNDP cost-recovery policy, should be paid directly by the project.

Outside of the preceding observations, however, results of the 2005 UNDP Global Staff Survey (for the first time done separately for the Belgrade and Podgorica offices) reveal two trends (see Annex 5). First, that the overall clarity of goals, expectations and collaboration is strong, in all cases above or close to the averages of Country Offices in the region and globally. This suggests that there have been significant improvements in management practices and in the morale of office staff from earlier staff surveys in 2003 and 2004.² The second trend relates to office efficiency, where the staff scored performance as consistently below the regional and global averages. This confirms the early findings on organization and management.

Planning. As described in Chapter 3, UNDP was effective in the early days at creating a general vision for its country programme and securing major programme opportunities in South Serbia, the CBF and other areas. However, it was weak at developing and linking internal management strategies to programme strategies. The baseline needs analysis, ‘Governance for Human Development,’ discussed in Chapter 3 did not address UNDP management or organizational strategies or how UNDP might boot-strap the very small office of 2000 to meet potentially large programme demands. The attention of senior management had been directed more ‘outwardly’ at setting the Country Office vision and mission,³ in developing partnerships, dialogue, programme development and resource mobilization. Little time and attention was given to internal capacity development in such areas as

1. The issue is also complicated by tax structures and the fact that local NGOs were reported to be paying high local taxes while international organizations such as UNDP are exempt. This presents a distinct competitive advantage for UNDP and other international organizations, and a somewhat non-level playing field. It is recommended that a joint government-donor study on the local development labour market be carried out, looking at such issues as taxation, recruitment and compensation, and other employment/staff contracting practices of international organizations, local NGOs and other local players.

2. Changes in the survey questions, and the separation of Serbia and Montenegro in the 2005 survey do not enable direct time-series comparison with 2005. However, the positive response rate to certain questions indicates improvements over the period, for example: (“*My office works consistently towards achieving long-term objectives*” Serbia and Montenegro: 2003 – 57 percent; 2005 – Serbia 70 percent, Montenegro 93 percent).

3. Based on the first Strategy Note prepared by the resident representative in January 2002, the mission statement for UNDP/FRY was “*To work with Government and people of FRY to achieve sustainable human development, democratic governance and economic recovery,*” while the vision statement was “*To be the most trusted and effective development partner of the FRY by providing outstanding advice, needed programmes, and collaboration among key actors.*” These statements were modified in 2003 to take into account the new state union structure and to include an orientation to EU accession.

planning, communications, organization, human resources, and related dimensions.¹

Irrespective of the viewpoint, it is clear that the Country Office would have benefited greatly from an early capacity assessment and development (or business) plan. In its stead, a series of profiling and strategy retreats were conducted in late 2001 and early 2002. In 2004, the Country Office was again re-profiled to realign the programme cluster management structures with the CPD and UNDAF that were then being developed.

Programme planning was improved in 2004 in terms of the development and the bridging of the CPD/CPAP to annual cluster Strategy Notes, which are in turn linked to the key results in the UNDP Results Competency Assessment (RCA) performance system. A rapid 'validation exercise' was carried out in mid-2005, and is resulting in further restructuring of the Country Office to better align its organization to the programme strategies. On the operations side, a new execution manual has been developed and put into use, business processes have been aligned with Atlas (a UNDP-wide financial management system), and internal control frameworks have been improved. Since the most recent audit was conducted in 2002, the Country Office may now benefit from a comprehensive and in-depth performance audit or review with a special emphasis on management and organizational effectiveness, with comparisons to good practices with other offices in the region. Such an analysis – which is beyond the scope of this ADR – would form the basis of solid management and planning recommendations for the future.

5.3 PROGRAMME DELIVERY MODALITIES

As noted in Table 1, Annex 4, most UNDP projects were or are being implemented according to the direct execution (DEX) modality. According to the UNDP Executive Board decision 98/2, this role “shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.” The justification for the use of DEX was given in the CPD.²

If such special circumstances do not exist, then the Government and UNDP may opt for national execution (NEX), as an arrangement whereby UNDP entrusts to Government the responsibility for the mobilization of UNDP-financed inputs and their effective application, in combination with the Government's own and other available resources, towards the attainment of project or programme objectives. Under the new financial arrangements, the term 'execution' now pertains to overall responsibility and ownership of the programme. With the signing of the new CPD/CPAP in 2005, UNDP's entire programme is now nationally executed.³

Many of the project documents have been jointly signed by the Government and UNDP, and the Government, in fact, takes the lead role in setting direction, determining priorities and, in some cases, signing-off on or approving procurement and recruitment decisions. However, in the NEX projects, UNDP takes an active role in implementation (that is, managing and controlling the inputs, such

1. A comprehensive audit conducted by UNDP in 2002 acknowledged many of the programme achievements, but also found that internal UNDP capacities needed considerable strengthening. Major deficiencies were found in human resources administration – project staff, and marginal deficiencies in such areas as general administration, finance and management strategies. See UNDP. May 2002. 'Comprehensive Audit of the UNDP Office in the Federal Republic of Yugoslavia.' Report # IAS0072.

2. See CPD (2005–2009), DP/CPO/SCG/1, June, 2004, paragraph 20: “Due to the sub-optimal capacity of public administration, most UNDP assistance under the current CCF was provided through the direct execution (DEX) modality. While DEX allowed needed support to reach its target audience quickly and efficiently, it sometimes lacked full managerial ownership by counterparts. Continuing substantive policy dialogue must underpin project entry and exit strategies with potential counterparts on a case by case basis.”

3. The same UNDP Executive Board decision 98/2 also accepted Country Office support to NEX, with conditions. Officially, Country Office support to NEX may be seen to consist of only those activities related to the delivery of inputs (for example, recruitment, procurement, etc.), while implementation refers to the conversion of inputs to outputs. In instances where a Country Office does not take on full responsibility of execution but focuses on implementation support, DEX and Country Office support to NEX would have many similarities. See also UNDP document DP/2005/3: 'Revision of UNDP Financial Regulations'. 16 November 2004, specifically section A on changes to programming modalities, pp. 3-4. In paragraph 6 of that document, it is stated that “In countries where the CPAP and AWP are introduced, governments continue to have overall responsibility for the management of UNDP programme activities and achievement of results, through execution of the CPAP. Broad resource allocations, areas of intervention and management arrangements for UNDP programme activities are agreed between UNDP and governments in the CPAP, including the use of implementing partners.”

as procurement, contracting, and, in some cases, overall project management). These arrangements may be seen as a form of de facto partnership. However, as noted in some of the programmes (for example, South Serbia), the ‘ownership’ of the programme can become unclear, especially when the programme support unit is seen to be associated more with UNDP than with the Government.

The eighth MDG goal focuses on ‘developing a global partnership for development’. One of the main drivers and measures of performance for UNDP in the Strategic Results Framework/Results-oriented Annual Report, as noted previously, is ‘forging partnerships for results’. Yet for the current programming period “*UNDP will work to develop capacity of its team members and those of the counterparts for the gradual institution of full counterpart execution (NEX) to promote efficient project implementation with greater counterpart ownership*” (CPD, paragraph 33).¹ However, the intent of UNDP and the Government to move toward a full NEX modality may not be the best course to take. For example, should government corruption continue to be a significant issue, then Serbia may be classified as a country under ‘special development circumstances’. In this case, UNDP would retain at the least administrative responsibility over inputs such as procurement, contracting, payments, cash management and related reporting, accounting and controls.²

In line with new programming arrangements, UNDP, along with the Government and perhaps other donors, may wish to carry out an assessment of government capacities to execute programmes, from which a policy for execution and implementation might be developed. There may be some benefit in establishing such a policy where future

programme delivery modalities could be based on more formal partnership models, and where there is greater flexibility on all sides to adjust roles and responsibilities (of the partners) according to the programme circumstances. A more flexible modality for execution and implementation using a range of partnerships could have the beneficial effect of better building national capacities (governmental, non-governmental and private sector), thus facilitating an eventual UNDP exit.

5.4 MONITORING AND EVALUATION

Country programme monitoring and evaluation.

Approaches to monitoring and evaluation (M&E) are set out in the CCF (2002-2004) and the CPAP (2005-2009). The CCF states that “*UNDP will assume a pro-active partnership role beyond traditional forms of monitoring and evaluation – distance monitoring will be replaced by monitoring and review through association and risk-sharing. Such an approach is consistent with the UNDP shift from the traditional role of a development donor to development agent and stakeholder*” (CCF, paragraph 39). The CCF did receive a non-critical mid-term review, and a Results-oriented Annual Report was produced for 2004 (see below). Other than this, there is little further clarification of how UNDP shifted its M&E practice beyond ‘traditional forms’ of M&E to that of ‘association and risk taking’, unless the latter is meant to imply UNDP’s results-based management (RBM) approach, discussed below.

The M&E function described in the CPAP is more explicit.³ Although only the first year of the five-year CDP has been completed, monitoring and evaluation of the overall programme has yet to be carried out by the Government or UNDP. Further,

1. It should be noted that the CPAP is approved and signed by the Government and UNDP, with the agreement that all UNDP projects and programmes fall under NEX. However, there exists an understanding between the Government and UNDP that implementation depends on whether the implementing agent is the Government (previous NEX), NGO (previous NGO execution) or UNDP (previous DEX). In principle, the modality is NEX; in practice, implementation may comprise a range of options.

2. This is consistent with a recent UNDP evaluation of DEX that recommended a more comprehensive definition of countries under special development circumstances and also a more flexible approach to delivery modalities, and expanding the application of countries under special development circumstances. See: UNDP. April 2001. *Evaluation of Direct Execution*. Evaluation Office, New York.

3. M&E is to be undertaken “. . . in line with the UNDAF results matrix and monitoring and evaluation plan, and also the Country Programme Document. The Council of Ministers of Serbia and Montenegro, Government of Serbia, Government of Montenegro and UNDP will be responsible for ensuring continuous monitoring and evaluation of the Country Programme Action Plan, with a view to ensuring efficient utilization of programme resources as well as accountability, transparency and probity.” CPAP, 2005–2009, Part VIII.

as stated in the CPAP, it would be difficult for the Government to ensure accountability, transparency and probity in the use of programme resources when such resources are managed by UNDP through direct execution or implemented by UNDP under a national execution arrangement.¹ And, as noted in the UNDAF, "... *quality data shortages and member states' institutional weaknesses in collecting pertinent data makes tracking progress and trends difficult*" (UNDAF, Chapter 6, page 19). In view of these national deficiencies, it would seem appropriate that UNDP carry out traditional M&E activities until such time that alternative mechanisms are in place, including assistance to building national M&E capacities. An assessment of the evaluability of the overall programme found that neither the CCF nor the annual Strategy Notes provided clear intended results nor measurable indicators of performance, and the ADR team found little evidence of baselines, targets or systems to collect such aggregate information.²

Project/programme monitoring and evaluation.

In the absence of monitoring and evaluation at the country programme level, M&E has been carried out at the project and programme levels. As noted in Chapter 4, independent evaluations or reviews were carried out for some aspects of the CBF, the Standing Conference of Towns and Municipalities, and the South Serbia programmes, among others.³ As noted, a mid-term review was carried out for the CCF (2002–2004), and UNDP also conducted a comprehensive audit of the Belgrade office in early 2002.

While there appears to be a reasonable use of evaluation, formal monitoring of programme and project performance appears quite weak, largely due to the fact that the project/programme documents upon which a monitoring system should or could be based are used as 'platform documents'. As such, they generally do not have detailed performance measures or indicators, or formal mechanisms for evidence-based monitoring of implementation, as compared to the more traditional project documents. In this regard, programmes such as the CBF do not fully embrace a programme approach: they do not incorporate a unified set of goals with targets, but function rather as platforms with an evolved cluster of related projects (and, in the case of the CBF, experienced a rapid proliferation with, at times, tenuous links to the original document).

The conundrum faced by UNDP and its development partners is how to cost-effectively manage for results and thus demonstrate a reasonable level of accountability for the use of funds. To do so, such 'platform' documents must be clearer in terms of defining their intended results and the means of verifying this, such that individual projects can be better planned, managed, monitored and evaluated against these results. Otherwise, there is the risk that projects individually may be effective, but not necessarily cohesive or supportive of each other in the context of the overall programme. In view of the aforementioned national deficiencies and findings on monitoring, it would seem appropriate that UNDP carry out traditional M&E activities until such time that alternative mechanisms are in place.

1. The current CPAP also states: "*As part of UNDP's revised Monitoring and Evaluation Framework and the strategy to enhance ownership, the progress of the results and resources framework will be monitored on a half-yearly basis, in collaboration with the State Union and State Members through strategic steering committees from State Union level to projects level, comprised of relevant stakeholders (Governments, UN agencies and other development partners.)*" This level of monitoring has not taken place.

2. For further evidence of this, see material drawn from the review of evaluability located in the introduction and section on UNDP strategies for assistance of this report. Furthermore, specific information on the evaluability of specific programme components can be found in the draft inception report, August 2005.

3. Evaluations and reviews were managed by the Country Office through the contracting of 'evaluators'. Due to the contractual and fiduciary relationship between the evaluators and UNDP, the independence and objectivity of evaluations or reviews may be compromised. The independence of future evaluations or reviews would be better assured if they were contracted by third parties – perhaps by the funding donors themselves or by national entities (for example, government M&E units, private sector organizations) or included in systematized quality assurance by the UNDP Evaluation Office, which is independent of line management. Evaluations and reviews should also be carried out by individuals or firms that were not previously involved in any aspect of the programmes or projects being evaluated. This was not the case of the mid-term review of the project, 'Support to Strategic Policy Management in the Deputy Prime Minister's Office', which was carried out by the same person who had earlier provided consulting support to the project.

Results-based management and reporting. As part of its overall results-based management (RBM) approach, UNDP's **Strategic Results Framework (SRF)**, **Multi-Year Funding Framework (MYFF)**, the **UNDAF** and **Results-oriented Annual Report (ROAR)** are the primary planning and performance reporting documents for Serbia and Montenegro. As with the CCF, these documents developed for 2002 and 2004 applied more to Serbia or the State Union as a whole, with most emphasis given to the republic and the state union levels of government. A map of goals and intended outcomes for 2002 and 2004 are listed in Annex 9. It was toward these goals that the Country Office in Belgrade was to programme its activities and to contribute to their realization.¹

The 2004 ROAR extracted from the UNDP 2004 Results Database combines reporting for both Serbia and Montenegro. Reporting applies only to the nine intended outcomes listed for the 2004 SRF/ROAR, and it is not possible to find assessments of performance through the SRF/ROAR mechanism for the earlier periods. Nonetheless, reporting for the period does highlight programme performance

and is consistent with the findings on performance discussed in Chapter 4 of this report. While perhaps useful as a corporate reporting tool, the exercise of generating the ROAR appears to have limited use as a performance management instrument at the Country Office level. While in 2005 (reporting back on 2004) a new system was introduced to help capture the Country Offices' own intended outcomes against core results (including annual targets and statements of progress), the system still delimits the inputs, and thus restricts the ability of the office to document effectively progress towards results. Further, guidance on an appropriate process and methodology to self-assess and document was weak. Thus, there was no evidence of the outputs of the ROAR being utilized as a basis for programmatic learning. While this is recognized as a corporate issue, a number of Country Offices have taken responsibility for improving the quality of the design of programmes and projects, and establishing integrated data collection and feedback systems with which to make evidence-based management decisions. It is recommended that the Country Office review its own system, drawing on these good practices.

1. Outcome statements and indicators were introduced only recently to country-level planning documents with the UNDAF/CPD (2005–2009). Until the beginning of the new cycle (for Serbia and Montenegro, 2005), the Belgrade office was required to approximate the intended results from their CCF, thus resulting in a mismatch. The source for the 2002 and 2004 goals is broadly the CCF (2002–2004), but some latitude was given to each Country Office for ROAR reporting on intended outcomes prior to 2005.

Conclusions, Lessons and Recommendations

This chapter of the report brings together the main conclusions, findings and summary challenges and recommendations regarding UNDP's programme in Serbia. The country is at a challenging crossroads as it strives to forge a new national identity and transition from crisis and post-conflict to democracy and EU membership. Political uncertainties are expected to continue for some time, even though questions relating to Kosovo and the International Criminal Tribunal may be answered during 2006. Other challenges relating to the legacies of a command economy and dysfunctional centralized socialist system of governance can only be met over the medium to longer term, requiring substantial commitment and investment from the people of Serbia and the international/European community.

In this chapter, main conclusions are provided first on the performance of the country programme as a whole – looking especially at country programme relevance and positioning – over the period 2001–2005.

Next, conclusions and lessons are offered on the more specific objectives and issues addressed by this ADR as set out in Chapter 2 of this report (that is, on results – effectiveness and efficiency, complementarity, sustainability, coordination and management). In the final subsection, higher-level recommendations are offered on the future direction of the country programme and UNDP positioning in Serbia.

6.1 STRATEGIC INTENT OF THE COUNTRY PROGRAMME

(1) Main Conclusions

From the assessment of development results in Chapter 4, it can be concluded that the country programme strategies developed and implemented in Serbia have, with some exceptions, been generally on a successful track. Indeed, the strategic management of the programme in terms of Coun-

try Office positioning and the rapid programme build-up in two short years from a virtual zero-base to one comprising several dozen projects across a complex array of programme clusters is a remarkable achievement in its own right. Add to this the many related Country Office internal management, administrative and operational activities associated with resource mobilization, co-ordination, direct execution, setting up of suboffices and so on in a post-conflict, crisis-prone, volatile and uncertain political environment. It is then that one begins to better appreciate the magnitude of the management challenge faced and met by the Country Office.

The main lesson learned from UNDP's Serbia country programme strategies and their implementation is that reforms are long-term and complex cross-sectoral processes of fundamental, transformational change. The successful strategies – evidenced in the South Serbia, the SCTM and JTC programmes – employ partnerships, are focused, build networks, use experimentation and pilots, start small and build credibility with early successes. The less successful strategies or those with mixed results underscore the need for top political and executive leadership, meaningful government-ownership, broad-based participation and consultation, coordination and open and transparent decision-making.

Another major lesson from the Serbia experience, however, is that development goals must not be overly ambitious – as previously noted in the CCF for 2002–2004. Clearly, this lesson has been applied to the current UNDAF with moderately stated goals and intended outcomes, but still with minimal baselines and indicators to measure performance. Another lesson learned and applied in the dynamic and uncertain Serbian environment is that strategy development is an ongoing process, in need of constant fine-tuning and risk assessment to adjust to changes and uncertainties in both the external and internal UNDP environments. Programme strategies in terms of *what* is

to be achieved need to be matched by sound management strategies on *how* implementation is to be carried out.

The CCF for 2002-2004 was subjected to a mid-term review in 2003.¹ The review is seen more as a self-assessment and promotional document for UNDP programmes and strategies, rather than as a critical review of performance. Nonetheless, the lessons and recommendations contained therein acknowledge the successes of the UNDP Country Office in its support to crisis prevention and stability (South Serbia), capacity development in key government ministries and agencies (Capacity Building Fund), poverty reduction through support to the PRSP, among other areas discussed in Chapter 4.

The CPAP for 2005 synthesized lessons learned from the review of the CCF and various project and programme evaluations. The main messages from these sources, supported in some cases by this ADR, can guide future strategy development. They apply equally to Serbia and Montenegro:

- “*Sound management structure, and a working partnership with ... the Government of Serbia and Government of Montenegro and donors as well as positive institutional and professional relationships proved to be key to successful implementation of any programme*”
- “*UNDP should invest more resources in policy dialogue with ... Government of Serbia and Government of Montenegro to make them aware of the long-term approach to improve governance and discourage a quest for ‘quick fixes’*”
- “*Lack of donor coordination might represent a serious risk to future programme development and may lead to overlap and duplication of efforts.*”

(2) Programme Relevance

In answer to the question as to whether country programme strategies – reflected primarily in the CCF – have been relevant, the assessment of results from individual thematic or cluster projects and programmes would, for the most part, seem to suggest this to be the case. UNDP has engaged

in development assistance in areas seen as top priorities by government and funding partners (for example, strengthening the capacities of central government ministries and agencies, local development, rule of law). However, lessons from past country programme performance appear to have a difficult time taking hold in the new and evolving country strategy: There continues to be an expansion of scope through numerous projects and programmes. If UNDP is to have real influence on a particular development problem in a way that advances the national interest, then greater programme focus should be applied in those areas of need and where UNDP has a distinct history and comparative advantage. The recent cluster strategy notes attempt to apply more focus and consolidate some activities.

Did UNDP make the right initial strategic choices for development assistance? The answer to this question is, predominantly, yes. The wisdom (or risk) of some choices, such as entry into supporting the South Serbia initiative, have proved their worth through implementation and programme expansion, and the achievement of concrete intermediate results (stabilization and conflict resolution, for example). In the case of South Serbia, the obvious impact is lack of conflict, although this impact cannot be attributed solely to UNDP. The presence of international organizations has been a guarantor of stability. But the main achievement of the South Serbia programme is its ability to transition from post-conflict stabilization to development and continuous support to local government. It is one of the few programmes that managed to make this transition.

In other cases, the realization of the *intent* of a choice (such as entry into the CBF) was undermined by inadequate *practice* in or method of implementation. In yet other cases, the choices simply proved to be the wrong ones (Beautiful Serbia). The strategic choice of supporting substantive public administration reform in the early years was also not the most optimal, seeming to violate some main international lessons from PAR: namely, the presence of a national strategy, strong government

1. UNDP. 2003. Building Blocks for Reform and Recovery: Mid-Term Report, 2002-2003. UNDP-Belgrade.

leadership, commitment, broad-based ‘buy-in’, and coordination capacity.

The three thematic areas of the CCF gave the appearance of a narrow focus. However, UNDP built a large organization in Belgrade to implement the many programmes that were being developed, and thus weakened somewhat its ability and flexibility to respond to and advocate for other development needs of the country, such as poverty and human development (as discussed in Chapter 2). Targeted assistance, primarily to Government during persistent political fragmentation, and disagreements over policy and weak national commitment to governance reforms, diluted much of the impact UNDP might otherwise have had on policy, regardless of how successful some projects may have been. This has been more of an issue for the Belgrade office, but not for its operations in South Serbia and Montenegro, where UNDP established itself as a driver for change and a valued partner in development.

All these examples, and the others covered in Chapter 4, point to a UNDP operation that was willing to experiment and take risks, that made some mistakes, but in aggregate and over the past five years has performed reasonably well, given the country context. However, not fully assessing the risks in advance is itself a risk for the country programme’s development, and the ongoing programme seems to lack strategy, despite the improvement in staff perception on the matter (see Chapter 6.2).

(3) UNDP Programme Positioning

The envisaged role of UNDP was stated as “... *the most trusted and effective development partner of the FRY by providing outstanding advice.*” Was this the role that was played? The answer to this question is: rarely. While the intended UNDP role was ambitious, it was more as project and programme implementer, with supplemental policy dialogue and advocacy in a few areas (such as poverty reduction and preparation of the national *Human Development Report*). The many dimensions of the UNDP role are presented in Box 12, and are based on feedback from Government and donors, and substantiated by documentary evidence (for example, evaluations, reviews, project and programme documents).

It is important to stress, however, that the role of implementer proved extremely important and valued by Government, funding agencies, national organizations and end-beneficiaries. The role – depending on the particular project or programme – involved a complex interplay of activities and skills covering policy, advocacy, networking and partnering, process facilitation, administration management, communications, operations support and the like. Some view standard downstream project activity as detracting from an upstream policy role. In fact, substantial ‘operational’ or downstream experience in these areas (for example, local development, among other areas discussed in the following section) can and should enhance UNDP’s image and reputation as a credible player and provider of more upstream policy-oriented assistance.

Box 12: Role of UNDP as Implementation Partner/Agent

- | | |
|---------------------------------|------------------------------|
| ■ Process facilitation | ■ Expert & technical advice |
| ■ Technical advice | ■ Policy advocacy/analysis |
| ■ Analytical support | ■ Policy dialogue (& advice) |
| ■ Network-building | ■ Coaching & mentoring |
| ■ Work planning | ■ Project management |
| ■ Project/programme development | ■ Support to bid processes |
| ■ Information-sharing | ■ Training and development |
| ■ Seminars & workshops | ■ Team-building |
| ■ Partnership development | ■ Transfer of know-how |
| ■ Transaction processing | ■ Operations support |

The UNDP Country Office in Belgrade made a strategic decision to focus its activities on the state and federal levels, and consequently secured involvement in 68 projects with a total budget of \$77.5 million. Resource mobilization has been both an important strength of the Country Office as well as a strong motivator for securing a programme presence over this review period.¹ The expanse of activities, however, has seemed to distract UNDP somewhat from maintaining its relevance as a development partner and from effectively carrying its message of advocacy for human development. But the narrow strategic approach UNDP developed may also be an obstacle to programme development under CDP and CPAP, since it will compete with more organizations for donor resources and since it will be increasingly expected to tailor its programmes to the needs and requirements of the European Union. While the strategic development of a country programme must be seen as responding to development needs and opportunities, the reality of donor competitiveness (and the corresponding potential for opportunistic programme development) must be moderated by ongoing programme strategy development and ongoing validation and verification of policy coherence.

6.2 UNDP PROGRAMME PERFORMANCE AND RESULTS

(1) Effectiveness and Efficiency

Were the UNDP programmes effective and efficient? Again, the answer to this question depends on the specific programme. The national development priorities during this period have included stabilization and transition in southern Serbia, poverty reduction and EU accession nationally. UNDP has been very active in the former area, but somewhat marginal in the latter two. Some of the UNDP-supported programmes in Serbia have been supportive of EU accession (for example, CBF in the capacity-building of key ministries), and others have tackled on a limited basis issues of poverty (for example, the Rapid Employment Programme and support to the PRSP process). Generally, most

UNDP activity has concentrated on various elements of capacity-building and institutional development, as reflected in the various project and programme documents. Based on independent evaluations, most of the project and programme objectives have been achieved or are on track (for example, South Serbia, the Standing Conference of Towns and Municipalities, the Judicial Training Centre). The CBF demonstrated mixed effectiveness – the type of capacity support in the early stages of certain ministry start-ups was highly effective (for example, in the case of the Ministry of Social Affairs), while initial support in other areas (public administration reform) was highly ineffective. The quality of the many and varied programme outputs in the more successful programmes (such as training, workshops and seminars, drafts of laws and regulations, publications and so on) are sound. The processes adopted by programme activities in such areas as PRSP development, South Serbia and the SCTM have been transparent and in many cases innovative, employing a wide variety of consultative and participatory techniques.

There may be other cases, such as the CBF, where cost-effectiveness was not a major measure of performance. For example, the driving priority of the new Government in 2001 and 2002 was to quickly acquire a critical mass of staff capacity to begin the processes of reform (developing laws, etc). In such situations, efficiency was measured more in terms of responsiveness and flexibility of UNDP to deliver in a timely manner. Against such measures, UNDP performed well. Where a corollary objective of the programme was to attract and retain qualified professionals from the diaspora, the conclusion based on anecdotal feedback is that it was not effective.

The efficiency of UNDP-supported programmes is much more difficult to measure since little exists in the way of market comparisons. Civil society organizations and the private sector are still nascent, with limited capacity for implementation. The same applies to Government. The ADR did not examine programme input costs (such as staff costs and accommodation) and how these might

1. UNDP in the State Union of Serbia and Montenegro is the third highest-ranking office in RBEC in resource mobilization, but only sixth in programme delivery. Source: UNDP Serbia and Montenegro. 2005. Validation Report, p. 11.

compare to alternative sourcing methods. As discussed in Chapter 5 of this report, the management ratio of the Belgrade Country Office compared favourably with the 2005 management ratio of UNDP's Regional Bureau for Europe and the CIS. The UNDP Serbia Country Office has also performed exceptionally well in resource mobilization. The bulk of programme financing is from non-core resources, and this trend will most likely continue in the future.

The delivery rates and management services fees charged by UNDP for project implementation are seen by the funding donors to be generally acceptable, with some concerns that costs have been increasing recently. However, due to the absence of market comparisons on costs and lack of input cost data from the Country Office, it is not possible to make any quantifiable assessment of Country Office programme delivery efficiency or cost-effectiveness.¹

(2) Complementarity

Did the UNDP country programme complement those of other donors and funding agencies? The answer is both yes and no, and depends on the programmes, the other agencies' perceptions and the time period. For the most part, UNDP programmes complemented those of others – especially on the multi-donor South Serbia initiative, and others where cost-sharing agreements were struck. The multi-donor UNDP South Serbia programme is also complementing the USAID project in the same area (Community Development through Democratic Action, implemented by CHF).

In the case of the CBF – a presumed partnership – there was lack of clarity and confused perceptions as to the main purpose, and lack of complete understanding of each player's individual agendas and expectations. During the early stages of the CCF, there was some competition between EAR and UNDP in support of PAR, though recently more collaborative working arrangements are being developed. If there is one weakness in the UNDP programme, it is the UNDP tendency to be overly visible, to wave the flag, to claim too much credit for programme or project success. A more

humble posture would go a long way in ensuring a harmonious relationship and a role for UNDP vis-à-vis other donors, agencies and especially the Government.

(3) Sustainability

It is probably too early in the programme cycle to predict with any certainty that the UNDP-supported programmes will be sustainable. However, the early indications are that many of the components will be institutionalized within Government and other national organizations, depending on the absorptive capacity of Government, the availability of adequate programme financing, and the willingness and capacity of civil society and private sector organizations to take up some responsibility in programme implementation and service delivery. Through the CBF, UNDP and other donors had targeted priority capacity-building, and the case of the Ministry of International Economic Relations, the Ministry of Social Affairs, and the Ministry of Finance serve as examples of sustainable institutional development. However, in some other projects, too much attention may be given to the setting up of 'programme implementation or management units' (for example, the Social Innovation Fund) that focus more on time-bound implementation of projects, rather than on sustainable institutional development.

As discussed in Chapter 5, the historical dichotomy of national or direct execution may have detracted from forging long-term and sustainable solutions for programme implementation and development results. While the new programming arrangements provide an opportunity to move this agenda forward by placing greater emphasis on national ownership and implementation by national institutions, improvements need to be made in the manner in which partnerships with non-governmental and private sector organizations are operationalized.

(4) UN System Coordination

As discussed in Chapter 4, coordination among UN Country Team members appears to have suffered from variable and fragmented leadership over the past five years. UN agencies have not worked

1. It is important to note that UNDP office in Belgrade is the only Country Office within the RBEC region without a one-year extra-budgetary reserve, since most extra-budgetary income is applied to rent.

effectively together in supporting Serbia towards its goal of EU accession, but largely developed and operated alone, establishing themselves in a competitive development assistance market through promoting their own individual and corporate strengths. Despite this, it was found that a number of the stakeholders and recipients of UN assistance could not readily differentiate between UN agencies. Greater inter-agency attention to the process and machinery of forward planning, combined with better understanding of respective roles and responsibilities, and more attention to mutual accountability, will be necessary for the effective transition to UNDAF implementation and to the pursuit of global goals. With a new resident coordinator in post in November 2005, efforts made by the standing resident coordinator to collaborate more openly appear to be being growing, and thus the signs are positive.

The UNDAF has been viewed broadly as a positive platform upon which the UN Country Team can begin to improve their alignment and work. A broad range of joint activities was identified in the formulation stage in 2004, and the annual review has identified limited progress. However, the establishment of new areas for cooperation is tempered by the strength of the relationship of individual agencies with government counterpart ministries, the noted weakness of Government-donor coordination and the narrowness of inter-donor cooperation. Within this context, a number of UN agencies themselves are cautious about seeking to establish too many joint activities or programmes.

(5) Donor and Government Coordination

As noted in chapter 4.6, the capacity-building initiatives in MIER/DACU reflect broadly acknowledged weaknesses in coordination, with donors themselves admitting to continued unilateral behaviour and establishing their own projects, procedures and bilateral relationships with relevant sector ministries. MIER itself has acknowledged that coordination occurs on a case-by-case basis, with the role being devolved more to the republic level ministries reflecting the

broader flux within the State Union. As noted, the CBF failed to function as an effective forum for donor coordination for capacity-building and support to public administration reform, and the CBF Steering Committee failed to coordinate the increasing number of CBF projects. On the other hand, the DFID-funded government Poverty Reduction Strategy Support Unit is intended to support general implementation coordination of the PRS, and Government-donor coordination mechanisms have been set up for the South Serbia programme.

However, there remain many weaknesses in donor and government coordination across the main development sectors. As also noted, the lack of a single agency lead for coordination has shifted more recently, with the World Bank agreeing to establish and lead 'heads of agency' meetings for about six donors every two months or so. This is in the initial stages, and the structure and procedures have yet to be worked out and agreed upon.¹ While such a mechanism may address broader coordination issues, the main challenge for UNDP, the Government and other donors is at the level of key development sectors, such as public administration reform/institutional development and decentralization.

(6) Management

Despite some noted capacity weaknesses and some oversights in planning and organization, the overall management of the Serbian and state union programmes and oversight of the Serbia programme and Country Office must be seen as having been effective, but with some human costs as evidenced by past staff surveys and staff turnover/vacancies at the senior levels (especially at the resident representative level). After five years, a basic Country Office operation has been built in Belgrade that, along with the suboffice in Vranje, is able to support both existing programmes and capable of handling potential future programme expansion.

As discussed in Chapter 5 of this report, the seemingly complex structure of the Country Office

1. The ADR team was informed that this group does not want to grow into a larger intra-donor group, but there is agreement that such a larger group might be created separately.

could mitigate against effective inter-cluster coordination, although cooperation has improved more recently as evidenced by the Global Staff Survey of 2005. Nevertheless, the cluster structure and country programme priorities appear to be poorly aligned. Some donors have expressed concern over the size of the office in terms of the number of staff and project contract personnel, and that UNDP may be displacing other NGOs in capturing donor-funded project implementation work. However, since 2004, efforts have been applied by the Country Office to remedy these situations. These have included the linking of strategies from the CPD/CPAP down to individual Results Competency Assessments, the implementation of recommendations from the validation mission and, on the operational side, the introduction of a new execution manual and improvements in the internal control framework.

6.3 MAIN RECOMMENDATIONS

In Chapter 4 of this report, suggestions and recommendations are offered on programming for each of the specific clusters and other areas of UNDP programme activity. In this section, a small set of higher-level recommendations is made as to future direction, scope and management of the overall UNDP country programme in Serbia. The first eight recommendations apply directly to the UNDP country programme for Serbia, while the final three recommendations are applicable UNDP-wide.

RECOMMENDATIONS SPECIFIC TO SERBIA

(1) Clearly define the UNDP mission and role in Serbia

UNDP has established itself as a capable and reliable implementing agency for the Government, for EAR and for other European donors that are bilaterally funding the preparation for the accession process. The donors – driven by their own agendas – along with the Government perceive UNDP more as an implementing agency rather than as a partner in the policy domain. UNDP perceives itself not as an implementing agency, but as a full development partner that is able to engage in and

influence the policy agenda, and as an advocate for the core values of the UN organization it represents. The reality may be somewhere between the varying perceptions. Within the context of UN reform, the UNDP programme and Belgrade office will need to refine or clarify and then communicate its vision, mission and role. That role should be aligned with national development priorities, on the one hand, and remain consistent with an amended or new UNDAF for Serbia, on the other hand, and should concentrate on what UNDP has been doing best: the implementation role. However, UNDP should link its downstream, operational and implementation experience to selected areas of coordinated upstream policy advocacy, such as in human security, poverty reduction and other areas, such as decentralization (linking to the Standing Conference). The operative word here is ‘coordinated’, where UNDP can complement its policy work with that of other donors. This may be done through the adaptation of sector-wide approaches to programming and partnerships, discussed further below.

The intended outcomes in the current CPD/CPAP seem to indicate a more practical role. As an organization, UNDP is committed to human development and a human-rights based approach to development. The issue in question therefore is not one of UNDP commitment, but rather one of the effectiveness in strategic programming and advocacy efforts that reflect this commitment. Potentially new CPD and annual CPAP documents should be developed specifically for Serbia to reflect the practical programming measures by which such commitment might be applied.

Finally, UNDP is generally seen by the Serbian public as a United Nations agency. It is the ‘United Nations’ identity that generates recognition. However, as noted in Chapter 4, UNDP waves its flag and claims credit for programmes that are jointly or donor-funded, and for programmes that are more properly ‘owned’ by the Government. A greater degree of humility on the part of UNDP as but one partner in multi-partner government programmes and projects would go a long way in strengthening the relationships between it and especially the funding donors, and would strengthen the notion of national ownership.

(2) Align programmes with Serbia's Goal of EU Accession

Development policy in Serbia is dominated now and in the foreseeable future by the needs associated with EU accession. The dominant players in this process have been and will continue to be EU entities – the EAR, its successor, and EU bilateral donors as they collectively assist Serbia in the accession process. The experience of some countries in the region has shown that it is relatively easy to start a process of the EU accession as compared to *being accepted as a member*. Indeed, Serbia was able to start negotiations on the Stabilization and Association Agreement with the EU in absence of a complete state framework and despite the fact that some of the reforms (without which EU membership will not take place) have barely begun.

In any case, developing various laws and regulations and setting up institutions, a necessary first step to qualify for membership, is fairly straightforward compared to the long and difficult process of implementing those laws and regulations, and developing the necessary institutional capacities. Serbia can expect to receive considerable assistance from the EC, but the availability of financial assistance (structural credits and the like) is not expected to be as great for current and future candidates as it has been for past candidates.

The Government may well look to UNDP to assist in the mobilization of resources to meet a range of development programme implementation needs. UNDP is well positioned to continue its support in the areas of local development, judicial reform and related institutional development. Having worked in the EU accession countries, UNDP has substantial institutional experience supporting national governments and civil society in the process of European integration. It could be of great benefit for Serbia if UNDP facilitated information exchanges and knowledge-sharing with other East-Central European countries.

(3) Use local development and rule of law reforms as flagship programmes

Among the most pressing development needs in Serbia are at the subnational or local level where income disparities persist or grow, where poverty is most prevalent and where the capacities of

Government, civil society and the private sector are weakest. Further, it is at certain local levels where the risk of stability or crisis still exists. UNDP has a proven track record in supporting multidisciplinary development programmes at the local level (South Serbia and the new EAR-funded programme in Sandžac). While many other donors, including the EC, are expected to continue to provide substantial levels of funding and support at the central levels of the Serbia Government, it would appear that major gaps in capacity-development, economic and human development and public administration reform will persist at the local level – gaps that UNDP could fill.

Should UNDP continue to expand development cooperation at the local level, it may be more logical to consolidate the South Serbia programme with other decentralization and local-level programmes in the institutional development or some other special cluster, give greater emphasis to the private sector at the local level, and concentrate on those regions within the country that are most in need of economic development and job creation. Such strategies would be more aligned with social inclusion.

In the area of judicial reform, UNDP has found an entry point through a successful Judicial Training Centre project. As the rule of law continues to be a pressing problem for Serbia, UNDP is well positioned to make a difference on a few well-chosen issues – improving professionalism and competency of the judiciary, legal aid, support to transitional justice through research and facilitation of information exchanges – which UNDP is currently pursuing by developing new projects. There is also potential for greater collaboration within the Country Office between the rule of law and other clusters, as has been demonstrated by the initiatives on anti-discrimination and anti-corruption.

(4) Support anti-corruption at all levels of programming

Any and all development efforts could be seriously undermined – and even fail – if corruption, deterioration in the rule of law and organized crime are not tackled in a concerted and coordinated manner. The UNDP in Serbia has a role to play, and this can range from supporting UN conventions on anti-corruption to factoring anti-

corruption considerations into programme design, performance measures and targeted capacity development. Experience in some countries that have joined the EU have shown some back-sliding on the anti-corruption front, and it cannot be assumed that accession to the EU alone will solve the problem. The Council of Europe and EC bodies can and should take a lead role in this area, while UNDP can play an important supporting role. For example, since corruption and organized crime know no boundaries, UNDP can work with other UNDP Country Offices in the region as well as donors and international NGOs in the design and implementation of regional/subregional anti-corruption programmes.

(5) Narrow the programme focus

A main challenge for UNDP over the near to medium term will be to narrow the programme focus, by consolidating programme activities in two to three carefully selected sectors, themes or clusters. As noted above, a shift of emphasis to local development presents an opportunity to consolidate several existing programme and cluster activities. The noted areas fall within UNDP's current priority MYFF global goals and service lines (see Annex 9), especially the goals dealing with (1) achieving the MDGs and reducing human poverty (especially service lines on local poverty initiatives, including microfinance and on private-sector development), (2) fostering democratic governance (service lines on justice and human rights, on e-governance and access to information, on decentralization, local governance and urban/rural development, and on public administration reform and anti-corruption), and (4) crisis prevention and recovery (service lines on conflict prevention and peace-building and on special initiatives for countries in transition). As noted, the recent Cluster Strategy Notes focus on these and other elements.

Flowing from the above recommendation, the organizational structure of the Country Office may need to change, to ensure that it is aligned with programme vision and objectives. As noted, the Country Office is currently in the process of some restructuring and re-organization. It would seem that the current programme cluster structure will need to be further consolidated, more narrowly focused and better aligned to the CPD (and perhaps the CPD itself might be amended to better reflect

current programming demand and strategies). For example, the sustainable development area may not be quite so relevant for UNDP in Serbia as it is in Montenegro.

(6) Forge a strategic alliance with the European Commission and Government of Serbia

The June 2004 *Memorandum of Understanding concerning the establishment of a strategic partnership between the European Commission and the United Nations Development Programme* should be used as the basis for working out concrete collaborative arrangements with the EC and the Government of Serbia as EAR funding and operations are decentralized and deconcentrated (2006 is expected to be the last year of EAR programming). During 2006, a new programming instrument (IPA or Instrument for Pre-Accession) is being developed by the EC and will be implemented in 2007. Future government execution of EC funds may be hampered by limited government capacity, and UNDP, based on past experience, may implement a number of government programmes. However, as mentioned above, the challenge for UNDP will be to maintain focus and abide by EC standards of project management, procurement and contracting.

(7) Strengthen Country Office strategic management

The UNDP programme in Serbia is in its early stages. Individual programmes supporting such areas as local development, the rule of law and judicial reform require a long time to generate results, outcomes or impacts. The UNDP country programme over the period 2001–2005 may be seen as the first phase of a medium- to longer-term partnership to assist Serbia in meeting human and economic development goals. Without any concrete baselines or measures of performance, other proxy or qualitative indicators may be needed to measure and assess performance of the overall country programme. All this is to say that more attention will need to be paid to ongoing strategic management, performance monitoring and reporting, evaluation and 'business planning' to ensure that the UNDP programme operation remains relevant and cost-effective. To be sure, the recently developed strategy notes for each cluster are helpful in establishing a longer-term programmatic outlook, but the 'big-picture' of the UNDP programme in Serbia will

need to be updated in light of the answers to several major outstanding policy questions (that is, Kosovo, the Montenegro referendum and candidacy for EU accession).

Also, as discussed, the organization and structure of the office need to be streamlined, and, in this regard, the recent planning and organizational workshops carried out on the new management structures are encouraging. It is not likely, however, that 'quick' re-profiling exercises or re-organizations will uncover structural management and organizational strengths or weaknesses or lead to lasting management solutions. Rather, deeper management and performance analyses are required.

(8) Think early about an exit strategy

The former Yugoslavia was a founding member of the United Nations and initial contributor. Serbia today is a middle-income country that could soon graduate to net contributor country (NCC) status and be accepted as a candidate for membership in the EU. The argument has been made that UNDP established a position in Serbia and expanded its programmes because it had a legitimate role to play as a UN agency (that is, crisis prevention in southern Serbia).

As the republic moves from post-conflict and crisis prevention to development, the question may be asked: Could other national and EU organizations (NGOs, private sector, other civil society organizations, the Government) do the job that UNDP is now doing or may do in the future? It should not be assumed that UNDP will play a role of indeterminate duration in Serbia. There will come a time when UNDP should exit from the country, allowing national institutions and organizations to carry on.

Serious thinking about UNDP's exit should coincide with Serbia's strategy for EU accession and economic development. One mechanism to ensure that such strategic thinking occurs is to place a 'sunset clause' for UNDP's presence in Serbia in the UNDAF and CPD, to be reviewed annually in the CPAP. The current programme cycle ends in 2009, and this may be a good juncture to review and decide on continued UNDP presence or exit from the country. This question should also be formally asked and answered in the next Common Country Assessment and should also be subjected

to an independent and objective national policy analysis. The issue is also related to the broader question of the UNDP role in NCCs (see also recommendation 12, below).

UNDP-WIDE RECOMMENDATIONS

(9) Bring greater national balance to programming

UNDP has made significant progress in supporting policy and capacity development in Government and civil society, while at the same time building bridges between the two. However, while it is not a major issue at the present time, there is the risk that future UNDP programming and implementation could tilt more towards the NGO community due to corruption or capacity weaknesses in Government. This could produce national imbalances where the role of Government (in policy, in some areas of service delivery, in programme management) could be undermined. One example is UNDP support to the Civil Society Advisory Committee, a PRSP NGO committee that an independent evaluation revealed to be in need of major reform. The evaluation also recommended that UNDP re-think its position of continuing support. As suggested above, UNDP might strive in the future to attain a greater development balance in consultation and participation by involving Government, the broader civil society and private sector entities. For example, UNDP might use the 'global compact' as a springboard for more affirmative participation of the private sector in sustainable and especially local development, in public and state sector reform, and in service delivery reform. Also, as noted previously, the current corporate goals and service lines of UNDP encompass private sector development (see Annex 9).

(10) Use partnerships as a means to better coordination and capacity development.

Sectoral level. As the development situation in Serbia moves from crisis and post-conflict to development and EU accession, the Government and its development partners will face an increasingly complex and interdependent set of development issues that can only be tackled by more cooperative, integrated and coordinated dialogue and focused approaches. The notion of partnership or sector-wide approaches to programming and the channelling of development assistance

can be introduced as a means to address some of the programming and coordination problems. UNDP is in a good position to provide coordination leadership in the subsectors of public administrative reform/institutional development, decentralization, judicial reform and other areas. At the least, UNDP might work with the leading government ministries and General Secretariat in setting up ad hoc or informal donor-Government working groups, perhaps adapting coordination models that have been successful in many other countries. This would be a useful avenue for policy dialogue. Annex 10 provides some thoughts on the use of partnerships to enhance development cooperation and donor coordination along sectoral lines.

Programme execution level. UNDP should endeavour to use structured and collaborative partnership modalities for the execution and implementation of projects and programmes, and move away from the NEX/DEX dichotomy. In other words, the programme and project documents should be seen as a partnership agreement signed by all main stakeholders of a particular programme or project (Government, UNDP, funding donors, implementing agencies). The roles and responsibilities of each 'partner' would be clearly defined, reporting mechanisms and other operational procedures would be harmonized to the maximum extent possible, and any ownership or 'identity' issues would be settled up front.

UNDP may well find alternative methods for project and programme implementation through sub-contract and/or subsidiary partnership arrangements. This would reduce the size of its directly contracted project personnel while at the same time spread the benefits of implementation and corresponding capacity-building to the non-governmental and private sectors. Should the operations side of the office become too large, then UNDP should seek to outsource or contract out certain transaction-related processes – or processes and functions that are not core to the programme role.

Greater attention should be given to the role of the private sector in programme development and implementation. UNDP might draw on both its evaluation work and good practices derived from past reviews of UNDP interaction with the private

sector, as well as seeking out other donor experiences in the role of the private sector. In fact, the next CPD and CPAP might contain a strategy and some specific targets for private sector involvement in certain programmes – especially those dealing with decentralization/local governance, poverty reduction and public administration reform. RBEC and UNDP globally might develop a concrete strategy for private sector involvement in development programmes, derived in part from the global compact.

In the case of Government, the use of project management and implementation units should be replaced with the internal organizational units that are part of the ongoing organizational establishment. This will ensure a greater degree of sustainability and foster a greater sense of national ownership.

Finally, partnerships and coordination could be greatly enhanced through a more coordinated or harmonized approach to the engagement of national or local experts on donor-funded development projects or recruited as national staff in Country Offices. As discussed in chapter 5.2 of this report, the issue is complicated by tax structures and the fact that local NGOs were reported to be paying high local taxes, while international organizations such as UNDP are exempt. It is recommended that a joint Government-donor study on the local development labour market be carried out, looking at issues such as taxation, recruitment and compensation, and other employment/staff contracting practices of international organizations, local NGOs and other local players. Such a study should result in a set of policy recommendations dealing with taxation, compensation and remuneration. The results of such a study could also be useful for comparative purposes with other countries in the region.

(11) Develop standard measures for country programme performance

For the Belgrade office and other Country Offices in the region, UNDP should develop a standard approach to country programme performance measurement. The UNDP 'Executive Snapshot' database, discussed in Chapter 5 of this report, may be a good foundation for this. Measures dealing with such aspects as resource mobilization, office costs and efficiency, and so on would be most useful

not only in quantifying some aspects of country programme performance, but also in drawing comparisons and sharing experiences across the region and with other development partners. Results measures should also be considered and included, where feasible. To generate these, more attention will need to be paid to strategic planning and performance monitoring at the individual Country Office level. Such measures, however, should be kept simple, drawing from readily available sources of information.

(12) Develop a UNDP Policy on Net Contributor Countries

The countries in Eastern Europe are a special case for UNDP from a number of perspectives. A major differentiating factor in development and development assistance is the reality and potential of EU membership (and this is certainly the case for Serbia and Montenegro). Furthermore, there is a considerable likelihood that the republics could achieve NCC status within a reasonably short period of time. It can be tempting to rationalize an ongoing role for UNDP in such situations.¹

However, UNDP operations in Serbia and other countries of the region are expensive relative to other regions of the world, where scarce UNDP resources and talent may be better deployed.

Outside of the Serbia and Montenegro cases, the role of UNDP in NCCs is, in many cases, ambiguous. A recent UNDP study on the role of UNDP in NCCs revealed that in some regions, UNDP increasingly saw itself as a 'partner' with national governments in the pursuit of development objectives, while in some other cases, UNDP was perceived as an outsourcing agent, enabling governments to get around complex internal rules and procedures. The study presented a series of policy recommendations on the UNDP role in upper middle-income countries and NCCs.² It is recommended that UNDP develop a formal policy on its role in EU and EU-candidate countries in Eastern Europe that have or are expected to soon graduate to NCC status. Such a policy would guide the development of country programmes and the nature of the UNDP relationship to host governments, the EU and other participating donors.

1. As a case in point, this has occurred in Poland where UNDP is still in operation, despite Poland's membership in the EU since 2004.

2. See UNDP. January 2003. Net Contributor and Middle-Income Countries - Toward a Corporate Strategy. Bureau of Management. Internal discussion paper.

Terms of Reference/Inception Report

1. PURPOSE OF THIS DOCUMENT

This document is a work plan outline for presentation to and discussion with the UNDP Evaluation Office and the UNDP Country Office in Serbia and Montenegro (SCG) on the Assessment of Development Results (ADR). The work plan is based on the ADR framework paper of the Evaluation Office (July 2002), and informed by key issues derived from review of the UNDP SCG portfolio through a desk study of documents collected by the ADR team's researcher at the UNDP Evaluation Office in New York (June 2005) and through documents collected and information obtained through interviews conducted by the ADR team during a fact-finding mission to Belgrade (UNDP Country Office in SCG), Podgorica (UNDP Liaison Office in Montenegro) and Vranje (regional UNDP office in South Serbia) during the period 11-15 July 2005 (the list of individuals consulted can be found in an annex).

This work plan refines the objectives and scope of the evaluation and identifies in more detail the issues and priority areas to be addressed, the approach and methodology to be applied, the activities, timing and expected outputs, assumptions, and the management of the overall process.

2. RATIONALE FOR THE EVALUATION

UNDP, under its predecessor entity, has been active in Yugoslavia since 1952.¹ Operations were suspended during the 1990s, and the office only reopened officially in 2001. The UNDP programme has sought to establish itself as a major force in assisting in the stabilization and growth of Serbia and Montenegro and reintegrating its population. In doing so, UNDP has been working in a number of areas, notably in crisis preven-

tion and recovery, in institutional, public administrative and judicial reform, and in supporting sustainable development.

Assessments of Development Results are independent evaluations that assess and validate UNDP's contributions to development results at the country level. They seek to ensure UNDP's substantive accountability as an organization, provide a base of evidence for learning on substantive matters and support programming at the Country Office level. Not all countries are subject to such evaluation; rather, specific countries are selected with strategic purposes in mind. The selection of Serbia and Montenegro for evaluation was based on an agreement among UNDP senior management, the Government and the UNDP Evaluation Office in 2005. The programme had been through one complete Country Cooperation Framework cycle (2002-2004), and the new programme (2005-2009) was being refined within the context of the broader United Nations Development Assistance Framework. New senior managers were introduced to the Country Office in November 2005, which presented an opportunity to evaluate the results achieved over the last programming cycle. Furthermore, the potential change in the political status of the union, and the issue of Montenegro's independence, has made this an opportune (if challenging) time to evaluate.

3. OBJECTIVES OF THE EVALUATION

The evaluation has two primary objectives. First, to analyse the extent to which UNDP has positioned itself strategically in Serbia and Montenegro to add value in response to national needs and changes in the national development context. In particular, the evaluation aims to identify how UNDP has supported the priority goal of accession to the

1. UNDP came into existence on 1 January 1966, following UN General Assembly resolution 2029 to consolidate the Expanded Programme of Technical Assistance and the Special Fund into the United Nations Development Programme.

European Union. Second, to provide an overall assessment of the development results achieved through UNDP support and in partnership with other key development actors since 2001, with a view to results that are on track to be achieved during the current country programme period (through 2009). Based on an analysis of positioning and achievements, the evaluation seeks to present major findings, draw key lessons, and provide clear and forward-looking recommendations in order to suggest effective and realistic strategies for UNDP and partners towards intended results in the future.

4. SCOPE AND ISSUES ADDRESSED

The scope of the evaluation – its coverage and focus – was defined through extensive stakeholder consultations conducted in Belgrade, Podgorica and New York during the preliminary phase of the assessment. These findings, in turn, have been framed under the overall objectives of evaluating strategic positioning and development results, and in terms of coordination, complementarity and sustainability.

In terms of UNDP's strategic positioning, the evaluation concentrates on four areas:

- **Strategic intent.** Has the organization's long-term involvement played any role in its current presence in the country? Did its reentry in 2001 reflect a strategic response to specific events and needs? How is it perceived by different development partners in this light?
- **Governance.**¹ UNDP has been consistent in its commitment to government capacity-building at both the state union and republic levels. Has the niche developed in the delivery of governance programmes been recognized by the Governments and donors? Is the organization seen as the most appropriate agency to provide these services? Is its approach appropriate in the context of change factors, such as the future of

the State Union of Serbia and Montenegro and the international community's insistence on Serbia cooperating with the International Criminal Tribunal? Does there remain a role for UNDP in respect to building a constituency for change and capacity-building for the Government(s) to deal with these issues, based on UNDP's widely perceived neutrality?

- **Post-conflict transition.** Responding to specific post-crisis needs, notably in South Serbia, UNDP committed itself to programmes of crisis prevention, recovery and stabilization. In doing so, the evaluation asks whether the organization has the capacity, expertise and ability to expand its portfolio in this area. If not, how does it plan to integrate its interventions with those of other donors?
- **Sustainable development.** UNDP Montenegro has a strong focus on supporting the republic's commitment to become an ecological state. How has it distinguished itself as a contact point for the delivery of programmes to support this? Are its current interventions, many at the pilot stage, sustainable, and how are they going to be scaled up?

The approach to assessing the development results achieved or contributed to by UNDP is based on the use of standard evaluation criteria² of effectiveness, efficiency and sustainability of programme components. In addition, it looks at complementarity, ownership and coordination:

- **Effectiveness** is assessed by judging the extent to which specific objectives were achieved, or are expected to be achieved, taking into account their relative importance, the quality of partnerships, and the timeliness of response to lessons.
- **Efficiency**³ at the level of the overall country programme is considered in terms of the level of strategic resource mobilization, coordination and application in programmes.

1. Governance includes the areas of public administration reform, the rule of law as well as the security sector.

2. The remaining standard evaluation criterion, impact, has not been covered. The assessment of UNDP's impact relates to the fundamental question of what results have been achieved, and beyond this, what difference has been made by the achievement of these results. Since the ADR does not include a comprehensive primary survey of the effect of all interventions, nor looks over a sufficient period of time to determine such change, this criterion has been left out.

3. The limited resources available for the ADR has meant that it was not possible to undertake a financial or economic cost-benefit analysis of the SCG portfolio.

- *Complementarity* among and between projects, clusters and operational units is assessed as part of overall performance. Linkages are considered both vertically, between the organization's work at the central and local (community) levels and horizontally, across sectors and programmes.
- Sustainability refers to whether the organization is developing permanent structures, procedures and professional cadre within institutions. Is it building long-term capacity or is it building capacity to deliver particular projects?
- *Ownership*. Capacity-building relates to issues of national ownership of programmes. Most UNDP programmes in SCG are directly executed (DEX). What has this meant for the national ownership of the programmes supported? What does it imply for the direct versus national execution modalities in the future?
- *Coordination*. UNDP in Serbia and Montenegro is part of the 14-member United Nations Country Team. How has coordination fared between the agencies and what are the implications for the effective delivery of programmes, joint and alone? Has the Resident Coordinator been an effective catalyst in brokering stronger partnerships in supporting the country's progress towards EU accession?

5. APPROACH AND METHODOLOGY

The approach and methods selected for the evaluation reflect the team's judgement of how best to address the issues and questions posed within the context of existing evaluability. The following section highlights a number of the critical evaluability issues, and the set of proposed methods.

5.1 EVALUABILITY ISSUES

Results linkages

The evidence gathered during the evaluability mission for this ADR illustrates that while both the expected change at various project and programme levels are well documented, it is not always easy to establish the link between higher-level results and

outputs. There is a relative abundance of evidence dealing with national or aggregate change (MDGs, national policies and poverty reduction strategies), on the one hand, and project and programme activities and outputs, on the other. The linkages between these two – through explicitly stated outcomes, accompanied by good quality indicators – is not, in every case, apparent.

The projects reviewed to date display considerable variability in the clarity and consistency of design of indicators and monitoring systems. This raises questions about measurements of programme and project objectives. While the areas of UNDP's interventions and overall programme objectives are well defined (through, for example, the Country Cooperation Framework, Country Programme Action Plan, and the UN Development Assistance Framework), there are questions as to whether the core results and outcomes of UNDP's programmes match the higher-order objectives and purpose of these programmes and whether the identifiable service lines are well served by the programmes and their different constituent elements.

External evaluations

A number of the project and programme elements of UNDP's SCG portfolio have been the subject of external evaluation in recent years. These evaluations cover about two thirds of the portfolio. Because they have been commissioned by different stakeholders – all with different rules as to the coverage and methodology of monitoring and evaluation – these external evaluations are not strictly comparable. However, in general they offer useful starting points, especially by narrowing down the number of pertinent questions the present ADR must address in depth.

Costs and resources

A preliminary review of available financial data on the SCG portfolio and the way they are recorded at the Country Office and UNDP headquarters suggests that they are not entirely suited to adequate resource management at project and programme levels. In particular, the available data do not appear suitable for drawing timely management recommendations. In addition, without proper cost-benefit analysis at the programme level, the

available data may not be usable for assessment. However, the matter of resources deployed – past, present and future – has to be addressed. For this reason, the ADR will seek to summarize the financial picture of UNDP programmes in SCG at the cut-off date of the ADR (30 June 2005). In addition, the ADR will contain a pictorial representation of UNDP resources deployed during the period of coverage (2000 – mid-2005), separated by core resources, donor contributions and beneficiary cost-sharing, and attributed to individual service lines where appropriate.

5.2 METHODS PROPOSED

Documentation review

During the preparatory phase of the evaluation, the Evaluation Office engaged the services of a researcher to identify and assemble all key reports and reference documents associated with SCG and the country programme. Key documents have been assembled, documents in electronic form have been uploaded to a special website for use by the team, and the material has been summarized and sorted by SCG programme cluster. A selection of this material, primarily programme and project documents and evaluation reports, have been reviewed as part of the assessment of evaluability; strategic planning documents are one input to this inception report. Given the large amount of documentation available, desk reviews will be carried out throughout most of the evaluation period.

Semi-structured interviews

The variety of programmes and programme elements in UNDP's SCG portfolio is such that it is tempting to limit interviews to management-related implementation questions. However, this will not be sufficient to arrive at falsifiable conclusions on matters relating to higher-level considerations, in particular in the context of UNDP's strategic positioning in Serbia and Montenegro. This, and relative scarcity of appropriate indicators for programme outcomes, argue for the use of structured interviews in

order to expand the available factual basis for the ADR. In the areas where there is less pre-existing evidence, on such issues as strategic positioning, interviews will serve as a source of primary data; in other cases, the interviews will be used mainly to validate existing data.

Against this background, at least two forms of questionnaires will be developed for the ADR's main mission, to cover these differing scenarios and allow for variable contexts. These questionnaires will be used by team members during their semi-structured interviews with government representatives, representatives of donor entities and other stakeholders. The questionnaire will be designed in such a way that it will ensure: (a) coverage of the same subjects with all interviewees, and (b) that it progresses from the details of programme implementation to higher-level perceptions of relevance, effectiveness and (potential) impact of UNDP programmes, as well these programmes' contributions to overarching objectives.

Survey

The assessment of evaluability concluded that the majority of critical areas within the scope of the evaluation have strong or fair evidence, or are sufficiently structured to enable appropriate data to be gathered through the methods described above.¹

However, there is one area where additional research may be both warranted and possible within the relatively short time-frame of the ADR. This area concerns the impact, future and replicability of the South Serbia interventions in the area of community-building, local government development and regional economic development. Although the relevant programmes (Rapid Employment Programme, South Serbia Municipal Improvement and Recovery Programme and the Municipal Improvement and Revival Programme) undertaken by UNDP in that region have been evaluated externally, there is a need to assess in more detail the effects of these programmes on enhancing the involvement of local political

1. One further method that may be employed during the analysis of data is that of process mapping – a method for assessing a series of interventions where similar processes have been used to determine the extent to which lessons have been learned across projects. This may be deemed appropriate in the case of public administration reform initiatives (Serbia) and the environment portfolio (Montenegro).

and administrative structures in current and future policy-making. This research will focus in particular on the extent to which the new (2003) Law on Local Self-government in Serbia enables municipal authorities to take practical responsibility for exercising social and economic functions decentralized from the central and district (*okrug*) levels. The research will consist of a mini-survey of mayors' and municipal councillors' attitudes on the subject. The team has yet to decide the modality of this survey – whether it will be conducted through a consultancy during September/October or by members of the evaluation team as part of the main mission proposed for late November.

6. PLANNING ASSUMPTIONS AND DEPENDENCIES

Analytical and reporting structure

The establishment of the State Union of Serbia and Montenegro created a federation of two distinct entities, Serbia and Montenegro, respectively, sharing a limited number of competencies at the state union level. In most respects, the two constituent elements of the union operate as separate entities. UNDP designed its programmes to support the particular needs of each republic. Hence, the dif-

ferences in focus in UNDP's operations in the two republics suggest that the ADR has to treat Serbia and Montenegro separately from the point of view of the overall purpose, intended outcomes and strategic positioning of UNDP's programmes. The programmes in Montenegro started more recently than in Serbia. Consequently, the ADR contains separate sections on Serbia and Montenegro.

Kosovo

Kosovo forms part of Serbia and Montenegro, but it is under mandated UN administration since 1999. Kosovo was included in the December 2001 First Country Cooperation Framework for Yugoslavia (2002-2004) and in the June 2004 Country Programme Document for Serbia and Montenegro (2005-2009). However, the UN involvement in Kosovo has, in cooperation with a multitude of bilateral and multilateral donors, given rise to a large number of assistance programmes that are quite separate from the programmes implemented under the auspices of the Country Office in Belgrade. Consequently, the March 2004 UN Development Assistance Framework for the period 2005-2009 does not refer to Kosovo.¹ For these reasons, the ADR shall not include an assessment of development results related to UNDP- sponsored and implemented programmes in Kosovo.

The ADR is to be conducted through a four-phase process.

#	Phase/Activity	Timeline				
		June/July 2005	Aug./Oct. 2005	Nov./Dec. 2005	Jan./Feb. 2006	March 2006
1	Start-up	=====				
2	Design and Support Study ¹		=====			
3	Main Mission and First Draft			=====	=====	
4	Feedback and Final Version				=====	=====

¹ The timing of the proposed support study relating to the South Serbia programme is still to be determined.

1. As stated in the Country Programme Document 2005-2009, no formal UN Development Assistance Framework has been prepared for Kosovo. Instead, the UN Development Group in Kosovo will be guided by bi-annual strategic plans, providing the framework for coordinated UN development assistance.

Period and cut-off date

Although UNDP has been present in Yugoslavia for over 50 years, the current programmes can be held to have emerged with the establishment of UNDP's Country Office in 2001, when the general direction of current programming was developed. The present ADR shall therefore cover the period 2001 to the present, but draw on previous events and findings where they bear relevance to the existing programme. Because an accurate assessment of resources deployed requires a formal cut-off date for financial information, the date was set at 31 January 2006. However, in view of the rapidly changing circumstances, some information after this date has been included.

7. INDICATIVE WORK PLAN

The ADR is to be conducted through a four-phase process.

The first phase involved background research and a fact-finding/evaluability assessment by the evaluation team, together with the UNDP Office in SCG, to identify the strengths and gaps in their evaluative evidence at the project and programme levels. The first phases was conducted during the period 3-29 July 2005. This rapid assessment was conducted through: a briefing of the evaluation team at UNDP headquarters in New York (5-8 July); a five-day evaluability mission to SCG (11-15 July); and a review of available secondary material (5-15 July). The list of persons met during the briefing at UNDP headquarters and during the evaluability mission is annexed. The background research with regard to the gathering of programme documentation and other secondary material had begun in June 2005. The relevant documentation is listed in an annex.

During the second phase, which began on 18 July 2005, the evaluation team designed an approach and methodology for the ADR, including the planning and conduct of in-country surveys, reviews or evaluations in those programme areas identified as lacking in evidence during the first phase. A first product of this phase is this inception paper. Any

necessary follow-up surveys, reviews and evaluations during this phase will be planned and conducted in September and October of 2005.

The third phase will concern report construction and the main mission. Based on the evidence gathered and synthesized from secondary sources during the first phase, and from the additional studies conducted during the second, the evaluation team will construct the framework and evidence based on the report. This will be followed by a main ADR mission of two to three weeks with the aim of generating evidence in gap areas, triangulating and validating the overall findings. This phase will be implemented in late November/early December 2005.¹

The final phase will be the production, finalization and dissemination of the evaluation report, to take place during between January and end-March 2006. This phase will include the preparation of a first draft of the ADR, review by the Evaluation Office and selected stakeholders, the preparation of a final draft, a second review by the Evaluation Office and the production of the final version of the ADR.

ADR Team

The team responsible for the ADR consists of the following personnel:²

- Mr. Richard Flaman – Team Leader
- Dr. Beata Czajkowska – Team Specialist
- Ms. Ranka Sarenac – Team Specialist/ Researcher
- Mr. David Rider Smith – Team Specialist and Task Manager, UNDP Evaluation Office

Each of the team members has been allocated a set of specific tasks in the ADR. These are set out in the individual team member's terms of reference and require no change on the basis of findings during the first phase of the ADR.

1. The proposed timing of the main mission has been pushed back from initial estimates due to the introduction of a new team leader.

2. Mr. Derek Blink was responsible for leading the inception mission to Serbia and Montenegro.

ANNEX 2

Individuals Consulted

1.0 UNDP – NEW YORK

BUREAU FOR DEVELOPMENT POLICY (BDP)

Mr. Jocelyn **Mason** Senior Policy Adviser, BDP

EVALUATION OFFICE

Ms. Fadzai **Gwaradzimba** Senior Evaluation Adviser

Mr. Nurul **Alam** Deputy Director

Ms. Saraswathi **Menon** Director

REGIONAL BUREAU FOR EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

Mr. Kalman **Mizsei** Regional Director and Assistant Administrator

Ms. Marta **Ruedas** Deputy Regional Director

Mr. Shombi **Sharp** Programme Manager, Western Balkans

Mr. Moises **Venancio** Cluster Team Leader, Western Balkans

2.0 STATE UNION OF SERBIA AND MONTENEGRO

UNION MINISTRY OF INTERNATIONAL ECONOMIC RELATIONS (AND EU INTEGRATION OFFICE)

Ms. Jela **Baćović** Assistant Minister and Director of European Integration Office

3.0 REPUBLIC OF SERBIA

3.1 GOVERNMENT OF SERBIA

OFFICE OF THE PRESIDENT

Ms. Aleksandra **Drecun** Secretary General

Ms. Dragana **Pedrović** Assistant to the Secretary General

Mr. Ivan **Vejvoda** Former Adviser to the Prime Minister
(Director, Balkan Trust for Democracy)

DEPUTY PRIME MINISTER'S OFFICE

Ms. Aleksandra **Jović** Acting Head, Poverty Reduction Strategy Focal Point

Mr. Marko **Obradović** N/A

Mr. Marko **Paunović** Adviser to Deputy Prime Minister

Mr. Žarko **Šunderić** Outreach and Communication, Poverty Reduction Strategy Focal Point

Ms. Ana Firtel **Vlajić** Chief of Staff

MINISTRY OF FINANCE

Mr. Bozidar **Djelić** Former Minister of Finance

Mr. Andreja **Popov** Former Head of the Auction Department of the Serbian Privatization Agency

SERBIAN PRIVATIZATION AGENCY

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Ms. Gordana **Lazarević** Assistant Minister
Ms. Slađana **Sredojević** Development and Cooperation Unit

MINISTRY OF LABOUR, EMPLOYMENT AND SOCIAL POLICY

Mr. Vladimir **Ilić** Assistant Minister

EUROPEAN INTEGRATION OFFICE

Dr. Tanja **Miščević** Director
Mr. Andrija **Pejović** Economist

SERBIAN INVESTMENT AND EXPORT PROMOTION AGENCY

Ms. Vesna **Perić** Deputy Director

COORDINATION BODY FOR PREŠEVO, BUJANOVAC AND MEDVEĐA MUNICIPALITIES

Mr. Sima **Gazikalović** Member
Ms. Lidija **Cvetković** Secretary

MUNICIPALITY OF VRANJE

Mr. Boban **Stanković** Member of Municipal Council

MUNICIPALITY OF LESKOVAC

Mr. Milan **Djordjević** Director of the Municipal Development Fund (MDF)
Mr. Saša **Mladenović** Programme Administrator of the MDF
Mr. Vladan **Marinković** Civil society representative of the Municipal Development Committee (MDC)
Ms. Gordana **Milenković** Civil society representative of the MDC
Mr. Đorđe **Stanković** Project Assistant for the MDF

3.2 UNDP COUNTRY OFFICE IN SERBIA

(1) Country Office in Belgrade

Ms. Branka **Andelković** Cluster Leader, Poverty Reduction and Economic Development
Ms. Katlin **Brasić** Poverty Reduction and Economic Development
Mr. Radomir **Burić** Team Leader, Human Security Cluster
Ms. Vesna **Ciprus** Gender Specialist
Mr. Lance **Clarke** Resident Representative and Resident Coordinator
Mr. David **Coombes** Former Capacity Building Fund Executive Director and Chief Technical Adviser
Mr. Milutin **Delić** Project Manager, HIV Prevention Among Vulnerable Populations
Ms. Danijela **Djurivić** Gender Specialist

Ms. Olga Grubić	Chief, Operations Unit
Ms. Juliette Hage	Former UNDP Deputy Resident Representative
Mr. Nicholas Hercules	Adviser to the Resident Coordinator
Ms. Borka Jeremić	Programme Officer, Human Security Cluster
Mr. Lene Jespersen	Cluster Leader, Institutional Development/Public Administration Reform
Mr. Nenad Moslovac	Programme Manager, Beautiful Serbia
Ms. Shoko Noda	Former Assistant Resident Representative, Serbia Country Office
Mr. Tomislav Novović	Programme Manager, Institutional Development/Public Administration Reform
Mr. Frank O'Donnell	Former Resident Representative and Resident Coordinator of Serbia and Montenegro
Ms. Paola Pagliani	Head of Policy Analysis Unit
Ms. Ana Pajković	Former Project Coordinator, Capacity Building Fund Project at the Ministry of Finance
Mr. Darko Pavlović	Programme Manager, Institutional Development/Public Administration Reform
Mr. Jovan Protić	Project Manager, Sustainable Development
Ms. Olivera Purić	Cluster Leader, Judicial Reform/Rule of Law
Mr. Nenad Rava	Institutional Development/Public Administration Reform
Mr. Hans Risser	Project Manager, Small Arms Control in Serbia and Montenegro
Ms. Simonida Simonović	Former Capacity Building Fund Programme Manager
Ms. Jelena Tadžić	Assistant to the UNDP Deputy Resident Representative
Mr. Rastislav Vrbensky	Deputy Resident Representative
Mr. Stevan Vujasinović	Business Partnerships Adviser, Poverty Reduction and Economic Growth Cluster
Ms. Marija Vujinović	Project Coordinator, Capacity Building Fund Project, Ministry of Human and Minority Rights
Mr. Danilo Vuković	Programme Manager, Social Innovation Fund

(2) South Serbia Regional Office, Vranje

Mr. Milovan Batak	Vranje facilitator
Ms. Jelena Dinov-Stevanović	Finance Audit Assistant
Ms. Mirjana Milenković	Project Supervisor
Ms. Ivana Mladenović	Former Vranje facilitator
Mr. Predrag Peronović	Operations Manager
Mr. Venelin Rangelov	Finance Audit Assistant
Ms. Lirje Selmani	Programme Assistant
Mr. Dobrivoje Stančić	Project Supervisor
Ms. Biljana Stanković	Project Supervisor
Ms. Tatjana Strahinjić-Nikolić	Deputy Programme Manager
Mr. Tom Thorogood	Team Leader and Programme Manager
Mr. Boris Zlatanov	Project Supervisor

3.3 UNITED NATIONS AGENCIES AND INTERNATIONAL FINANCE INSTITUTIONS

Mr. Steven Allen	Former UNICEF Representative, Serbia and Montenegro
Mr. Luca De Filicaia	Associate Programme Adviser, City to City Programme, UNOPS
Mr. Harald Hirschhofer	Resident Representative in Serbia and Montenegro, IMF
Mr. Antonio Luzi	Chief Technical Adviser, UNOPS
Ms. Ann-Lis Svensson	Area Representative, UNICEF
Mr. Vladimir Tsurko	Deputy Resident Representative, UNHCR
Mr. Stephen Tull	Former Head, OCHA, Serbia

3.4 INTERNATIONAL DEVELOPMENT PARTNERS

Mr. Adam Amberg	Development Programme Coordinator, Swedish International Development Agency (SIDA)
Ms. Svetlana Baščarević	Development Programme Section, Embassy of Sweden
Mr. Siniša Biljman	Programme Manager, Department for International Development (DFID), Embassy of the United Kingdom
Ms. Danka Bogetić	Local Government and Regional Development, European Agency for Reconstruction
Mr. Simen Braein	First Secretary, Royal Norwegian Embassy
Mr. Haakon Blankenborg	Ambassador, Royal Norwegian Embassy
Mr. Martin Brooks	South-Serbia Coordinator, OSCE Bujanovac
Mr. Marcel Gorgan	Programme Officer, Balkan Trust for Democracy
Ms. Olivera Canić	Programme Officer, Acting Programme Operation Centre Manager, Community Housing Finance Office in Vranje
Mr. David Hudson	First Secretary, Head of Political, Civil Society and Information Section, European Union, Delegation of the European Commission to Serbia and Montenegro
Mr. Hans-Jörg Hummer	Attaché and Head of Office, Coordination Office for Technical Cooperation, Austrian Embassy
Ms. Jadranka Jeličić	Executive Director, Fund for Open Society, Belgrade
Ms. Carolyn Junger	Representative, World Bank
Ms. Mirjam Krijnen	Second Secretary, Development Cooperation Section Embassy of the Kingdom of Netherlands
Mr. George McLaughlin	Head of DFID, Serbia and Montenegro (First Secretary Development)
Ms. Snezana Nenadović	Development Programme Section, SIDA
Ms. Mirjana Nuhijević	Development Promoter, Community Housing Finance Office in Vranje
Ms. Jelena Oplanić	Project Manager, Economic and Social Development, DFID
Mr. Bernard O'Sullivan	Manager, Programming and Quality Assurance Unit, European Agency for Reconstruction

Ms. Aleksandra Rabrenović	Consultant, World Bank
Ms. Ana Redžić	Deputy Programme Manager
Ms. Keith E. Simmons	Mission Director, US Agency for International Development (USAID)
Mr. Wout Soer	Local Government & New Neighbourhood Initiatives, European Agency for Reconstruction
Mr. Michelle Stern	Special Assistant for Programme Strategy, USAID
Mr. Srđan Svirčev	Programme Officer, Canadian International Development Agency (CIDA), Embassy of Canada
Mr. Antonius Verheijen	Senior Public Sector Management Specialist, Poverty Reduction and Economic Management Network, Europe and Central Asia Region, World Bank, Washington, DC

3.5 NON-GOVERNMENTAL ORGANIZATIONS

Ms. Vesna Golić	Executive Director, Grupa 484
Ms. Vera Kovačević	Centre for Liberal-Democratic Studies
Ms. Sonja Licht	President, Belgrade Fund for Political Excellence
Dr. Gordana Matković	Centre for Liberal/Democratic Studies
Ms. Suzana Popović	Organizer, ABC Centre for Peace, Security and Tolerance, Vranje
Mr. Srđan Stojanović	Member, FOSDI

3.6 PRIVATE SECTOR AND LOCAL BUSINESS COMMUNITY

Mr. Miloš Blagojević	Project Manager, Serbia Privatization Agency
Mr. Ivan Isailović	Chief Executive Office, Printfactory, and Director, Lafuma
Ms. Radmilla Milivojević	Vice President, Serbian Chamber of Commerce
Ms. Zorica Žarković	Financial journalist, <i>Business and Finance</i> magazine

3.7 OTHER ORGANIZATIONS AND INSTITUTIONS

Ms. Duška Anastasijević	Journalist and researcher
Mr. Vladimir Bilandžić	Special Adviser on confidence and security measures, Organization for Security and Cooperation in Europe (OSCE)
Mr. Branislav Čanak	President of the Association (trade union)
Mr. Diman Dimov	Deputy Team Leader, South East Europe Clearinghouse for the Control of Small Arms and Light Weapons
Judge Hadžiomerović	Member of the Managing Board, Judges Association of Serbia, Belgrade
Mr. Saša Janković	National Legal Adviser, Security & Defence Programme Manager, OSCE
Ms. Ruth Van Rhijn	Head of Rule of Law and Human Rights Department, OSCE
Ms. Zorica Vukelić	Deputy Secretary General, Standing Conference of Towns and Municipalities

ANNEX 3

Documents Reviewed

GENERAL REFERENCES (SERBIA AND MONTENEGRO)

3.1 GOVERNMENT: SERBIA AND MONTENEGRO NATIONAL STRATEGIES

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ANNEX 4

UNDP-Serbia Programme Metrics

Table 1: UNDP-supported Projects in Serbia 2001-2005

Project Title	Execution Modality Start-End Dates	Total Budget, Including Hard Pipeline (US\$)
A. Institutional Development		
A.1 Capacity Building Fund (CBF)		
1. Capacity Building Programme to Support Institutional Reform in the Republic of Serbia – Serbian Ministry of International Economic Relations, Ministry of Social Affairs, Ministry of Justice and Local Self-government, Civil Service Council	DEX: May 01-Dec. 04	2,458,726
2. Support to the Serbian Agency for Privatization	DEX: Nov. 01-Jan. 06	1,334,256
3. Support to Union Ministry of Human & Minorities Rights	DEX: Oct. 01-May 05	213,600
4. Support to the Ministry of Finance and Economy	DEX: Dec. 01-Nov. 03	1,343,673
5. Support to the Ministry of Mining and Energy	DEX: Aug. 03-Dec. 04	778,855
6. Capacity Development – Ministry of Labour & Employment	DEX: July 02-Dec. 04	493,705
7. Support to Ministry of Health & Ministry of Education & Sports	DEX: Dec. 02-Dec. 03	237,864
8. Capacity-building: Executive Council of Autonomous Province of Vojvodina	DEX: April 03-Jan. 04	55,000
9. CBF Preparatory Assistance – Council of Ministers	DEX: Sept. 03-Dec. 04	200,000
10. Establishment of a Supreme Audit Institution	DEX: Nov. 02-July 03	100,000
11. Strengthening the Central Support Functions in the Serbian Ministries	DEX: Oct. 02-Sept. 03	278,190
12. Enhanced Programming Functions of the CBF Executive Office	DEX: Dec. 02-Dec. 03	208,000
13. Support to the Union Ministry of Defence	DEX: Dec. 03-Feb. 05	100,000
14. Establishment of an Institute of Public Administration	DEX: Oct. 01-Dec. 03	84,815
15. Training for Improved Management of Reform Policies and Programmes	DEX: June 02-Dec. 02	210,000
Sub-total (CBF)		8,096,684
A.2 Institutional Development/Public Administration Reform (ID/PAR)		
1. Institution-building in the Ministry of Finance	DEX/NEX: Dec. 03- Jan. 06	1,055,020
2. Support to Management and Strategic Policies – Union Ministry of International Economic Relations	DEX/NEX: Dec. 04- May 06	390,190 96,920
3. Capacity Development of the Ministry of Labour, Employment and Social Policy	DEX/NEX: Dec. 04-Dec. 05	356,624
4. Support to President's Office	DEX: July 05-Dec. 06	38,580
5. Support to Public Administration Reform in Serbia	DEX: Oct. 04-Dec. 05	50,000
6. Cross-border Cooperation Support Programme Strengthening Project Coordination and Management Unit	DEX/NEX: Sept. 05- Aug. 07	1,122,012 66,021
7. ICT for Development in Serbia – Building up a National Strategy for an Information Society	DEX: Oct. 04-April 06	49,970 62,600

Project Title	Execution Modality Start-End Dates	Total Budget, Including Hard Pipeline (US\$)
8. Support to Strategic Policy Management to the Deputy Prime Minister's Office	DEX/NEX: Dec. 04- Dec. 05	971,092
9. Institutional Support to the Ministry of Human and Minority Rights of the State Union of Serbia and Montenegro	DEX/NEX: June 05- May 06	120,000
10. Developing Institutional Capacity in the Government of Serbia to Fight Corruption (pipeline)	DEX: March 06-Feb. 07	50,000 35,000
Sub-total (ID/PAR)		4,464,029
A.3 Decentralization		
1. Capacity Development for Standing Conference of Towns and Municipalities	NEX: Nov. 03-Dec. 05	772,201
2. Local Economic Sustainable Development in South West Serbia and Northern Montenegro	DEX: June 04-Dec. 06	559,000
3. Building Capacity of Local Governments, CSOs and the Domestic Business Sector to Participate in the PRS and MDG processes	DEX: July 05-Dec. 06	150,000
4. Programme for the Standing Conference of Towns and Municipalities (pipeline)	NEX: April 06-April 09	2,040,000
5. Programme for West Serbia/Sandzac (pipeline)	DEX: June 06-Dec. 07	2,400,000
A.4 Other		
5. City to City	UNOPS executed: (2001-2003)	1,474,224
6. Institutional Reform Initiative	DEX: 01	286,919
Sub-total (Decentralization and other)		7,682,344
Sub-total (Institutional Development)		20,243,057
B. Rule of Law		
1. Development of a Centre for the Continuous Training of Judges and Prosecutors	NEX: Dec. 01-Nov. 04 + ext. to Jan. 05	1,699,858
2. Strengthening the Judicial Resource and Support Functions in the Judicial Training Centre	NEX: April 04-March 06	861,998
3. Strengthening the System of the Misdemeanour and Magistrates' Courts	NEX: Sept. 04-Aug. 06	1,078,127
4. Strengthening Human Rights Protection Mechanisms	NEX: March 04	188,095
5. Transitional Justice Programme: Building up the Capacity for Ensuring Access to Justice in a Post-conflict Society	DEX: Feb. 05-Dec. 06	1,260,575
6. Signature Service in Access to Justice 'Judicial Education for Development' – Turn Guide	DEX: Feb. 05-Dec. 06	45,000
Sub-total		5,133,653
C. Poverty Reduction and Economic Development		
1. Capacity-building of National NGOs for Civil Society Development (this amount includes resources for Montenegro office)	DEX: Jan. 03	890,217
2. Civil Society Inclusion in the PRSP	DEX: June 03-Sept. 05	1,247,560
3. Beautiful Serbia	NEX: May 03-Nov. 05	2,400,000
4. CIVICUS	DEX: Nov. 04-Dec. 05	52,311.80
5. Trend Group Young People	DEX: Dec. 04-May 06	219,970
6. Private Sector Engagement	DEX: July 05-Dec. 05	58,080
7. Support to the Ministry of Labour, Employment and Social Policy	DEX: Aug. 05-Dec. 05	87,878.77

Project Title	Execution Modality Start-End Dates	Total Budget, Including Hard Pipeline (US\$)
8. Gender	DEX: Aug. 05-Dec. 05	31,200
9. Civil Society Participation in PRSP	DEX: Jan. 05-Sept. 06	2,028,758
10. Inclusion of Civil Society in Poverty-related Policy Process	DEX: Jan. 06-Dec. 09	2,418,380
11. Strengthening the Role of Civil Society in Shaping Poverty-related Policies and Practices	Hard pipeline (Sept. 06-Sept. 09)	5,441,354
Sub-total		14,875,709
D. Human Security		
1. South East Europe Small Arms Clearinghouse	DEX: May 02-Dec. 05	3,852,625
2. Small Arms Control in Serbia and Montenegro	DEX: May 04-May 06	650,813
3. Home for Elderly Refugees and IDPs	DEX: 2003-2005	607,514
4. Crisis Prevention and Recovery	DEX: 2003-2004	548,418
5. Developing Strategies for Sustainable Development	DEX: July 05-Dec. 06	803,689
6. HIV Prevention among Vulnerable Populations Initiative	DEX: June 04-June 06	1,658,720
7. Support to UN Theme Group UN-AIDS	DEX: 2001-2005	367,062
Sub-total		8,488,843
E. Energy and Environment		
1. Energy and Transition, Poverty and Environmental Impact	DEX: 2003-2005	190,000
2. Energy and Environment Umbrella Framework	DEX: 2003-2004	91,786
3. Climate Change Enabling Activities	DEX: July 2004-2006	15,000
4. Biodiversity Strategy Action Plan and National Report	DEX: 2005-2007	292,370
5. National Capacity Self-assessment	DEX: 2004-2006	197,820
Sub-total		786,976
Policy Unit		
1. National Human Development Reports and Early Warning Reports	DEX: Jan. 01-July 05	1,042,077
2. Policy Advice for Human Development	DEX: July 05-July 07	415,615
Sub-total		1,457,692
F. South Serbia		
1. Rapid Employment Program (REP)	DEX: Jan. 02-June 03	4,000,000
2. Southern Serbia Municipal Improvement and Recovery (SSMIRP)	DEX: May 06-ongoing	3,511,101
3. Municipal Improvement and Revival (MIR) I	DEX: July 03-Sept. 05	8,000,000
4. Municipal Improvement and Revival (MIR) II	DEX: Nov. 05-Dec. 07	11,000,000
Sub-total		26,511,101
TOTAL – ALL PROGRAMMES		77,496,945

Table 2: Financing of UNDP-supported Projects in Serbia, 2001–2005 (US\$)

County Cooperation Framework Resources	2001	2002	2003	2004	2005	Total
CORE/TRAC	282,696	257,654	670,844	601,672	1,177,122	2,989,988
Cost-sharing	591,507	3,650,318	4,031,442	3,225,301	7,422,516	18,921,086
UN Trust Funds	887,338	3,985,523	4,132,937	8,888,729	9,121,381	27,015,909
Grand Total	1,761,541	7,893,496	8,835,224	12,715,702	17,721,020	48,926,984
TRAC 3	222,021	243,329	533,230	134,294	2,429	1,135,303
SPPD/STS	6,412	7,000	201,000	--	--	214,412
Total (Country Cooperation Framework)	1,989,975	8,143,825	9,569,454.	12,849,997	17,723,449	50,276,700

Notes: CORE/TRAC: Target for resource assignment from core
SPPD/STS: Support for policy and programme development/Support for technical services

Table 3: UNDP Operations Budget for Serbia and Montenegro, 2001–2005 (US\$)

Budget Item	2001	2002	2003	2004		2005	
				Belgrade	Podgorica	Belgrade	Podgorica
1. UNDP Core	224,169	327,912	166,559	729,460	1,960	669,545	66,333
2. Regional	304,346	160,000	50,000	--	41,950	--	214,283
3. Global	272,348	326,900	260,000	--	--	--	--
4. Resident Co-ordinator	40,000	93,500	211,400	175,575	--	151,465	--
5. DSS	23,000	28,000	35,000	21,661	--	33,870	--
6. TF CPCR	--	13,060	--	--	--	--	--
7. XB (DEX)	--	118,782	543,468	525,950	206,220	716,093	151,000
8. Total:	863,863	1,068,154	1,266,427	1,452,646	250,130	1,570,973	431,616
9. XB Non-Core	300,400	457,200	686,700	707,607	103,234	763,700	159,400
10. Total (line 9 + 10)	1,164,263	1,525,354	1,953,127	2,160,253	353,364	2,334,673	591,016

Notes:

1. DSS: Development support services provided to the office from Headquarters
2. TF-CPCR: Trust fund, crisis prevention and recovery
3. XB (DEX): Fee charged for the implementation of direct execution projects
4. XB Non-core: Fee charged for implementation of non-core funded projects. Covers general management support (GMS) services (negotiable, but usually in the 5%–7% range) and, in some cases, implementation support services (ISS, also negotiable but up to 1.5%)
5. On average, 7% fees collected for the implementation of projects (2% UNDP Headquarters and 5% to the Country Office)

Table 4: UNDP Programme Budget Trends in Serbia, 2001–2005 (US\$)

Programme/Cluster	2001	2002	2003	2004	2005	Total
Institutional Development	1,450,744	2,323,934	3,390,402	3,535,000	4,060,000	14,760,080
Rule of Law	--	555,457	626,903	1,464,000	1,706,000	4,352,360
Poverty Reduction and Economic Development	193,325	539,836	470,051	1,477,067	4,526,000	7,206,281
Human Security	26,550	1,186,531	2,223,087	2,678,000	3,091,000	9,205,168
South Serbia	250,000	3,441,000	2,193,000	6,686,000	5,313,000	17,883,000
Energy and Environment	--	24,739	212,037	81,000	130,000	447,776
Policy Unit	57,970	166,897	177,286	233,000	187,000	822,153
Total	1,978,590	8,238,395	8,772,341	16,154,067	19,013,000	54,156,393

Table 5: UNDP Expenditures in Serbia, 2001-2005 (by source and cluster, US\$)

Theme/Cluster	Total Expenditures
Institutional Development	12,403,313
Rule of Law	3,301,192
Poverty Reduction and Economic Development	6,134,345
Human Security	7,763,610
South Serbia	14,326,000
Energy and Environment	354,112
Policy Unit	688,166
Total	44,970,738

* Figures apply to development programme expenditures.

ANNEX 5

UNDP Corporate Survey Data

Table 1: Partner Survey Data for Serbia and Montenegro 2003, 2005*

Question	Rating System	2003			2005		
		Serbia and Montenegro	Europe and CIS Region	Global	Serbia**	Europe and CIS Region	Global
How active do you think UNDP is working with UN organizations in the country?	Very active	23%	44%	48%	59%	42%	44%
	Active and very active (combined)	92%	90%	89%	83%	62%	64%
How familiar are you with the role of the resident coordinator in the UN system?	Very familiar	29%	30%	33%	24%	26%	26%
	Familiar and very familiar	57%	71%	71%	70%	65%	64%
How satisfied are you with how the resident coordinator functions are performed?	Very satisfied	23%	43%	41%	32%	33%	29%
	Satisfied and very satisfied	69%	83%	78%	61%	77%	76%

* Data for 2004 were not available.

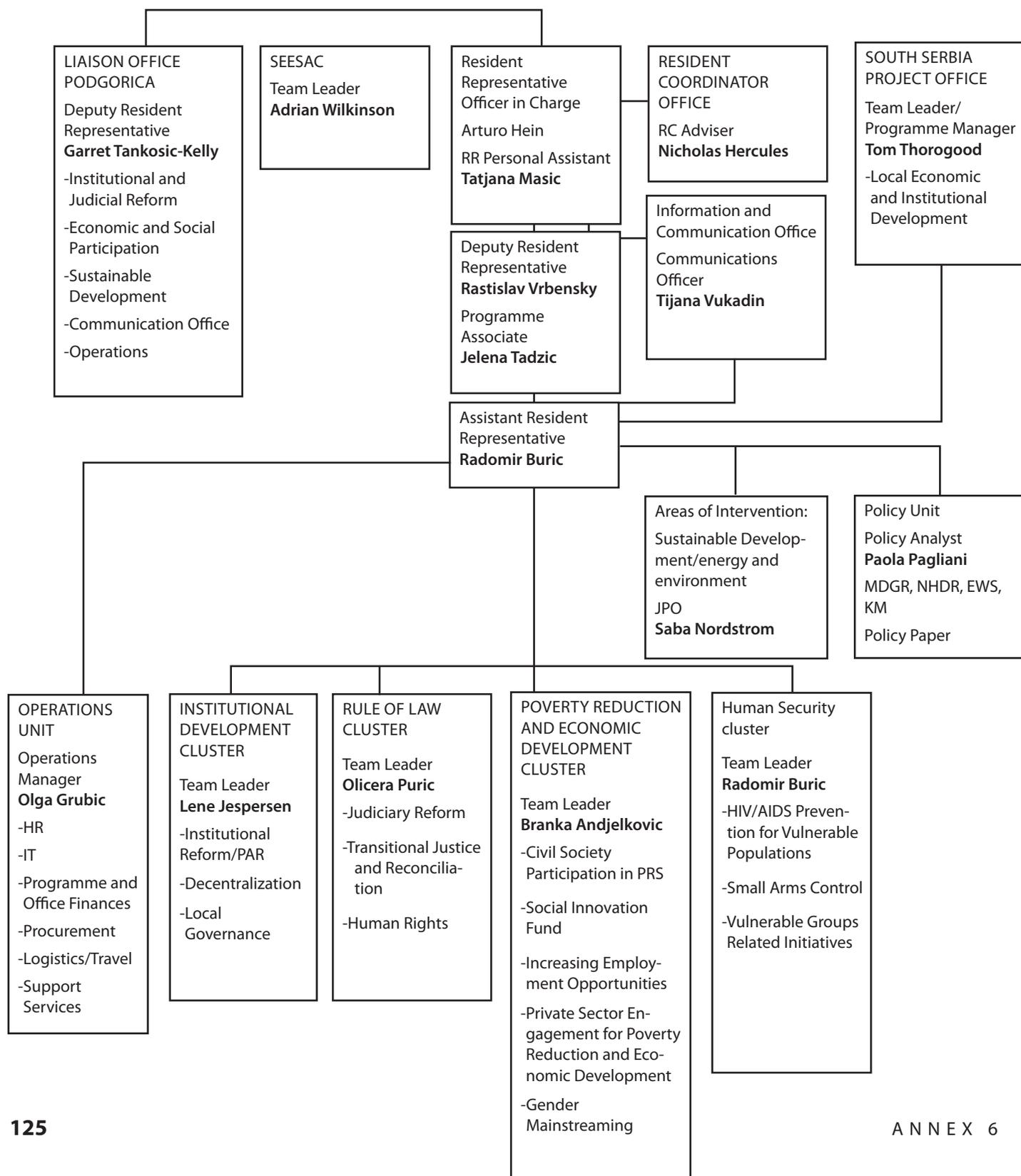
** The 2005 survey was conducted separately for Serbia and Montenegro. The time series data are thus not strictly comparable

Table 2: Select Findings of the UNDP Global Staff Survey 2005

Question	Percent Favourable Responses		
	Serbia Country Office	RBEC Country Office staff (less Serbia)	All Country Offices (less RBEC)
The goals of my office are clearly shared among staff members and management (12.1)	78%	76%	73%
My office works consistently towards achieving long-term objectives (18.4)	70%	78%	73%
I clearly understand the results that I am expected to deliver (11.2)	87%	87%	89%
The people I work with in my office cooperate to get the job done (12.10)	84%	79%	75%
In my office 'results' rather than 'effort' are used as a basis for performance monitoring and assessment (18.12)	55%	67%	66%
The organizational structure of my office supports efficient business processes (12.4)	52%	62%	58%
In my office there is little duplication of work (12.5)	45%	56%	51%
Work pressures in my job are at acceptable levels (23.1)	45%	58%	54%

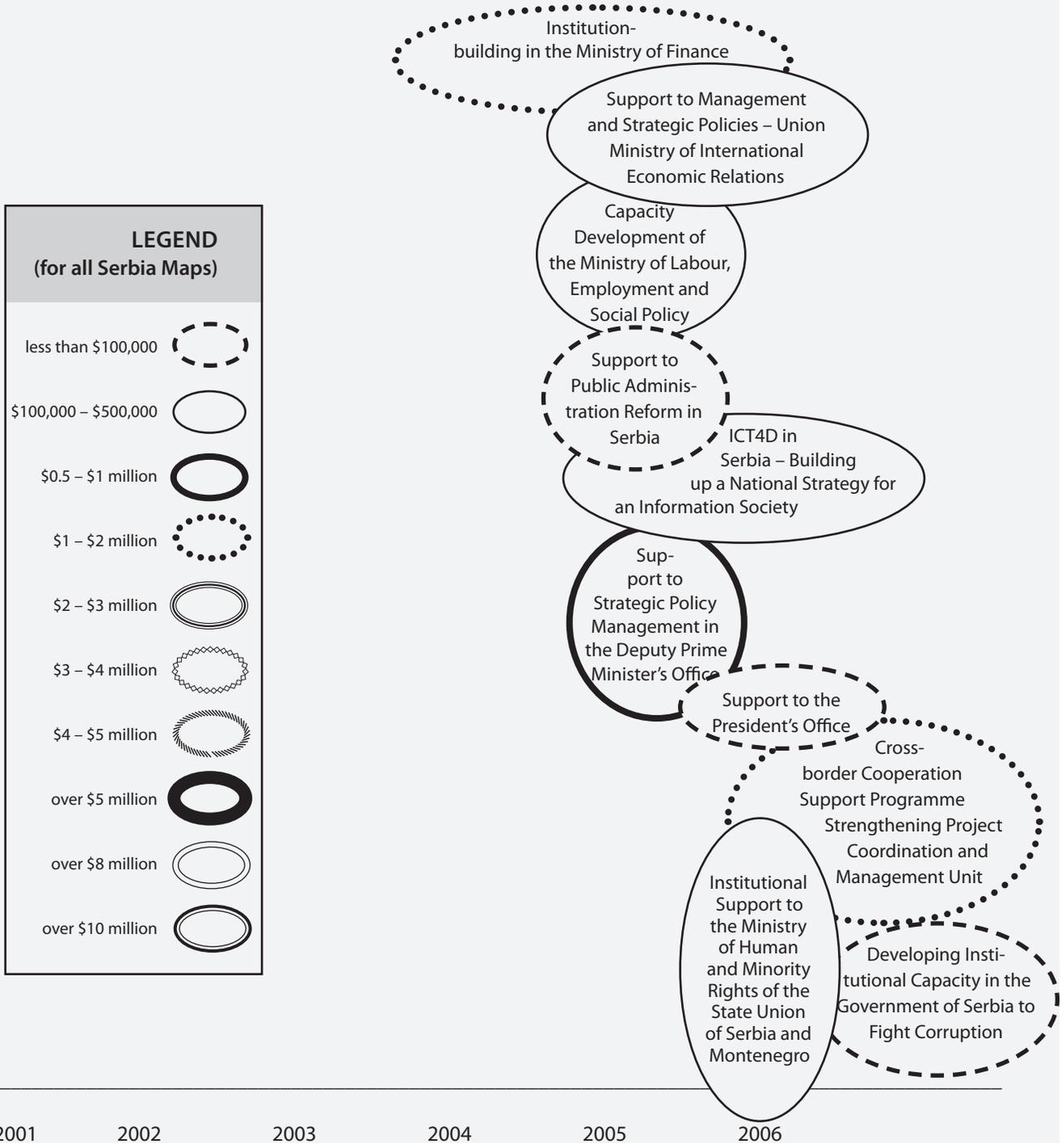
ANNEX 6

UNDP Country Office in Serbia and Montenegro: Organizational Structure (as of mid-2005)

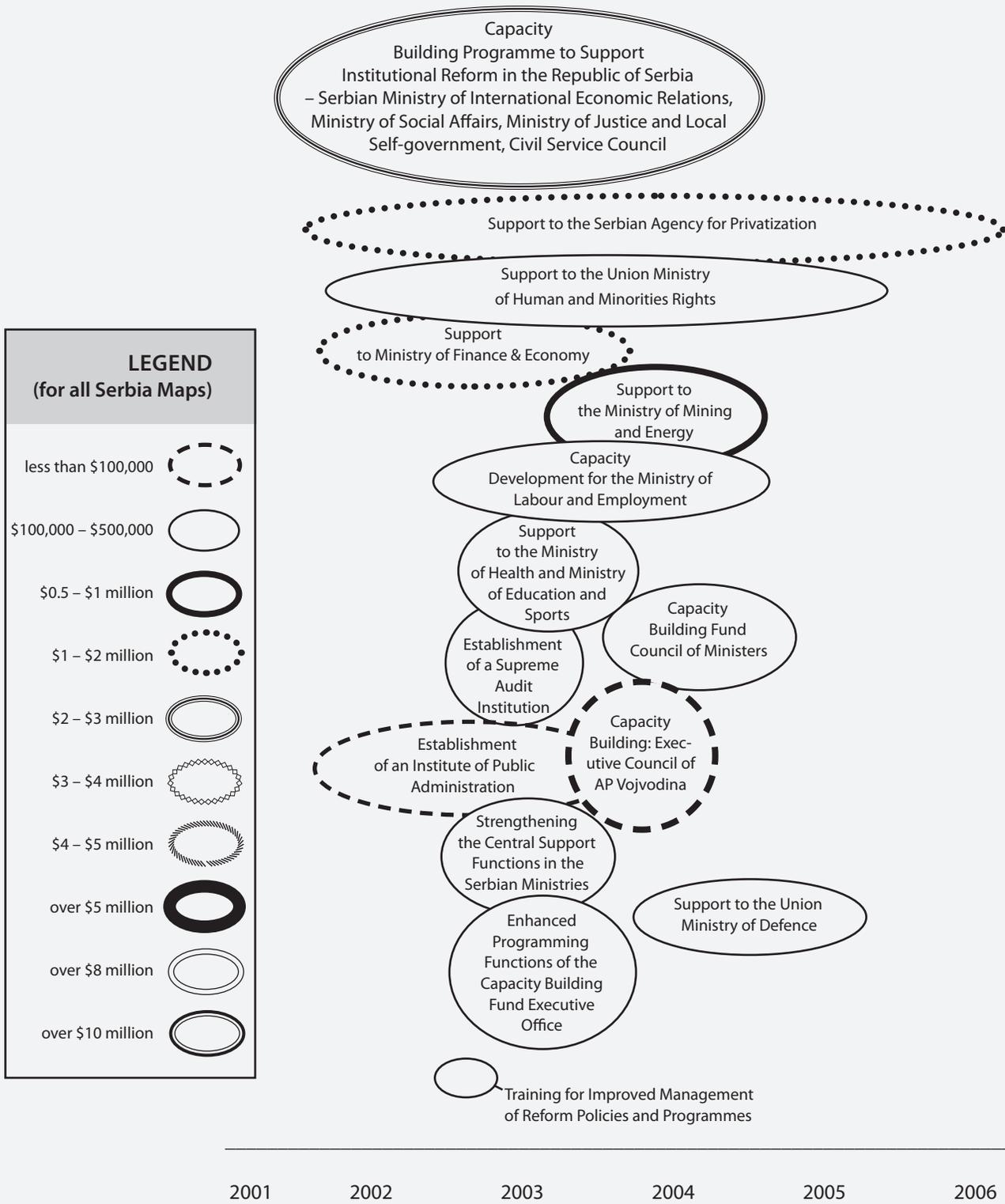


UNDP-Serbia Programme Maps

(1) SERBIA: Institutional Development



(2) SERBIA: Capacity Building Fund (CBF)



Capacity Building Programme to Support Institutional Reform in the Republic of Serbia – Serbian Ministry of International Economic Relations, Ministry of Social Affairs, Ministry of Justice and Local Self-government, Civil Service Council

Support to the Serbian Agency for Privatization

Support to the Union Ministry of Human and Minorities Rights

Support to Ministry of Finance & Economy

Support to the Ministry of Mining and Energy

Capacity Development for the Ministry of Labour and Employment

Support to the Ministry of Health and Ministry of Education and Sports

Capacity Building Fund Council of Ministers

Establishment of a Supreme Audit Institution

Establishment of an Institute of Public Administration

Capacity Building: Executive Council of AP Vojvodina

Strengthening the Central Support Functions in the Serbian Ministries

Support to the Union Ministry of Defence

Enhanced Programming Functions of the Capacity Building Fund Executive Office

Training for Improved Management of Reform Policies and Programmes

(3) SERBIA: Decentralization

LEGEND (for all Serbia Maps)	
less than \$100,000	
\$100,000 – \$500,000	
\$0.5 – \$1 million	
\$1 – \$2 million	
\$2 – \$3 million	
\$3 – \$4 million	
\$4 – \$5 million	
over \$5 million	
over \$8 million	
over \$10 million	

Capacity Development for
Standing Conference of Towns
and Municipalities

Local Economic
Sustainable Development in
South-west Serbia and Northern
Montenegro

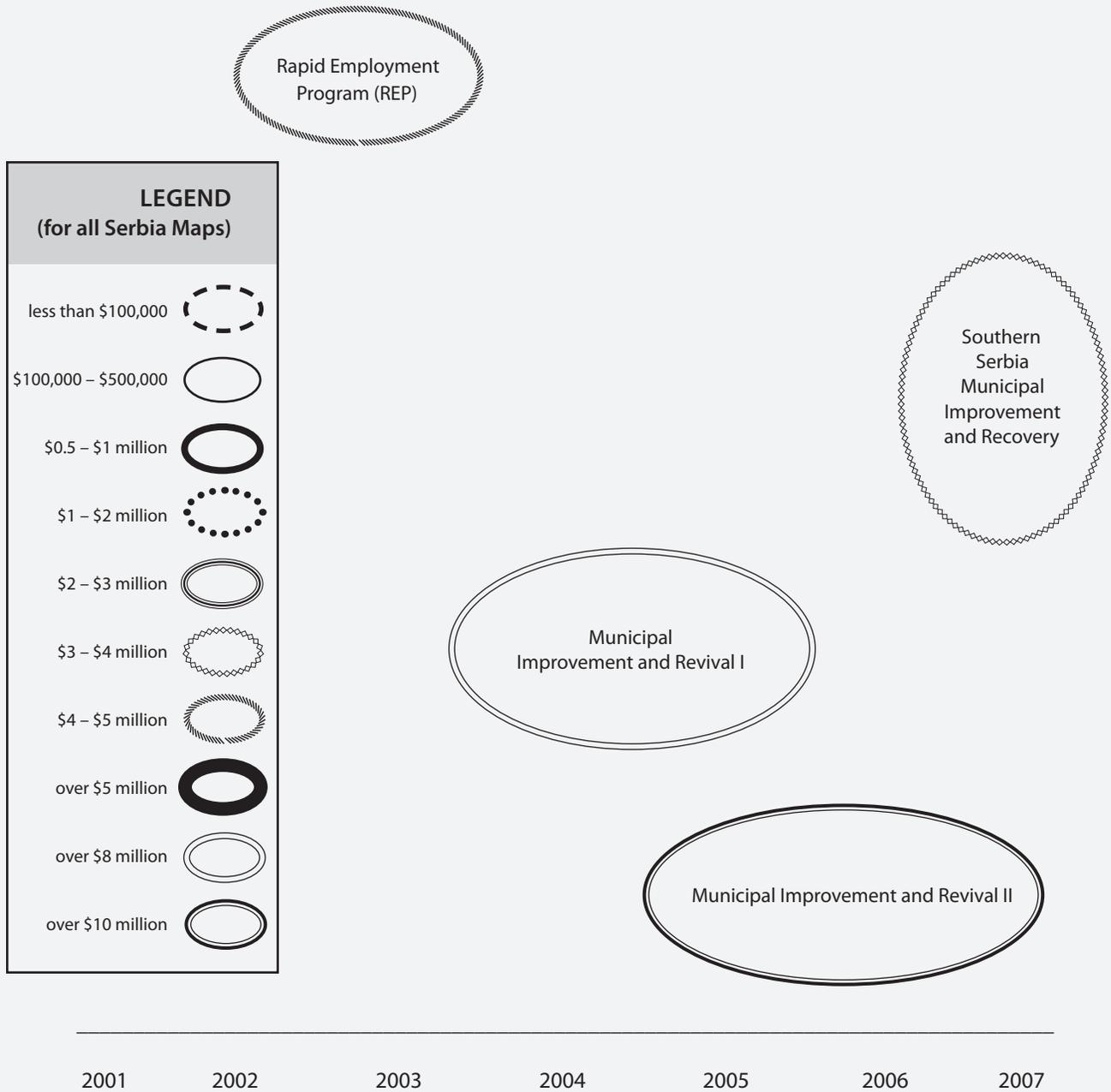
Building
Capacity of Local
Governments, CSOs
and the Domestic Business
Sector to Participate
in the PRS and MDG
processes

Programme for the
Standing Conference of
Towns and Municipalities

Programme for
West Serbia/Sandzak

2001 2002 2003 2004 2005 2006 2007

(4) Serbia: South Serbia



(5) SERBIA: Human Security

LEGEND (for all Serbia Maps)	
less than \$100,000	
\$100,000 – \$500,000	
\$0.5 – \$1 million	
\$1 – \$2 million	
\$2 – \$3 million	
\$3 – \$4 million	
\$4 – \$5 million	
over \$5 million	
over \$8 million	
over \$10 million	

South Eastern Europe Small Arms Clearinghouse

Small Arms Control in Serbia and Montenegro

Home for Elderly Refugees and IDPs

Crisis Prevention and Recovery

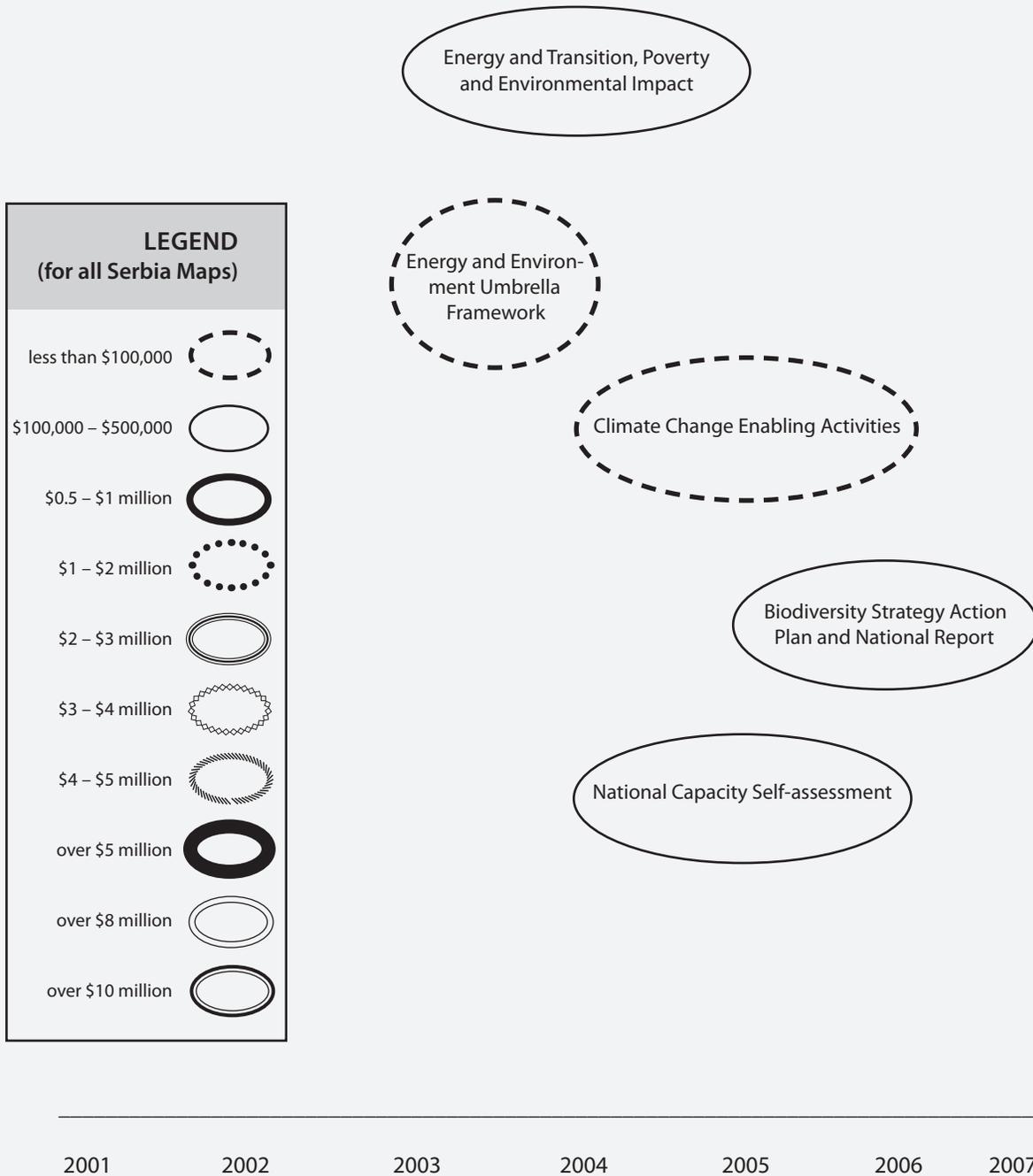
Developing Strategies for Sustainable Development

HIV Prevention Among Vulnerable Populations Initiative

Support to UN Theme Group UNAIDS

2001 2002 2003 2004 2005 2006

(6) SERBIA: Energy & Environment



(7) SERBIA: Policy Unit

National Human Development and Early Warning Reports

Policy Advice for Human Development

LEGEND (for all Serbia Maps)	
less than \$100,000	
\$100,000 – \$500,000	
\$0.5 – \$1 million	
\$1 – \$2 million	
\$2 – \$3 million	
\$3 – \$4 million	
\$4 – \$5 million	
over \$5 million	
over \$8 million	
over \$10 million	

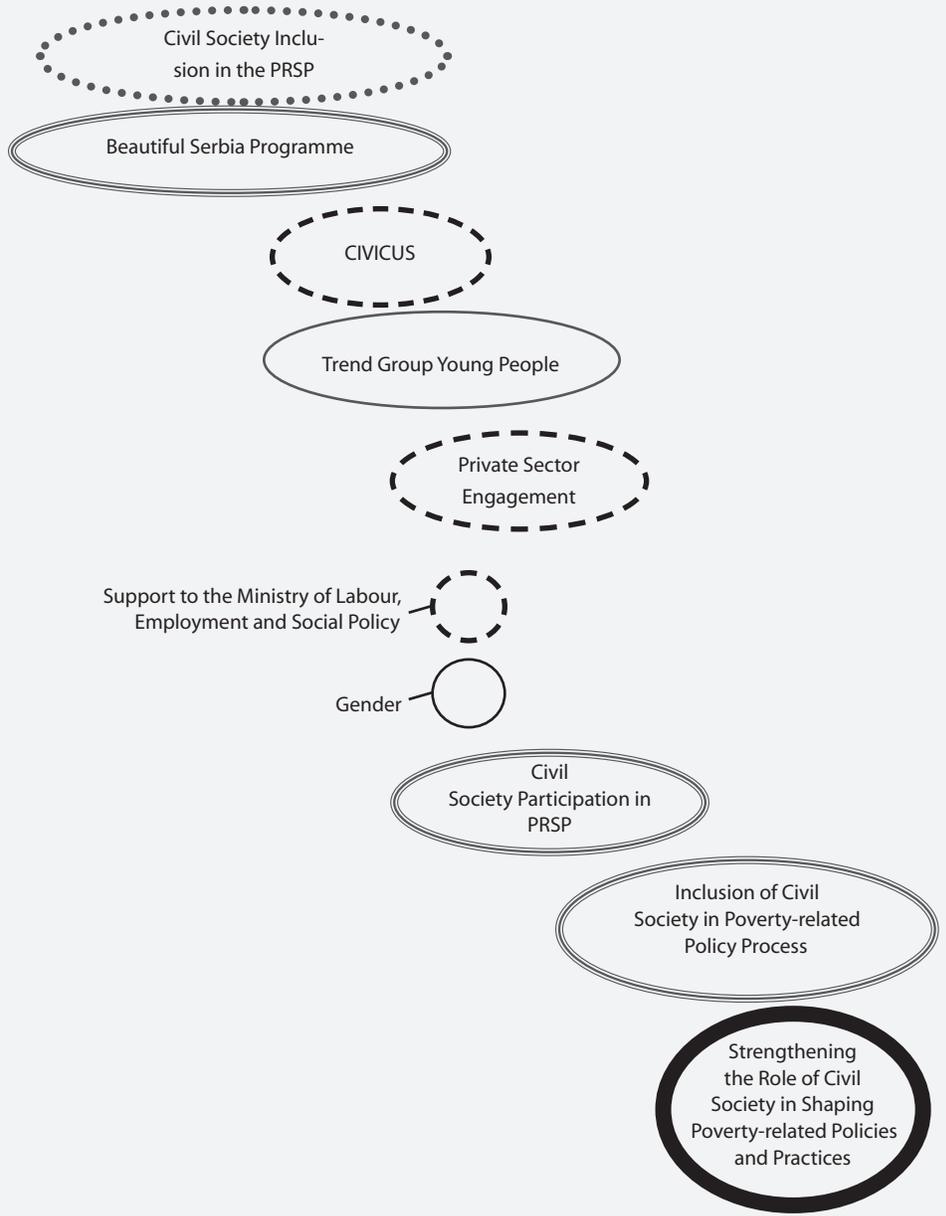
2001 2002 2003 2004 2005 2006 2007

(8) SERBIA: Poverty Reduction and Economic Development (PRED)

Capacity Building of National NGOs for Civil Society Development

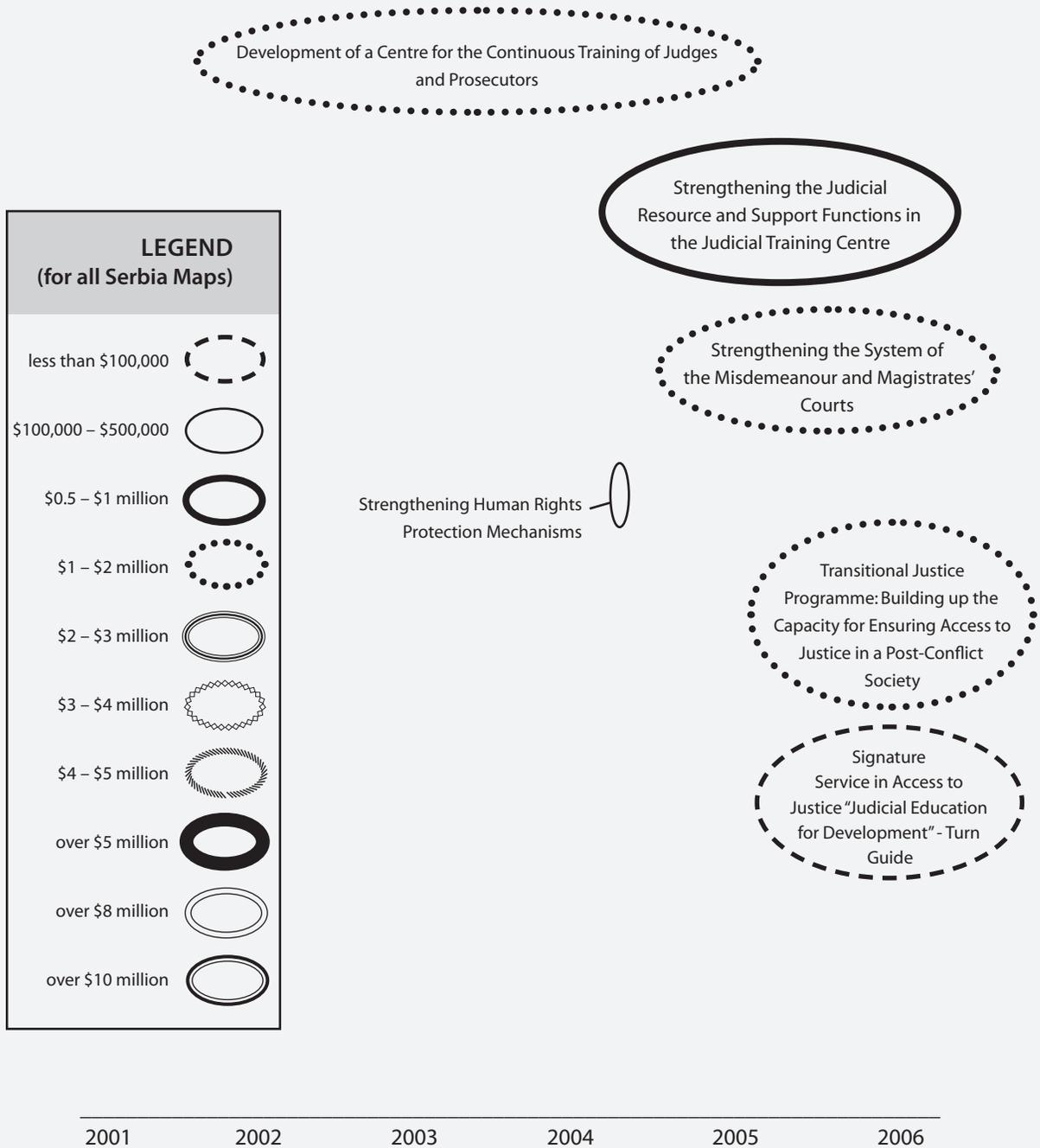


LEGEND (for all Serbia Maps)	
less than \$100,000	
\$100,000 – \$500,000	
\$0.5 – \$1 million	
\$1 – \$2 million	
\$2 – \$3 million	
\$3 – \$4 million	
\$4 – \$5 million	
over \$5 million	
over \$8 million	
over \$10 million	



2001 2002 2003 2004 2005 2006

(9) SERBIA: Rule of Law



ANNEX 8

Serbia & Montenegro: Map of Intended Development Results*

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
<p>Public Administration Reform</p> <p>MDGs 1, 8</p> <p><u>National Goal</u></p> <p>Improved and equitable access to public services</p>	<p>Governance</p> <ul style="list-style-type: none"> • Increased use by decision makers of sustainable human development concepts in policy formulation and implementation • Increased involvement of the third sector in policy-making and monitoring of government activities • Improved efficiency, accountability and transparency in the civil services 	<p>Democratic governance</p> <ul style="list-style-type: none"> • Strengthened capacity of Serbian and federal institutions, measured by the number of institutions receiving technical assistance and level of national expertise • Improved local and municipal governance structures, decision-making processes and planning tools • Increased economic opportunities in affected communities, measured by the number of microfinance and business development services provided • Increasing number of initiatives undertaken by national NGOs • Strengthened local governance and decreased inter-ethnic tension through joint initiatives and dialogue 	<p>Public administration reform improved efficiency, accountability and transparency in the public sector</p>	<p>An efficient, accountable and people-centred public sector</p>	<p>Fostering democratic governance</p> <ul style="list-style-type: none"> • Strengthened capacities at the local and central level for local governance and urban/rural development and in relation to the decentralization process • Improved efficiency, accountability and transparency in the public sector and strengthened national capacities

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
<p>Rule of Law and Access to Justice</p> <p>MDGs 1, 8</p> <p><u>National Goal</u></p> <p>Increased cohesion and realization of rights of vulnerable groups</p>	<p>Governance</p> <ul style="list-style-type: none"> • Efficient administration of and access to justice 	<p>Democratic governance</p> <ul style="list-style-type: none"> • Improved access to the judiciary by training personnel and upgrading court services • An increase in foreign investments as a result of credibility in the rule of law 	<ul style="list-style-type: none"> • Effective and independent judicial systems with increased access to justice for marginalized groups • Relevant capacity-building for the State Union of Serbia and Montenegro and the two member states; mechanisms put in place to facilitate the country's compliance with international human rights obligations • Effective and relevant human rights institutions established and functioning 	<p>Strengthened rule of law and equal access to justice</p>	<p>Fostering democratic governance</p> <ul style="list-style-type: none"> • Establishment of effective human rights institutions and mechanisms to facilitate the State Union of Serbia and Montenegro's compliance with international human rights obligations • Effective and independent judicial systems with increased access to justice for marginalized groups

Current Programme Component	Strategic Results Framework 2002	Country Cooperation Framework 2002-2004	Country Programme Document 2005-2009	UN Development Assistance Framework 2005-2009	Multi-year Funding Framework 2004-2007
	Outcomes	Expected Results	Outcomes	Outcomes	Goals/Outcomes
<p>Sustainable Development</p> <p>MDGs 1, 7, 8</p> <p><u>National Goal</u></p> <p>Use of policy initiatives and global goods and concerns to promote sustainable development</p> <p>Other</p>	<p>Environment</p> <p>Capacity of constituent authorities to plan and implement integrated approaches to environmental management and energy development, including the integration of global environmental concerns and commitments in national development planning and policy</p> <p>Poverty</p> <ul style="list-style-type: none"> • Institutional capacity built to plan and implement multisectoral strategies at national and subnational levels to limit the spread of HIV and mitigate its social and economic impact • National development plans, poverty reduction strategies and budgetary allocations address the impact of HIV/AIDS on development and poverty eradication <p>Gender</p> <ul style="list-style-type: none"> • Close partnerships among Government, parliament and civil society for systematic analysis of gender issues <p>Conflict prevention & peace-building</p> <ul style="list-style-type: none"> • Consolidation of peace in South Serbia <p>UN Support</p> <ul style="list-style-type: none"> • Monitoring progress towards MDGs • Sustained and more effective country-level mechanisms within the Resident Coordinator system for substantive analysis, advocacy, planning and programming 	<p>Energy & Environment</p> <ul style="list-style-type: none"> • Global environmental concerns and commitments are integrated into national development planning and policy • The information base and available data on environmental issues are enhanced • Government financial resources for environmental management activities are increased • A framework for sustainable development issues is developed and disseminated for analysis and debate • Legal and regulatory frameworks for environmental planning and management are established, including the legal basis for rejecting unsustainable methods and overexploitation of environmental resources • The number of skilled and trained local authorities employed for programme design and implementation in this sector increased • Sustainable energy strategies, including energy saving programmes, developed <p>Crisis prevention and recovery</p> <ul style="list-style-type: none"> • Increased stability as local authorities design crisis-prevention policies based on risk areas • Enhanced security and confidence as the number of small arms are reduced • Greater number of community initiatives undertaken by youth councils • Increased number of partnerships on activities to reduce abuse against women • Development of a national gender-mainstreaming strategy • Establishment of an inter-ministerial body for AIDS prevention and coordination • Reduction of security incidents in southern Serbia through an increase in: inter-agency, multisectoral projects, the number of municipal steering groups involved in decision-making and implementation, the number of jobs created 	<ul style="list-style-type: none"> • Sustainable development plans/policies effectively respond to the need of stakeholders and promote employment and environment protection 	<p>Increased municipal capacity to promote local sustainable development</p>	<p>Achieving MDGs and reducing poverty</p> <ul style="list-style-type: none"> • Pattern of pro-poor and pro-jobs growth incorporated into key strategies at central and local levels • Statistical and analytical capacities of national think tanks, CSOs and governmental institutions enhanced for policy dialogue and regular reporting on the MDGs and national human development • Barriers for private sector growth identified, key alliances for their removal established, and strategies developed • Increased involvement of civil society in policy-making and monitoring of government policies <p>Energy and Environment for Sustainable Development</p> <p>The following are adopted and effectively implemented: sustainable development plans/policies, information systems/laws promoting environmental protection, biodiversity and forest conservation, sustainable tourism through public-private partnerships and renewable energy in impoverished areas</p> <p>Use of GEF and other global goods towards sustainable development¹</p> <p>High-level policy initiatives linking developing countries' experiences in sustainability²</p> <p>Crisis prevention and recovery</p> <p>Improved efficiency, accountability and transparency in the public sector and strengthened national capacities</p>

*The 2002-2004 Country Cooperation Framework for the then Federal Republic of Yugoslavia marked the shift in UNDP's assistance away from a post-conflict response and towards a development-oriented agenda, concentrating on three thematic areas: a) democratic governance, b) crisis prevention and recovery, c) energy and environment. In line with the Common Country Assessment/UN Development Assistance Framework, the Country Programme Document 2005-2009 seeks to further develop three thematic areas: a) public administration, b) rule of law and access to justice and c) Sustainable Development.

1 Multi-year Funding Framework goal listed in the Country Program Document, Annex I, under 'Sustainable development'.

2 Ibid.

ANNEX 9

Serbia and Montenegro: Goals and Intended Outcomes

Drawn from Strategic Results Framework (SRF) and Results-oriented Annual Report (ROAR) documents:

SRF / ROAR – 2002		SRF / ROAR - 2004		
Goal	Sub-goal	Goal	Service Line	Intended Outcomes ¹
1. Governance	Dialogue that widens development choices	1. Achieving the MDGs and reducing human poverty	1.1 MDG country reporting and poverty monitoring	(1) Statistical capacities and analytical processes for regular reporting on the MDGs and the National Human Development Report established, addressing national priority issues
	Key governance institutions		1.7 Civil society empowerment	(2) Increased involvement of the third sector in policy-making and monitoring of government policies
2. Poverty	National poverty frameworks	2. Fostering democratic governance	2.4 Justice and human rights	(3) Effective human rights institutions established and mechanisms put in place to facilitate the State Union for Serbia and Montenegro's compliance with international human rights obligations
3. Environment	Environment and energy for livelihoods			(4) Effective and independent judicial systems with increased access to justice for marginalized groups
4. Gender	Gender equality		2.7 Public administration reform and anti-corruption	(5) Improved efficiency
5. Special Development Situations	Conflict prevention and peace-building	3. Energy and environment for sustainable development	3.1 Frameworks and strategies for sustainable development	(6) Sustainable development plans/policies effectively respond to the needs of stakeholders and promote employment and environmental protection
6. UN Support	Global conference goals			(7) Contribution of biodiversity and ecosystem services to food security, health, livelihoods and reduced vulnerability to natural disasters factored into national planning for the achievement of development goals, including safeguards to protect these resources
	Effective operational activities	4. Crisis prevention and recovery	4.2 Recovery	(8) Sustainable livelihoods restored, enabling attainment of poverty MDG
			4.3 Small arms reduction, disarmament and demobilization	(9) Development and implementation of national small arms and light weapons control strategy

1. Performance is assessed against six 'drivers' for each of the intended outcomes. These are: (1) developing national capacities, (2) enhancing national ownership, (3) advocating and fostering an enabling policy environment, (4) seeking South-South solutions, (5) promoting gender equality and (6) forging partnerships for results. It would seem that the fifth driver is not especially relevant for Serbia or Montenegro, let alone other countries in the subregion, and hence more attention is given to sharing experiences, lessons, practices and solutions with countries in Central and Eastern Europe, and with the EU.

STRATEGIC GOALS AND SERVICE LINES, 2004–2007

Drawn from the Multi-year Funding Framework and Strategic Results Framework:

Goal	Service Lines
1. Achieving the MDGs and reducing human poverty	1.1 MDG country reporting and poverty monitoring 1.2 Pro-poor policy reform to achieve MDG targets 1.3 Local poverty initiatives, including microfinance 1.4 Globalization benefiting the poor 1.5 Private-sector development 1.6 Gender mainstreaming 1.7 Civil society empowerment 1.8 Making information and communications technology for development work for the poor
2. Fostering democratic governance	2.1 Policy support for democratic governance 2.2 Parliamentary development 2.3 Electoral systems and processes 2.4 Justice and human rights 2.5 E-governance and access to information 2.6 Decentralization, local governance and urban/rural development 2.7 Public administration reform and anti-corruption
3. Energy and environment for sustainable development	3.1 Frameworks and strategies for sustainable development 3.2 Effective water governance 3.3 Access to sustainable energy services 3.4 Sustainable land management to combat desertification and land degradation 3.5 Conservation and sustainable use of biodiversity 3.6 National/sectoral policy and planning to control emissions of ozone-depleting substances and persistent organic pollutants
4. Crisis prevention and recovery	4.1 Conflict prevention and peace-building 4.2 Recovery 4.3 Small arms reduction, disarmament and demobilization 4.4 Mine action 4.5 Natural disaster reduction 4.6 Special initiatives for countries in transition
5. Responding to HIV/AIDS	5.1 Leadership and capacity development to address HIV/AIDS 5.2 Development planning, implementation and HIV/AIDS responses 5.3 Advocacy and communication to address HIV/AIDS

Source: UNDP, Multi-year Funding Framework, 2004–2007, United Nations DP/2003/32 second regular session 2003, 8 to 12 September 2003, New York, page 13.

Discussion Points on Partnerships

As the development situation in Serbia and Montenegro moves from post-crisis to development and EU accession, the two republics' Governments and their development partners will face an increasingly complex and interdependent set of development issues that can only be tackled by more cooperative, integrated and coordinated dialogue and focused approaches.¹

The notion of partnership or sector-wide approaches to programming and the channelling of development assistance can be introduced as a means to address some programming and coordination problems, especially in the area of public sector management and administrative reform.

However, there are different approaches to better coordination to deal with issues of development cooperation, aid management, service delivery and internal and external coordination. While issues of coordination may be common to most transitional economies and developing countries, suggesting common solutions, the reality is that most issues are country-specific. The Governments of Serbia and Montenegro have several issues unique to their own transitional environment. The best approach would be one that meets the particular needs of Government at its current juncture of development. While the following discussion focuses on the Government of Serbia, a similar argument could be made for the Government of Montenegro.

KEY PROGRAMMING AND COORDINATION ISSUES

- General consensus that the burden of *aid coordination and management* has and will continue to increase, thus affecting the sustainability of development cooperation.
- *Government of Serbia ownership* of development programmes may not be as strong as it should be, and indeed many initiatives could be 'donor driven'.
- *Not enough national political and senior bureaucratic leadership* in developing and setting the overall policy agenda for development, or for coordination of development cooperation.
- Potentially some *disagreement* on specific sectoral and thematic development priorities and approaches, and possibly some duplication of implicit policy thrusts and the setting up of implementation mechanisms.
- Evidence of *ad-hoc and 'quick-fix' approaches* to some complex development challenges, where initiatives are launched without adequate management, consultation or study (sometimes driven by pressures from donors to commit and disburse funds, or to tie aid delivery to their own budgetary cycles).
- *Weak systems of governance and accountability* for national and cooperative development (strategic planning, financial management, etc.) that are

Mission Bombardment Syndrome

In a World Bank study, it was pointed out that a country with 200 or so donor-funded development projects generates on the order of 600 formal missions, 800-1,000 formal reports, and innumerable meetings. For countries with limited senior managerial personnel, this imposes an unacceptable burden.

¹ This annex is adapted from a similar annex on partnership approaches that was contained in the recent 'UNDP Mid-term Review of the Capacity Building Fund' and other national partnership strategy documents.

not up to a standard that would engender national and international confidence.

- *Institutional and capacity limitations* of national organizations likely to remain severe.
- *Government staff drawn to donor-funded projects* (usually with higher pay and incentives), along with capacity gaps in the civil service being met by foreign experts and national advisers, which is unsustainable over the long term.
- *Process and input focus*, with not enough focus on performance management and the measurement of outcomes and impacts.
- *Non-transparency* of some donor activities (such as conducting studies, preparing papers, donor-sponsored missions, etc.) undertaken without adequate consultation among donors or between the donor community and Government.
- Likelihood of increasing *complexity in the relationships* among national players (government, civil society, private sector), in the relationships between national organizations and the donor community, and in the relationships among donors themselves.
- Generally *poor exchange of information* in terms of quality and lack of timely, complete data on external assistance, due, in part, to possible lack of discipline among some donors in reporting and providing information.

THE NOTION OF A DEVELOPMENT PARTNERSHIP

Many of the issues noted above can be addressed through a sector-wide approach to programming, which itself can be seen as a form of development partnership. The intent is to foster greater coordination and development in the context of specific sectoral frameworks (which would be logical extensions or components of a national development framework). The strategic planning, programming, coordination, and reporting of multiple projects in a particular sector (such as health or infrastructure) would be done in a more formalized and structured manner. The participants of such a sector-wide programme or partnership would consist of the various donors interested in supporting that sector as well as different government organizations (central and local, civil society organizations, private sector) that would have a 'stake' in the sector.

The application of such an approach to public administration reform, capacity-building, decentralization or other major subsectoral area in a ministry-by-ministry context would require some consistency to ensure coordination further up the chain (for example, to the Cabinet), or across sectors. A successful transition to a sector-wide approach or partnership concept must be based on a mutually understood and accepted definition of the concept, and a general understanding and acceptance of its implementation considerations. Some key goals of such an approach would include:

- **From 'donorship' to 'ownership'.** Consistent with OECD/DAC principles for improving development partnerships, harmonization and simplification, the Government would need to strengthen its strategic management capacities to formulate policy, priorities and overall strategies for the implementation of the country's public administration reform, decentralization or other (sub) sectoral development agenda. In the final analysis, it is the people of the republic, its Government and its institutions of governance that are ultimately accountable for the achievement of national development outcomes.
- **From control to leadership.** As the process of democratization takes hold, the Government should understand and accept that decision-making authority will increasingly be shared – through partnerships and other participatory mechanisms – with other levels of administration, civil society and private sector organizations, commensurate with the development of an appropriate enabling environment and supporting capacities.
- **From ad hoc/piecemeal to programmed development.** Multiple sector-wide arrangements are required to tackle complex priority development objectives across key sectors and subsectors. Given the increasing complexity of the development environment in terms of the numbers and types of 'players' involved, the likelihood of increased competition for scarce resources to meet development demands and the sometimes conflicting views as to priority and approaches to be taken, the only feasible and practical strategy is to structure and bundle development activities (policy, planning, programming, implementation) around the envisaged development outcomes as set out by the Government.

- **From informal coordination to increased collaboration.** The partnership concept, which involves Government, external donors, NGOs and foreign sources of private investment, should be seen by Government as a set of *strategic management tools* that can reshape and improve existing coordination relationships, instruments, mechanisms and attitudes. The use of *internal partnerships* between and among departments and agencies, and between central and local levels of Government (and, in turn, between the state sector and civil society and the private sector) can be seen as *instruments of governance*, but also as important management tools to implement development initiatives in service delivery, public sector management and the achievement of development outcomes.
- **From dependency to sustainability.** There is no illusion that the Government can completely achieve its national development agenda on its own – especially over the medium term. The republic will continue for some time to require financial support and technical assistance from bilateral countries/donors, multilateral and international financial institutions, international organizations, private sector investors and other sources. The Government will increasingly look to civil society and the private sector to achieve social and economic development goals, as well as to increase national sources of revenue.

MAJOR CHARACTERISTICS OF A SECTOR-WIDE PARTNERSHIP

It should be accepted that there are different levels and types of sector-wide approaches or partnerships to achieve various development outcomes. However, every such approach is seen to embody a tighter collaborative arrangement among partners, and is seen to imply specific implementation features and common operational characteristics.

- **Common vision and shared objectives.** The structuring of sectoral partnerships (such as in public administration reform, health, education, infrastructure, education or decentralization, among others) must be seen as the instrument whereby all affected stakeholders and interested partners develop and maintain agreement and focus on a common vision, objectives and outcomes. There is a well-defined common public development policy purpose, and this purpose supports the overall development goal of the Government.

While some debate is healthy in arriving at the most appropriate sectoral or thematic development policy and implementation approach, there must be consensus and agreement at the point of *implementation*.

- **Agreed accountability structures.** Development benefits must be delivered in a fair, impartial and equitable manner. The success of a sector-wide approach or partnership would be contingent on the structuring of practical, workable and agreed accountability structures (roles, responsibilities, authorities, controls, decision-making processes), usually written in unambiguous and legally binding agreements. Such structures may vary from sector to sector, depending on the specific development/sectoral objectives and mix of partners. There must be clear and mutually agreed upon expectations of who does what.
- **Harmonized strategic management with a goal of sustainability.** Each sector and its associated sector-wide approach will likely have different levels of planning, and different partners may play different but complementary roles in such planning. The strategic planning for the sector-wide ‘partnership’ itself must be nationally led (by the Government or in partnership with civil society and the private sector). A strategic management approach implies a thorough assessment of current capacities for the specific sector, a clear definition of realizable objectives and outcomes, practical and incremental implementation strategies, and the sustaining of the outcomes and developed capacities.
- **Harmonized operational capacities.** The sector-wide ‘partnership’ to the maximum extent possible should have adequate human, financial and information resources, and the capacities to manage these resources efficiently and effectively. This points to the direct and pressing need for the simplification, streamlining and *harmonization of operational policies*, systems, standards and practices in such areas as financial management, planning, reporting, procurement, audit and evaluation, staffing, information and communications systems, document management and related areas. For more advanced arrangements, this could mean the pooling and joint management of financial resources. This also implies meaningful, *credible reporting and monitoring*. It is to be expected that the partners would need to

report to one another as well as to their respective governing bodies, and also to the beneficiaries that the sector-wide partnership is intended to serve.

- **Learning and adaptation capacities.** All concerned parties in the Government recognize that the setting up of institutions of governance and development are very much a learning experience, where there must be experimentation, testing and innovation. This applies to any country, but especially to the crisis/post-conflict situation where there are serious capacity limitations, and where substantial resources and extended timelines will be needed to realize development outcomes. As a preferred programming and implementation model to achieve these outcomes, sector-wide partnerships themselves will need to be implemented cautiously and with sufficient flexibility in the arrangements to ensure that they can adapt to the requirements at hand, that each can generate learning and innovation experiences, and these experiences can be adapted and replicated across sectors.
- **Building and maintaining trust and good faith.** It is the *trust* between and among all the partners in a particular sector ‘partnership’ that is the cement that keeps all the components of the collaboration together, working toward a common purpose. Different partners have and will continue to have their own institutional agendas – whether Government or donors. But it must also be mutually accepted that there is agreement on a common agenda, and that a spirit of trust must be present in order to enter into meaningful negotiations at the outset, and to sustain a meaningful implementation and smooth ongoing functioning of the sector-wide partnership mechanics. This means that the traditional bureaucratic way of thinking must give way to power sharing, interdependence and joint management.

OME IMPLEMENTATION CONSIDERATIONS

Various national, international and development forces may push the Government and those with whom they interact into more collaborative arrangements. The Government and its development partners will need to jointly discuss the need, the costs and benefits of implementing more collaborative sector-wide approaches to programming and development. Existing models such as variations of public-private partnerships may be adapted to the local context. Such approaches should not be considered a panacea – there is no solution that can be ‘dropped’ in to address the many issues noted at the beginning of this discussion piece.

The concept might be adapted separately to public administration reform and economic and social services sectors, especially those in need of some priority attention (for example, trade, finance, infrastructure, agriculture, education, health, and public administration reform). In each of these sectors there are pressing needs and capacity constraints, with many donors and other international organizations lining up to provide technical assistance.

If sector-wide programming and development partnerships show promise of being a cost-effective approach, then the government will need to strengthen national capacities for development planning, policy coordination and aid management. Other legislative, regulatory and decision-making structures (central and local) may also need to be rationalized and strengthened in order to ensure that collaborative development partnerships work in the interests of Serbia and serve other interests, such as transparency and the cost-effective use of internal and external resources.