

Strategy for development cooperation with

Macedonia

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REGERINGSKANSLIET

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STRATEGY FOR SWEDISH DEVELOPMENT COOPERATION WITH MACEDONIA, 2006-2010

INTRODUCTION

This strategy describes the scale and scope of Sweden's development cooperation with Macedonia during the period 2006–2010. The strategy may, if necessary, be revised after half the period. Swedish development assistance is expected to total SEK 70 million per annum. The strategy is based on a proposal from Sida, supplemented by deliberations from the Ministry for Foreign Affairs, comments from other ministries, government agencies and Swedish actors involved in development cooperation with Macedonia. The partner country has been consulted.

SUMMARY

The goal of Swedish development cooperation with Macedonia is to reduce poverty by means of social change, based on EU integration as an engine of development. In order to achieve this goal while also achieving greater concentration in development work, Swedish support is to focus on one main sector, agriculture. The goal of Swedish support is to help bring about economic development and a sustainable restructuring of the agricultural sector in accordance with EU requirements. At the same time, this support is to help improve the living conditions of poor women and men in rural areas.

Besides efforts in the main sector, Sweden may undertake limited projects in the environment sector and in respect of human rights and social cohesion.

Bilateral support is to supplement and pave the way for activities financed by the EU and other aid donors.

Emphasis in the dialogue is to be on poverty issues, including social development and rights from the perspective of the poor, and on gender equality.

1. ANALYSIS OF DEVELOPMENT PROBLEMS: CONCLUSIONS

Policy and the security situation

Macedonia was the poorest and least developed of the former republics of Yugoslavia. It achieved independence in 1991 without bloodshed. In 2001, however, there was a brief armed conflict, initiated by Albanian groups in the country. After just seven months and relatively few civilian casualties, and with strong support from the EU and the US, the conflict was brought to an end with the signing of the Ohrid Agreement.

This agreement has provided a framework for international support to further peacebuilding operations, and is regarded as an important component in the political stabilisation process. Besides establishing that Macedonia is a multiethnic and unitary state, the Ohrid Agreement also contains concessions by the government – which is dominated by ethnic Macedonians – aimed at improving the status and representation of the country's minorities. The agreement also makes provision for an extensive decentralisation process. Progress has been made in the implementation of the agreement, largely as a result of persistent international pressure. In principle, the adoption of the law on the use of flags and ethnic symbols in July 2005 marked the conclusion of the legislative agenda foreseen in the Ohrid Agreement. This does not mean, however, that the process has been completed. The principles enshrined in the

agreement must be respected at all levels. Fulfilment of the Ohrid Agreement is closely linked to the political demands that the EU makes on new members. Among ethnic Macedonians, implementation of the Ohrid Agreement has generated a sense of alienation and has been viewed as a threat to their dominant position. Should developments take a turn for the worse in Kosovo, this could have an adverse effect on ethnic relations in Macedonia.

Since independence, it has been customary to form coalition governments drawn from an ethnic Macedonian party and an Albanian party. This is not required by law, however, and it remains to be seen whether such a policy can be successfully pursued at the local level as well.

Ethnic Macedonians make up 64 per cent of the population, ethnic Albanians 25 per cent and other minorities such as Turks, Roma and Serbs 11 per cent. Tension between the two largest groups has endured. They live parallel lives, but separate ones. Ethnic identity usually takes precedence over national identity. Future conflicts cannot be ruled out, but Macedonia has hitherto managed to preserve peace and a relative degree of stability.

The overarching strategic priority for Macedonia – one that is shared by all political groupings – is Euro-Atlantic integration. The summit meeting held in Thessaloniki in 2003 decreed that all countries of the Western Balkans fulfilling the entry requirements may become members of the EU. Macedonia signed a stability and association agreement with the EU in April 2001. The government attaches great importance to this process and to the implementation of the agreement.

In March 2004, Macedonia applied for EU membership. In November 2005, the European Commission adopted an Opinion recommending candidate status for Macedonia. It stated that Macedonia was a functioning democracy with stable institutions that generally guaranteeing the rule of law and respect of fundamental rights. The Commission concluded that Macedonia is well on its way to satisfy the political criteria laid down in Copenhagen. Important steps towards establishing of a functioning market economy, even if Macedonia for the time being could not be expected to cope with the competitive pressures of the EU's internal market. However, the Commission identified a number of areas in which Macedonia needed to make additional efforts, in particular in the fields of the electoral process, judiciary reform, the police reform, and also noted the need to strengthen the fight against corruption and organised crime. In light of the Commission's recommendations, the European Council voted on 15-16 December 2005 to grant Macedonia candidate country status with no fixed date for the start of negotiations. An important result of this decision is that Macedonia will in future qualify for the EU's pre-accession support.

A partnership agreement between the EU and Macedonia – setting out the priorities for the preparatory work required prior to accession and representing a strategic framework for the EU's support to the country – was concluded in 2004 and revised in 2005.

Much remains to be done, however, and the restructuring of public administration in Macedonia has made slow progress. Often, insufficient resources have been set aside for implementation of the reforms. The judicial system is frequently identified as the sector with the greatest problems. In some cases, there is a lack of political will, and power structures or special interests sometimes block decisions. Also, it is difficult to strike a balance between the IMF's demand for a smaller public sector and both the need for the additional functions required for EU integration and the need to increase minority representation among public sector officials in order to meet the requirements of the Ohrid Agreement. External pressures, including the EU integration process, have been needed to ensure that the reforms proceed as planned. The EU integration agenda is filling a kind of policy vacuum.

The economic situation

Macedonia's economy deteriorated after independence. Negative growth ensued, and industrial production fell, resulting in a high unemployment rate and hyperinflation.

Since the mid-1990s, the trend has been reversed, but Macedonia has still not reached the GDP level it attained prior to independence. Growth in recent years of 2 to 4 per cent is the lowest in the region. Inflation is now below 2 per cent per annum, and the currency is tied to the euro. In 2005, new three-year agreements were reached with both the World Bank and the International Monetary Fund (IMF). As of 2001, Macedonia is no longer granted soft loans.

Although the present macroeconomic situation is relatively stable, lack of economic development is regarded as the greatest problem facing the country. Due to its lack of competitive ability, Macedonia benefits little from the liberalised trade agreements to which it is a party (WTO membership, the stability and association agreement and bilateral free trade agreements in the region). Privatisation has almost been completed, but the lack of foreign investment represents a problem.

Macedonia is still largely an agricultural country. Two thirds of poor households are to be found in rural areas. Economic diversification outside agriculture has been limited in these areas, and productivity is low. The agricultural sector employs around 15 per cent of the population and accounts for approx. 20 per cent of GDP. At present, this sector is undergoing structural change, and the countryside is being depopulated. Some 180 000 family farms with small plots of land are responsible for 80 per cent of total primary produce. Only half of this produce is sold outside the farm, either to the local market or to food producers. Stiffer competition due to new free trade agreements, along with demands for compliance with European production standards, is reducing sales opportunities for these farmers. The agricultural sector is nevertheless deemed to possess great economic potential.

EU integration in this sector represents a major challenge. About 60 per cent of the EU's *acquis communautaire* relate to this sector, and about half of the Union budget goes to agriculture. This chapter is considered the most complex of all in the negotiation process. Extensive reforms are needed if Macedonia is to harmonise its agricultural policies with those of the EU. However, the lack of institutional capacity at the central level means it is difficult to implement the necessary reforms.

The requirements for EU entry are far-reaching and may pose a threat to the small farmers' livelihoods. Alternative sources of income are badly needed. If the potential that exists in the agricultural sector is properly exploited, food production and related industrial activities may help boost employment in rural areas.

Poverty

There are a number of different poverty criteria in Macedonia. A study by the World Bank in 2005 shows that 22 per cent of the population live below the absolute poverty line, i.e. they are unable to satisfy their basic needs. The UNDP's Human Poverty Index shows that an average of 55 per cent of the population suffer from the adverse effects of poverty. Poverty in its broadest sense is most widespread among the Roma minority, and poverty in urban areas has increased in recent years.

National statistics and analyses of the poverty situation need to be developed, but for most households poverty has clearly increased since independence. This applies across the board to the various socioeconomic groups, irrespective of residential area, profession, the household's demographic composition or its main source of income. The number of people drawing social benefit has also increased considerably since 1999. Inequality tends to follow ethnic lines, which means it reinforces both collective discontent and ethnic unity.

Macedonian society is still hierarchical in structure, with ethnic Macedonians enjoying certain advantages, primarily at the expense of ethnic Albanians and other non-Slavs.

Although progress has been made, the exclusion of ethnic Albanians, Roma and other minorities from the decision-making process is cited as a reason for the latent tension found in the country. The decentralisation process is intended to remedy some of these problems, but the inability of local authorities to manage their new duties properly may be an obstacle. Strengthening the human rights of ethnic minorities and of the great majority of women, young people and children, whose position has worsened as a result of growing poverty, will be crucial to continued stability and in time to Macedonia's accession to the EU.

The security sector

Efforts to enhance the rule of law, including legislative measures and reform of the security sector, are crucial to the task of creating freedom, security and sustainable development. Also essential is the application of an integrated approach where conflict management – including conflict prevention, crisis management and peacebuilding – is absolutely crucial to development. There is a clear link between security and development. Without peace and security, sustainable economic, social and political development in a broader perspective is not possible.

Employment

Poverty in Macedonia tends to be associated with the high unemployment rate, which according to the statistics is 35-40 per cent and largely structural. The majority of those registered as unemployed are non-active job-seekers, which suggests that they are involved in the country's extensive informal sector. Vulnerable young people who are having difficulty entering the labour market constitute a growing proportion of this group, as do ethnic minorities, especially women. The high unemployment rate is particularly evident among young men and therefore represents a potential source of social tension.

Gender equality

On the whole, gender equality is fairly widespread among women and men in Macedonia. But a closer study reveals considerable inequalities in terms of access to the labour market, earnings and education. Women earn about half as much as men and are discriminated in the labour market, particularly in the informal sector. An equal opportunities law has yet to be adopted. Gender-based violence is a wide-spread problem.

The environment

Environment issues in Macedonia are seriously neglected. The country inherited deficient environmental legislation and environmental management was virtually non-existent. Ecosystems, soil and waterways are all threatened by new and older pollution. Emission levels remain high, despite only weak economic growth and a low level of industrial production. These environmental hazards are directly harmful to public health. The poor people of the country are most at risk in this respect.

Corruption

The problem of corruption in Macedonia is often seen as one of the main obstacles to full consolidation of democracy in the country. It is ingrained in the public system and is also found at the highest political level. Macedonia is ranked 103rd of 158 countries in Transparency International's 2005 corruption index. Corruption is frequently cited as an explanation for a series of economic and political failures. This may divert attention from other important problems, such as the way the political parties work. Information campaigns dealing with the fight against corruption also risk creating expectations of rapid results, which, when they fail to materialise, lead instead to disappointment and cynicism among the general public. The anti-corruption initiatives that have been taken in Macedonia have resulted in legislative changes and the establishment of an anti-corruption commission.

Despite political declarations concerning the importance of combating it, corruption is still seen as a highly profitable activity with few risks attached.

2. OTHER POLICY AREAS AND RELATIONS BETWEEN SWEDEN AND MACEDONIA

The present strategy decides how Sweden acts in respect of development cooperation, but Swedish actions in a wide range of other policy fields also affect the way Macedonia develops. One of the basic aims of Swedish development cooperation is to make government policy as a whole more development-oriented. To enhance coherence between different actors, the strategy also contains a description of other forms of cooperation between Sweden and Macedonia, both activities at central government level and ones involving Swedish enterprise, Swedish organisations and other actors in Swedish society.

In 2005, Sweden strengthened its official presence in Macedonia by establishing an embassy there. The section office established in Skopje in 1999 under the Belgrade embassy became an embassy in its own right in August 2005, when the ambassador presented her credentials. The Swedish Trade Council covers Macedonia from its office in Belgrade. Exchange visits between Sweden and Macedonia at the political level have been fairly frequent in recent years. Political relations are satisfactory, due in large part to Sweden's participation in both military and civilian international efforts after the conflict of 2001.

Trade exchange between the two countries, however, is limited. Swedish exports to Macedonia totalled SEK 137 million in 2004. These comprised mainly paper, engineering products, telecom equipment and motor vehicles and parts. Imports from Macedonia in 2004 totalled SEK 44 million and comprised mainly engineering products, shoes, food and glass. Swedish industry, however, has long been present in Macedonia, and Swedish companies and their products have an excellent reputation in the market. A couple of dozen Swedish businesses are represented in Macedonia, and of these about half have their own subsidiaries. There is a growing interest in the Western Balkans region among Swedish business companies. Several of those already present in the country use Macedonia as a springboard to other markets in the region, including Kosovo and Albania.

In Sweden, there are an estimated 15,000 Slav-speaking orthodox Macedonians, primarily living in the Göteborg and Malmö areas. The number of Albanian Macedonians, however, is difficult to ascertain. The number of asylum-seekers from Macedonia to Sweden has declined in recent years. In 2002, a total of 501 applied for asylum in Sweden. The reason for this fairly substantial flow of asylum-seekers was the conflict that broke out in 2001. In 2005, only 158 people from Macedonia, chiefly Roma, applied for asylum in Sweden.

Cooperation between military authorities has been extensive as Swedish military personnel have taken part both in the UN-led UNPRDEP force and later in the EU-led Operation Concordia initiative. The military part of the international presence in Macedonia was terminated in December 2003 and was followed by the EU's police initiative, EUPOL Proxima, to which Sweden has contributed a total of 10 police officers. This undertaking was recently replaced by a smaller force (EUPAT) to which Sweden will be contributing two police officers.

The Swedish Labour Market Board has been involved in Macedonia, and at present is taking part in a large-scale aid project financed by the EC.

Several development cooperation projects are under way in the cultural field. One of these involved a series of dance and performance productions in Malmö and Skopje.

A number of Swedish NGOs are active in Macedonia, including the Swedish Helsinki Committee (Svenska Helsingforskommittén) and Woman to Woman (Kvinna till Kvinna). Projects and programmes between twin towns are limited in number, and in 2004 only Trelleborg had active cooperation with a town in Macedonia, to be precise with the town of Bitola.

3. COOPERATION IN 2003-2005: CONCLUSIONS

The previous country strategy for Macedonia covered the years 2003-2005 and focused on three sectors: democratic governance, economic development and environment. The results are deemed to have ranged from satisfactory to good. Swedish support has contributed to the overall goal of peace, stability and European integration. The sustainability of certain initiatives remains a moot question.

Structurally, Swedish support has gradually shifted from humanitarian assistance, primarily channelled through NGOs, to initiatives aimed at strengthening institutional capacity in the country. International and Swedish assistance to Macedonia has increasingly targeted the EU integration process, to which growing attention is being attached by the government.

Table 1: Development assistance per sector to Macedonia, disbursements 2003-2005 (Sept)

Sector:	Disbursements, SEKm	Share of total volume (%)
<i>Democratic governance</i>	66	48
<i>Economic development</i>	47	35
<i>of which agriculture</i>	36	27
<i>Environment</i>	16	11
<i>Reconstruction</i>	2	2
<i>Other areas</i>	5	4
TOTAL	136	100

On average, Swedish development assistance in the previous strategy period totalled SEK 60 million per annum. In the democratic governance field, support to civil society has primarily been channelled via three Swedish framework organisations. These focus on women's influence in society and gender equality, human rights, non-discrimination and the media.

Further efforts have focused on improving inter-ethnic relations, especially among young people. Good results have been achieved in the various individual projects, and in connection with these initiatives there has been a general improvement in terms of understanding and relations between ethnic groups at local level. In the country as a whole, however, the general level of tolerance has not improved. Projects relating to local democracy, focusing on the village level and local public services, have proved a valuable addition to the large number of donor activities being directed at the municipal level in connection with the decentralisation process currently in progress. This is because other activities usually do not address citizen influence and village structures but focus principally on developing capacity at the municipal level.

The Swedish projects portfolio, however, is too broad, involving many relatively small individual initiatives spread across a comparatively wide thematic field. Consolidation and

concentration are needed, therefore, to achieve greater efficiency in Swedish development work and to heighten the impact of the projects and programmes undertaken.

In the case of economic development, the bulk of Swedish funding has been used in the agricultural field. Assistance has gone to farming organisations, agricultural statistics, university-level cooperation, and the state advisory service. The Swedish farming movement's experience of democratic processes, for instance, has been passed on to corresponding bodies in Macedonia. Through the provision of support to various parts of the agricultural sector, common problems and matters of common interest have led to synergy effects. For example, support targeting EU integration and aimed at improving administrative capacity at central level, has been introduced from different angles but has resulted in synergy effects as the knowledge acquired has been transferred between projects. In the area of private sector development, cooperation has focused primarily on entrepreneurship. Activities include assistance to a guarantee fund that has given entrepreneurs greater access to credits.

In the environment field, support for local capacity building in preparation for the environmental responsibilities that the country's municipalities will be assuming has proved successful. As a result of these efforts, elected representatives have become more aware of the problems in their municipalities and have realised the need for action to solve them. Preparations for the restructuring of the local water company in Skopje are making very slow progress.

Sweden is almost the only single donor to have helped finance preventive measures in the HIV/Aids field. In a country with relatively few known cases of HIV, Sweden has taken the opportunity to move in early and work with preventive measures. There is a lack of knowledge in Macedonia about the problems involved, and a considerable need for action.

Experience shows that a politicised and relatively inefficient administration represents an obstacle to the reform effort itself and makes it difficult for the country to access foreign aid. Donor coordination is still not working satisfactorily, and nor is it led by the recipient country. Recipient-led coordination of development assistance, however, is proceeding reasonably well, and is likely to improve further once the country becomes an EU candidate country.

4. THE EU AND OTHER DONORS

The largest bilateral donors in Macedonia are USAID, the Netherlands and Germany. The principal multilateral actors are the European Commission (the CARDS programme and budget support), the World Bank and the UNDP. Many donors, with the exception of the European Commission, adopt only a medium-term perspective in their development work with Macedonia and are gradually reducing funding.

Today, the CARDS programme is focusing on the EU integration process, primarily in the form of legislation and institutional capacity building. In Macedonia, CARDS support is managed by the European Agency for Reconstruction (EAR). From 2007, CARDS will be part of the new Instrument for Pre-Accession (IPA). Support via this instrument will be managed by the local Commission delegations and will hopefully boost local ownership in the country. The EAR mandate expires in 2006, but will in all probability be given a two-year extension. During the extension period, the agency will only deal with residual CARDS programmes and not be involved in IPA matters.

Given the European Council's decision to grant Macedonia candidate status, a considerable volume of funding can be expected from the European Commission, which may make certain parts of Sweden's bilateral support redundant, due partly to the lack of absorption capacity. It

is extremely important for Sweden to keep a close watch on how the new pre-accession funding programme develops in relevant areas in order to anticipate possible over-financing and exploit opportunities for collaboration. Close cooperation with other donors is to be sought. Bilateral Swedish support may serve as a supplement and a preliminary to more extensive efforts via multilateral donors or the EU. The decision of the European Council means that Macedonia will in time have full access to pre-accession funding, which can be expected to target such areas as agriculture and environment. In light of this, Sida should by 31 August 2006 at the latest evaluate the possible impact of such a development on the Swedish support programme.

In general, other donors focus their assistance on areas of high priority in the EU and/or Nato integration processes. This can lead to overcrowding and a certain amount of competition between donors, which is currently the case for instance in the legal and decentralisation fields. A considerable number of donors are also active in the field of private sector development.

Recipient-led coordination and local ownership are important issues in development cooperation with Macedonia, and inter-donor collaboration must also be improved. Local capacity for programming, coordinating and managing EU funds must be strengthened as a matter of urgency. Areas that fall outside the EU acquis, such as health, risk being under-financed. A new Poverty Reduction Strategy (PRS) is not anticipated, but aspects relating to poverty may be included in the plans for preparatory work leading up to EU accession.

There is also a need for the donor community to discuss corruption and to contribute to the fight against it, even though the EU integration process in itself is expected to provide considerable impetus for reducing it.

5. GENERAL CONSIDERATIONS

The EU accession process lies at the heart of Swedish development cooperation with Macedonia. The overall goal of Sweden's efforts in the development cooperation field is to help create conditions that will enable poor people to improve their lives. At the core of poverty lies the lack of material assets and power, which deprives people of the ability to decide over their own lives. In Macedonia, most of the poor are to be found in rural areas. The most important causes of poverty are considered to be lack of employment, educational levels and the size of households, rather than where you live. Despite a degree of economic growth in recent years, jobs have not been created. This situation, together with the large size of the informal sector, underlines the need for both sustainable economic growth and structural reforms. In rural areas, agriculture is the principal means of support, and extensive reforms are needed here if the economic potential thought to reside in this sector is to be properly exploited and so that the country can be brought closer into line with the EU. Support for the agricultural sector is therefore considered of great importance to Macedonia, in terms of both EU integration and poverty alleviation.

Sweden's bilateral support is to be concentrated. In the process, other donors, Swedish comparative advantages and previous Swedish experience are all to be taken into account. In the agricultural area, Sweden already provides fairly extensive assistance to Macedonia and thus has acquired institutional awareness and established channels of cooperation. Meanwhile, some other donors are withdrawing from the sector, as the EU's pre-accession funding is expected to target it. Swedish assistance in this area is deemed to have a supplementary function.

Swedish support to Macedonia will gradually change from embracing three fairly large cooperation areas under the previous strategy to focusing on the agricultural sector in the

present one. This is to be supplemented by a handful of strategic activities in two further areas – human rights and social cohesion, and sustainable development (environment) – which are warranted in the light of previous commitments. The possibility noted previously that too little funding may be available for the health sector is not in itself sufficient justification for further Swedish support to this area, bearing in mind the need for concentration.

External development funding is to be brought more into line with Macedonia's own priorities, and domestic systems and processes are to be used to a greater extent, in accordance with the Paris agenda on aid efficiency.

Macedonia's existing procurement legislation corresponds to the EU's procurement directive. It also meets Sida's requirements in this respect and can therefore be used in the Swedish development cooperation programme. It is proposed, however, that expert support be provided in connection with procurement, not least to minimise the risk of the process being influenced by political or other interests.

Some aid donors have provided Macedonia with budget support. The authorities' capacity for absorbing this type of assistance, however, is limited. The EU's pre-accession funding is expected to target and benefit the state sector. In light of this, and of the risk of corruption, Sweden takes the view at the beginning of the new strategy period that budget support is an inappropriate form for Swedish activities.

6. AIMS AND FOCUS

The goal of Swedish development cooperation with Macedonia is poverty reduction by means of societal change, based on EU integration as an engine of development.

Agriculture, focusing on sustainable economic development

Objective: The goal of Swedish support is to help bring about sustainable economic development and a sustainable restructuring of the agricultural sector in accordance with EU requirements, through efforts aimed at:

- enhancing opportunities for poor men and women in rural areas to improve their situation during the current restructuring process,
- creating conditions for economic development, with special emphasis on entrepreneurship and small farms,
- developing capacity for policy and analysis work,
- supporting the development of a democratic farming organisation,
- developing both institutional capacity and functions relevant to EU integration,
- strengthening the state system for agricultural advisory service and rural development.

Agriculture in Macedonia is of considerable relevance both for EU approximation and for reducing poverty. Also, few donors are active in this sector at present. The Swedish support programme is to have a well-defined sectoral perspective and is to be implemented in close cooperation with other donors. As extensive EU funding will become available, not least in the agricultural sector, now that Macedonia has been granted candidate status, it is particularly important to coordinate Swedish assistance with that of the European Commission.

The agricultural sector, accordingly, is to be the principal recipient of Swedish activities. In addition, a limited number of projects are to be undertaken in the following two areas:

Human rights and social cohesion

Objective: Swedish support in this area, which is to be coordinated with the EU, aims to help bring about fair and non-discriminatory social development for women, men and children in Macedonia and thereby enhance opportunities for poor people to improve their conditions, by efforts aimed at:

- promoting equality between women and men, girls and boys,
- enhancing the capacity of public institutions to ensure compliance with human rights,
- supporting the participation of deprived groups in the development of public life,
- helping to strengthen civil society.

Sustainable development (environment)

Objective: Swedish support is to contribute to environmentally sustainable development and facilitate integration with European structures, by efforts aimed at:

- strengthening capacity for institutional development and administration and for policy work in the environment field at both central and local level,
- contributing to a better urban environment and better municipal infrastructure as regards water and sanitation, waste management and energy, by means of individual investment projects,
- promoting greater environmental awareness, particularly with regard to the urban environment.

Human rights and the environment are areas of considerable relevance for poverty alleviation and EU integration. Swedish activities will primarily comprise a continuation of previous successful projects that the Macedonian side has identified as being amongst its priorities. These projects are to draw on Swedish comparative advantages and expertise, and are to particularly emphasise cooperation between Swedish and Macedonian authorities, institutions and NGOs.

Support in the environment field will be focused on a small number of long-term strategic activities. Cooperation in the field of human rights and social cohesion will be confined to a limited number of rights-based projects.

During the strategy period, the possibility of establishing a locally managed bilateral fund for small-scale EU approximation efforts may be examined. These activities would be in response to direct Macedonian government enquiries concerning capacity development in the EU integration process, primarily with respect to the priority areas in the present strategy. The programme would be closely coordinated with the EU's TAIEX programme, which focuses on technical assistance required for adapting to and implementing the EU acquis in the short term.

Other areas

Programmes that are regional in scope, such as HIV/Aids prevention, the 'Start East' programme for the development of small businesses, international courses (ITP) and cultural exchange, will continue to be available to Macedonia. The regional statistics programme, to which Macedonia belongs, is also expected to continue.

7. Areas of cooperation

7.1.1 Agriculture

The Swedish support programme is to have a clear sectoral perspective and is to be formulated in close cooperation with the Macedonian government and with other donors active in this sector. The situation of poor men and women in rural areas should be improved during the forthcoming restructuring process in the sector. Sweden's bilateral development assistance is to address both alignment with EU standards and the uncertainty created by poor people's altered situations due to the integration process.

Current cooperation in the agricultural sector is showing good initial results and should continue. This includes support for enhanced capacity in respect of policy and analysis work, such as the funding of agricultural statistics and university-level cooperation, and various types of support targeting entrepreneurs and small farms. A detailed sectoral analysis will be presented as part of the joint research programme currently in progress. This study represents part of the preparations for EU approximation. The approximation strategy adopted for the agricultural sector represents a framework for donor support. Together with other donors, including the World Bank and the EU, it should be possible to provide assistance for institutional development. Other possible areas of support include functions of relevance for EU integration in the government offices, and land surveying and property registration.

7.1.2 *Human rights and social cohesion*

Swedish support will be based on current cooperation efforts in a limited number of areas where Swedish comparative advantages and expertise are to be found. Activities that make up part of Sida's cooperation programme with Swedish framework organisations will be reviewed, and a small number of strategic projects will be selected for further support. Special attention will be given to efforts in the gender equality field. Support may also be considered in respect of the Macedonian government's national Roma strategy, as Roma are particularly exposed to discrimination and poverty. Initiatives that encourage inter-ethnic tolerance and cooperation should be given priority. Swedish support may also be provided to strengthen civil society, including the partners in the labour market.

Sweden plans to continue supporting the strengthening of the ombudsman system, as prescribed in the Ohrid Agreement. The development of a modern penal care system is an area in which commitments have already been made, and Swedish experience in this field is considered valuable.

Further limited support may be provided to HIV/Aids prevention programmes, as there are still shortcomings in the way Macedonia is dealing with this problem. This area is a global priority for Swedish development cooperation, and programmes that are regional in scope will continue to be available in Macedonia.

7.1.3 *Sustainable development (environment)*

Radical action is required to improve environmental standards in most sectors, including public services, energy, transport, agriculture and industry. By signing the stability and association agreement and applying for EU membership, Macedonia has committed itself to harmonising its national environmental legislation with EU standards. Sustainable

development and environmental issues will thus have to be given greater priority on the political agenda. Government agencies need to be institutionally strengthened if they are to tackle the country's environment problems and enforce the relevant provisions and regulations. The municipalities must be able to satisfy their citizens' need for public services, including clean water, waste management and heating. Greater awareness about environment issues is crucial to the community as a whole.

Today, Sweden is supporting the formulation of a national strategy for sustainable development that will serve as an instrument for the task of reconciling environmental considerations with economic and social development. Special needs and conditions among poor women, men and children from different social and ethnic groups will be taken into consideration. A selection of measures for the further implementation of this strategy is anticipated. Swedish support may go to policy development, environmental administration, and activities in civil society focusing on the urban environment. It may also include capacity development at local level, as a part of the overall decentralisation process, and urban environmental issues such as improved municipal infrastructure in terms of water and sanitation, waste management and energy. In addition, Swedish support may be made available for measures to deal with transboundary environmental problems.

7.2 *The scale of Swedish support*

An annual volume of approx. SEK 70 million is anticipated during the strategy period, as against SEK 60 million during the previous period.

8. DIALOGUE ISSUES

Sweden's strategy presupposes a close dialogue with all interested parties, such as the partner country, other donors, civil society and representatives of the relevant policy areas, and other actors in the development cooperation field.

The main dialogue issue is poverty. Further information and analysis is required concerning the poverty situation, gender-specific statistics and the situation of ethnic minorities. The perspective of the poor is to permeate all Swedish projects and programmes. The rights perspective and the gender equality perspective are to be discussed and moved forward together with the development cooperation partners. For the purpose of promoting the participation of women and men on equal terms, all major project assessments should include a gender equality analysis.

9. IMPLEMENTATION AND FOLLOW-UP

When implementing the strategy, Sida is to exploit opportunities for creating synergies and developing joint initiatives with other policy areas, and with the Swedish business community.

This development cooperation strategy is to extend over a five-year period. Sida is to draw up annual country plans that break the strategy down into programmes and projects. The strategy is followed up in annual and semiannual reports. Sida also formulates annual evaluation plans for the purpose of ensuring regular scrutiny of Sweden's development cooperation. A half-term follow-up of this strategy may be considered. In all follow-up studies, the EU's pre-accession funding as it relates to Swedish support is to be given special attention.



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