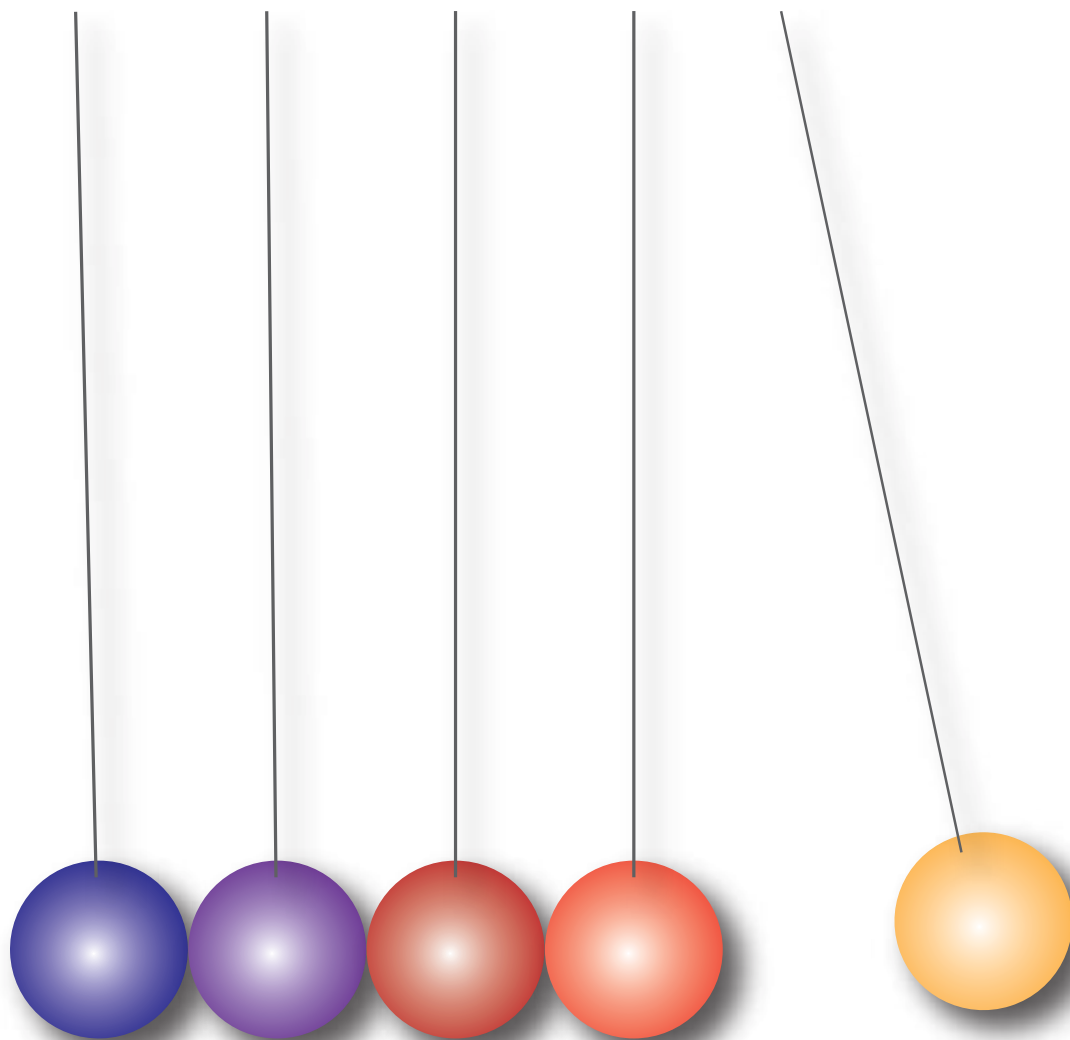


Human Development Report Serbia 2008



Serbia

REGIONAL COOPERATION



**HUMAN DEVELOPMENT REPORT
SERBIA 2008**



**REGIONAL
COOPERATION**

Belgrade, 2008

United Nations Development Programme (UNDP) is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges. As they develop local capacity, they draw on the people of UNDP and our wide range of partners.

Short extracts from this publication may be reproduced unaltered without authorisation, on condition that the source is indicated.

The views expressed in this paper are those of the authors and do not necessarily represent the views of UNDP.

Copyright © 2008

By the United Nations Development Programme (UNDP) in Serbia,
Internacionalnih brigada 69, 11000 Belgrade, Serbia

Lead Author and Editor: Jelica Minić

Authors (in alphabetical order): Aleksandar Macura, Anđelka Mihajlov, Brankica Grupković, Damjan Tatić, Dragan Vujčić, Edvard Jakopin, Fuada Stanković, Goran Bašić, Gordana Danilović-Grković, Marijana Vidas-Bubanja, Marina Blagojević, Mato Meyer, Melita Vujnović, Milan Simurdić, Milorad Ivanović, Smiljan Vukanović, Vladimir Petronijević, Vladimir Vukojević and Vojislav Bajić.

Peer reviewers (in alphabetical order): Andrey Ivanov, Milica Uvalić and Vladimir Gligorov

Editing: Gretchen Luchsinger

Translation into English (statistical annex): Žaneta Miljanić

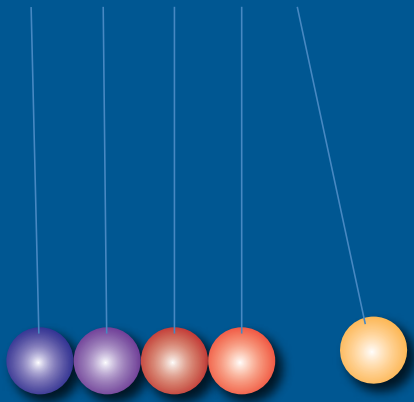
Cover and design: Katarina Stanković-Bjegović

Print: Klik print

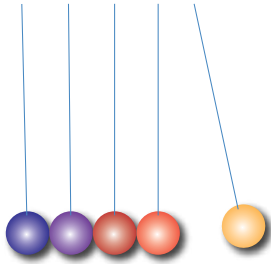
Printed in Belgrade, Serbia

First edition 2008, 200 copies

ISBN: 978-86-7728-102-1



FOREWORD



FOREWORD |

At the beginning of 2008, eight years after democratic political changes, the Republic of Serbia found itself again at crossroads. Was it to continue towards Europe or enter self isolation? The voters gave at presidential and parliamentary elections a clear mandate for Europe and reform. For the first time in this decade, we can enjoy four years of political stability with clear goals: defend peacefully our territorial integrity, move towards Europe and improve living standards of our citizens.

There are, however, many challenges ahead. One of them is certainly the promotion of regional cooperation. Serbia is, economically, to a great extent already integrated into the European Union and has very good economic relations with countries in the region. Serbia makes 55% of its foreign trade with the European Union and 33% with countries of the Western Balkans. Western Balkan countries have signed the Central European Free Trade Agreement (CEFTA), the Energy Community Treaty of South Eastern Europe and Stabilization and Association Agreements with the EU. Good regional economic cooperation cannot be questioned.

What remains as an important issue is how to establish good regional cooperation in political and social fields as well. This problem is more acute after the unilateral declaration of independence of Kosovo, which Serbia will never accept, as it is a clear breach of international law. Unfortunately, this illegal move was supported by several countries in the region. That has increased regional instability and risks. We need to get Belgrade and Pristina back to negotiating table, and reach a historical compromise. This is the only way towards political regional stability.

The UNDP Human Development Report gives us a good overview of what has been done in key sectors of the economy and society and offers recommendations for further reforms. It presents a good basis for reviewing a broader picture of the political, social and economic situation in Republic of Serbia and its relations with the region. Recommendations provided for the Republic of Serbia, can to a large extent be applied to all countries of the Western Balkans. We, in the region, have similar goals: improving living standards of all citizens, promoting socio-economic and political cooperation with neighbors and becoming members of the European Union.

Special attention is paid to the analysis of key challenges for Serbia. Improving the quality of national infrastructure, investing more in the energy sector, increasing the efficiency of the public administration, investing in human capital, all these are prerequisites for sustainable growth and development. These are precisely priorities for the Government of the Republic of Serbia in the coming years. That is how we will increase the competitiveness of the Republic of Serbia, making us ready to meet head on strong competition in the European markets. At the same time, in such a society all citizens will share in the benefits of growth and development, reach their full personal potential and live better and in peace with their neighbors.

Božidar Đelić

Deputy Prime Minister for European Integration
Government of the Republic of Serbia

FOREWORD II

It is my pleasure to introduce the 2008 Serbian Human Development Report on Regional Cooperation.

The Human Development concept entails much more than just the rise or fall of national incomes. It is also about creating an environment in which people can develop their full potential, and can lead productive, creative lives. Development is thus about expanding the choices people have to lead lives that they value.

This Report is meant to support Serbia's efforts, together with those of its neighbours and international partners, to work towards greater regional cooperation and integration. The Report draws together evidence on how people in the region are affected by obstacles to regional cooperation (mostly due to the legacy of the recent conflicts), on the benefits from enhanced cooperation, and on what is already being done to promote this. It also suggests key further actions.

Since the turn of the century, the people of the Republic of Serbia and their governments have made substantial progress in meeting the complex problems that they faced following the break up of the former Yugoslavia. However, much remains to be done to reduce cross-border barriers, to facilitate better use of regional resources, and to ensure that Serbian citizens, as well as other people in the region, benefit from improved links among their countries.

The South East European countries face good prospects having entered a period of high economic growth rates, including considerable expansion of exports and investment. The region is already Serbia's second most important trading partner accounting for up to 33% of its trade, second only to the EU.

The recent strengthening of relations with the EU, and the increasing regional ownership over regional initiatives, show the political maturing of the region as well. This will help reduce barriers posed by the new borders established in the Western Balkans and allow people to overcome past conflicts and enjoy their commonalities in many fields.

However, in order for Serbia and its neighbors to sustain the recent economic growth and allow all of their citizens to share in its benefits, a number of key challenges will need to be successfully addressed, such as high unemployment, energy inefficiency and large developmental disparities within national borders.

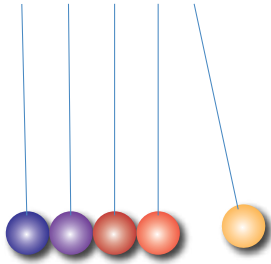
Perhaps the most important of these issues for Serbia's future relates to education. Amongst the recommendations included in this report, I am particularly supportive of education being selected as the first national development priority and the basis for accelerated and knowledge-driven development. An education system fully adapted to a rapidly changing and globalised world, and fully inclusive of all parts of Serbian society, would ensure a future in which the people of Serbia can fulfill their true potential. Intensifying cooperation between educational institutions, governments and NGOs at the national, regional and European levels will be one of the crucial first steps in this effort.

I hope that the evidence presented in this report and its recommendations will help foster regional cooperation, and so contribute to Serbia's role in building a more open region-one that can become a peaceful, prosperous and integral part of the European Union.



Lance Clark

UNDP Resident Representative



ACKNOWLEDGEMENTS

The *Serbia Human Development Report* was prepared during 2007 and 2008 by a national team of experts. It was extensively discussed by a wide range of regional, national and international stakeholders, who have contributed their views on the design and contents of the report. UNDP provided technical support.

Dr. Jelica Minić was the lead author, playing a fundamental role in facilitating the coordination of the team members and providing all necessary technical support. We would like to express our deep thankfulness to Mr. Vladimir Vukojević, who regrettably passed away during the report's preparation, for his commitment and professional work on the human development statistics. He was supported by the Serbian Statistical Office staff and by a team of national experts from the Republic Institute for Development led by Dr. Edvar Jakopin, in consultation with Professor Jurij Bajec.

Members of the team who contributed their expertise include: Dr. Vojislav Bajić, Professor Goran Bašić, Professor Marina Blagojević, Mr. Vladimir Grečić, Ms. Gordana Danilović-Grković, Ms. Brankica Grupković, Mr. Milorad Ivanović, Mr. Aleksandar Macura (UNDP), Mr. Mato Meyer (UNDP), Professor Andjelka Mihajlov, Mr. Vladimir Petronijević, Mr. Milan Simurdić, Professor Fuada Stanković, Dr. Damjan Tatić, Dr. Marijana Vidas-Bubanja, Mr. Dragan Vujčić, Ms. Melita Vujnović (World Health Organization) and Professor Smiljan Vukanović. They were assisted with insightful advice from Ms. Jasminka Kronja, Dr. Duško Lopandić and Mr. Dragan Stojović.

At UNDP, Ms. Paola Pagliani and I jointly facilitated the preparation of the report.

The support and contribution of Mr. Andrey Ivanov, Human Development Advisor at the UNDP Regional Centre in Bratislava, should also be acknowledged. He provided the introductory workshop for the national report team and offered peer review comments. The report has highly benefited from his useful suggestions, insightful ideas and extensive experience in working on issues of human development.

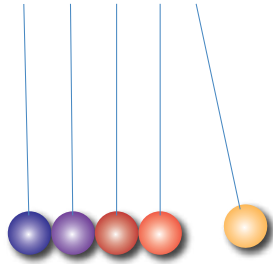
Thanks are due to all those who attended the round tables as part of the preparation of the report and shared their feedback to improve its quality. They include national experts and representatives of various national ministries, local governments, international partners, the UN Country Team and civil society organizations. Special thanks go to the peer reviewers Professor Milica Uvalić and Professor Vladimir Gligorov.

Additional thanks go to the Novi Pazar office of the European Movement in Serbia, and to the regional small and medium enterprise and entrepreneurship development agencies in Uzice and Subotica for ample support in organizing local level consultations, particularly to Ms. Snežana Selaković, Ms. Jadranka Stantić and Ms. Bisera Šećeragić.

Daniel Varga
NHDR Coordinator, UNDP

Contents

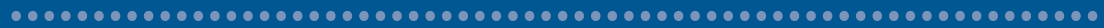
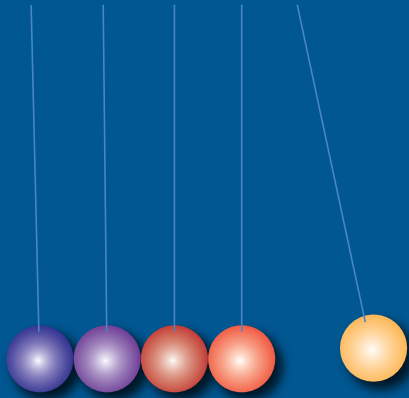
FOREWORD	4
ACKNOWLEDGEMENTS	5
ACRONYMS.....	8
EXECUTIVE SUMMARY	11
CHAPTER 1	
INTRODUCTION: FRAMING THE ISSUES	27
CHAPTER 2	
POLITICAL RELATIONS: BILATERAL AND MULTILATERAL COOPERATION	41
CHAPTER 3	
REGIONAL COOPERATION TO PROMOTE TRADE AND INVESTMENT: PROSPECTS FOR OVERCOMING JOBLESS GROWTH	59
CHAPTER 4	
INFRASTRUCTURE DEVELOPMENT	83
CHAPTER 5	
SOCIAL DEVELOPMENT	115
CHAPTER 6	
REGIONAL COOPERATION ON SECURITY ISSUES	153
REFERENCES	183
ANNEX	
HUMAN DEVELOPMENT INDICATORS	205



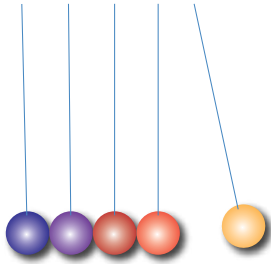
ACRONYMS

ASTRA	Central and Eastern European Women's Network for Sexual and Reproductive Health and Rights
BFTA	Baltic Free Trade Area
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CEFTA	Central European Free Trade Agreement
COMECON	Council for Mutual Economic Assistance
DURN	Society for Improvement of Roma Settlements
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EMS	Electricity Transmission Company
EPS	Power Industry of Serbia
EU	European Union
FDI	Foreign direct investment
GDI	Gender-related development index
GDP	Gross domestic product
GEM	Gender empowerment measure
GRECO	Group of States Against Corruption
HDI	Human development index
HERA	Network for Combating Human Trafficking in Central and Southern Europe
IDP	Internally displaced person
IEA	International Energy Agency
IMF	International Monetary Fund
IOM	International Organization for Migration
IPA	Instrument for Pre-Accession Assistance
ISG	Infrastructure Steering Group
IT	Information technology
MAARI	Migration, Asylum, Refugees Regional Initiative
MDG	Millennium Development Goal

NATO	North Atlantic Treaty Organization
NGO	Non-governmental organization
NIS	Serbian Oil Industry
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PPP	Purchasing power parity
RATEL	Republic Telecommunications Agency
REReP	Regional Environmental Reconstruction Programme
SAA	Stabilization and Association Agreement
SALW	Small arms and light weapons
SAP	Stabilization and Association Process
SECI	Southeast Europe Cooperative Initiative
SECO	State Secretariat for Economic Affairs
SEE	South Eastern Europe
SEESAC	South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons
SPOC	Stability Pact Initiative against Organized Crime
STAR	Strategies, Training, and Advocacy for Reconciliation
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNECE	UN Economic Commission for Europe
UN ECOSOC	UN Economic and Social Council
UNEP	UN Environment Programme
UNESCO	UN Educational, Scientific and Cultural Organization
UNHCR	UN High Commissioner for Refugees
UNICEF	UN Children's Fund
UNMIK	UN Mission in Kosovo
UNODC	UN Office on Drugs and Crime
UN-OHRLLS	UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
VAT	Value-added tax
WHO	World Health Organization
WTO	World Trade Organization



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Recent developments in Serbia have been encouraging: success of the pro-reform, pro-European option during the 2008 presidential, parliamentary, provincial and local elections; the signing of the Stabilization and Association Agreement (SAA) with the European Union on 28 April 2008; and forward movement in cooperation with the International Criminal Tribunal for the Former Yugoslavia through the arrest of Stojan Zupljanin and Radovan Karadzic on war crime indictments. As the *Serbian Human Development Report 2008* demonstrates, there have been a number of particular achievements in different fields, including human rights; gender equality; cross-border cooperation; the growth of exports and foreign investments; partial improvements of infrastructure; and reforms related to health care, education, the status of the Roma and other marginalized groups, the judiciary system and police structures. Some of these accomplishments could be considered turning points; others are in a nascent phase. But they all could have positive implications in terms of the political readiness and capacity of Serbia to develop regional cooperation with other South East European countries.

The unilateral declaration of independence of the Kosovo provisional authorities, on 17 February 2008, has been the biggest challenge to regional cooperation since 2000, when all countries of the region became involved in fostering good neighbourly relations and building a new regional post-war architecture. Belgrade, other capitals in the region and the international community have nonetheless kept the regional framework operational, even through the successful transfer of “ownership” from the Stability Pact for South Eastern Europe, the most important regional initiative, to the Regional Cooperation Council under the aegis of the South Eastern Europe Cooperation Process.

Against this background, the *Serbian Human Development Report 2008* draws together evidence from a variety of sources to argue that overcoming conflicts and tensions, and improving cooperation with the former Yugoslav republics and other neighbours is crucial for future human development in Serbia. The advantages of improved regional cooperation go beyond potential economic benefits. It is the prerequisite for stability, security and prosperity for all people living in Serbia. Its different rationales—security, political, economic and societal—are closely interlinked. Regional stability and security are necessary for economic development, and productive and creative lives for the population, which, in turn, reinforce stability and security. In isolation, the countries of the region cannot address effectively enough all of the issues related to economic growth, the return of refugees, the development of infrastructure and environmental protection.

For Serbia, regional cooperation in South Eastern Europe and especially the Western Balkans is a powerful instrument for accelerating development and European integration (see Box 0.1 for some regional definitions). In order to make this process effective, close coordination and cooperation with neighbours in implementing reforms and common projects related to integration are required. Regional cooperation initiatives in political and social development, economics, infrastructure development, and justice and home affairs are particularly important, and have thus been selected as central topics in assessing human development in Serbia in 2008.

The South East European countries face good prospects, having entered a period of high economic growth rates, including considerable expansion of exports and investments. Moreover, institutionalized relations with the EU and increased regional ownership over regional cooperation show the political maturing of the region. These elements will help reduce barriers posed by the new borders established in the Western Balkans, and allow people to overcome past conflicts and enjoy their commonalities in many fields.

Serbia shares with her neighbours remaining challenges as well: poverty, unemployment, growing social and regional differences, underdeveloped infrastructure, institutional weaknesses and political obstacles to cooperation. But political developments in the region related to the consolidation of democracy, more convincing commitments to European integration and non-violent crisis management (Kosovo, Bosnia and Herzegovina, and the Former Yugoslav Republic of Macedonia) give ground for positive expectations. Shared interests and the political will to cooperate are beginning to prevail in dealing with divisive issues and unsolved problems.

Although numerous regional initiatives have been launched in South Eastern Europe over the last several years, and results have been achieved in many areas, skepticism and even negative assessments continue, frequently based on prejudices, wrong perceptions or simply lack of knowledge. This report offers a very detailed overview of these initiatives to contribute to a better understanding of the concrete progress being accomplished, as well as of the remaining problems that need to be addressed.

By engaging over 20 local researchers from Serbia, as well as numerous participants in public debates on preliminary findings, the report has fully embraced national ownership, and the principles of participation and inclusion. The analysis is based on a variety of different sources, but its specific messages are consistent throughout the report—pointing towards the beneficial effects of regional cooperation. Overall, the report has been designed as a tool for policy advocacy. Its normative approach and concrete recommendations in each chapter should serve to increase awareness among policy makers. In particular, by discussing the specific tasks Serbia faces in relation to regional cooperation initiatives, the report maps the way towards future progress. Key findings support initiatives and policy measures aimed at promoting regional cooperation at both the regional and national levels.

1. The challenges and opportunities of regional cooperation

This report delves into the most important aspects of regional cooperation in the Western Balkans and South Eastern Europe, analysing their relevance to Serbia and how Serbia can contribute to them. Regional integration is an imperative especially for small states, which are predominant in this region, because they must resolve many problems mainly through international, European or regional cooperation. The perspective of European integration, as a common goal for all countries in the region, gives the EU a leading role in establishing and promoting regional cooperation, particularly in view of the sometimes deep-seated nature of still prevailing problems.

Two major rationales for regional cooperation and integration are security and development. But even though trade and security arrangements usually comprise initial regional structures, regional cooperation can cover many aspects of economic and social life, political structures, internal security, environmental protection, culture, etc. Thus, it is a complex and multifaceted process of building links across the region, including not only relations between states and national administrations, but also many other societal actors, such as businesses, political parties, civil society, etc. Local communities in South Eastern Europe are taking an increasing role in this process by developing different forms of cross-border cooperation.

Box 0.1: Defining the region

When initiating the Stabilization and Association Process (SAP) in 1999, the European Union introduced the term “Western Balkans”, to cover all states to which this process referred (ex-Yugoslav republics, excluding Slovenia, and including Albania). The already broadly used term “Balkans,” referring to the states in the Balkan Peninsula, was changed into “South Eastern Europe” (SEE), which at present covers the standard group of Balkan countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, the Former Yugoslav Republic of Macedonia, Montenegro, Romania, Serbia (including Kosovo according to UN Security Council Resolution 1244) and Turkey. When needed, other countries associated with this region are also included (such as Moldova, for instance, or in more general terms, Slovenia and Hungary). At times, Turkey and Greece are excluded. Mostly for political reasons, the term South Eastern Europe is often used with the same meaning as the Western Balkans, which may cause uncertainties with regard to the scope of study. In this report, the term Western Balkans shall mean the region covering the countries undergoing the SAP—Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, and Serbia including Kosovo, according to UN Security Council Resolution 1244. South Eastern Europe shall include also Bulgaria, Moldova and Romania, and, when stated explicitly, Greece and Turkey as well.

It is possible to differentiate between institutionalized forms of cooperation and more vague cooperation frameworks. Sometimes, these forms are specific to given issues, or are characterized by functional networking, depending on the type of problems they aim to solve. Serbia can benefit from the enhancement of the economic and political situation across the whole region through direct incentives (for example, free trade zones or infrastructure development), or more indirectly, through the transposition of the EU *acquis communautaire* in ways relevant to regional integration (for example, the harmonization of regional regulations in the energy sector, as a result of the Energy Community Treaty; multi-annual plans for the development of regional transport infrastructure; and regional air traffic agreements).

The cooperation process may be viewed from other angles, such as top-down (coming from the state level) or bottom-up (initiated by non-governmental organizations [NGOs], associations, local communities, etc.). Initiatives may be classified as genuine (not prompted and/or financed from outside organizations, such as the South East Europe Cooperation Process) or externally induced (such as the Stability Pact, the Southeast European Cooperation Initiative, etc.). Serbia has been predominantly involved in externally induced, top-down initiatives, which reflects the fact that regional cooperation at the end of the 1990s was a way of starting over after the various conflicts. The overall presence and activity of Serbia in different initiatives was positive.

In general, regional cooperation has contributed to establishing new patterns of behaviour and reducing the thinking that states are solely self-sufficient. It has promoted cooperation among administrations, civil society representatives, business communities and other circles; helped to overcome different obstacles; and fostered communication and networking. The existence of regional initiatives influences public opinion and raises awareness of common objectives, which facilitates the preparation of cross-border project proposals and the provision of international funding. Encouraging contacts among younger people through joint school and university projects, including student and teacher exchange programmes, is of special significance. Learning about other cultures in the region should also be promoted.

A common objective of all regional initiatives in the Western Balkans has been the development of multilateral cooperation as the basis for economic progress, political and economic stability, and the consolidation of good neighbourly relations. These elements could also be described as the preconditions for successful preparation for EU integration. Within most regional activities, countries that have recently joined the EU have shown the logic and sequences of the integration process to those that are following behind, sharing with them their experiences through bilateral and multilateral arrangements.

This report has attempted, including in the conclusions and recommendations contained in each chapter, to look into Serbia's main advantages and challenges in promoting the development of regional cooperation, and to assess how Serbia can benefit from increased regional ownership over these processes, bearing in mind the complexity of regional institutions and their balanced distribution across the region.

2. Political relations

After 2000, Serbian authorities declared the normalization and improvement of neighbourly relations, including through regional cooperation, to be among the key foreign affairs priorities. The process of reintegration into the international community began with the normalization of relations with neighbours and membership in the already numerous organizational forms of regional cooperation.

Major national political actors have supported Serbia's participation in different regional activities, although commitment has varied in specific situations. While regional cooperation at the highest political levels (heads of state and government, ministries of foreign affairs,

parliaments) has been explicitly promoted, at the operational levels of ministries and at lower levels, the situation varies depending on political circumstances and institutional capacities. Critical issues relevant to Serbia's participation in regional cooperation include the relationship between the development of multilateral cooperation in the region and the improvement of bilateral relations, especially with neighbours from the former Yugoslavia.

Serbia's participation in and positive approach to regional cooperation contributes to the EU integration process. This is one of the political criteria in the SAP, and a legal obligation of the SAA. The regional component of the Community Assistance for Reconstruction, Development and Stabilisation initiative and now the Instrument for Pre-Accession Assistance have provided incentives and stimulated regional cooperation through cross-border programmes, home affairs and judiciary related activities, trade cooperation, etc.

Despite the positive assessments of the effects of regional initiatives on Serbia's position within the region and cooperation with neighbouring countries, these initiatives and various forms of multilateral cooperation have not yet made a decisive contribution to substantively changing the region's political and socioeconomic environment. Regional initiatives have on the whole yielded only partial results, which can be explained by many factors, from insufficient political support to lack of funding, as well as to other problems such as insufficient administrative experience, inadequate political and economic conditions, a lack of clear objectives and operational plans, etc. Although progress in economic cooperation is visible, the scope and structure of trade and economic flows reveals the predominant orientation towards the EU and the developed Western countries. In short, cooperation among neighbours has progressed, but is still limited.

From 2001 to 2007, regional cooperation was enlarged and strengthened. Serbia played a visible role in this, but it was not always accompanied by improvements in some of the more sensitive bilateral relations, such as those between Serbia and Bosnia and Herzegovina, and Croatia. Such relations are burdened by the legacy of conflict, and they depend on many factors, predominantly of internal political significance. Bilateral relations and regional cooperation will continue to be influenced by internal political developments, but strengthening relations based on both bilateral and regional agreements stabilizes dialogue and cooperation, even if internal political and especially election-related dynamics yield negative effects.

With respect to Kosovo, Serbia needs to define its position in regional cooperation initiatives vis-à-vis the "post declaration of independence"¹ period, which should be led by the principle of avoiding self-isolation. A frozen conflict between Belgrade and Pristina could undermine advantages and development prospects of the whole region if the *modus vivendi et operandi* is not defined under given circumstances, allowing people to communicate, do business, look for jobs and improve other aspects of human development at the national and regional levels.

Recommendations

- Identify accurately and clearly Serbia's foreign policy priorities, including those in cooperation with its neighbours, as the main guidelines for Serbia's participation in regional cooperation, and European and Euro-Atlantic integration.
- Define more clearly the links between the foreign policy objectives and interests of Serbia and regional cooperation initiatives, in order to guide Serbia's full participation in

¹ On 17 February 2008, after an unsuccessful negotiation process, Kosovo (still recognized as a Serbian province by UN Security Council Resolution 1244) unilaterally declared independence. Kosovo's independence was recognized by numerous UN and EU member states, but not by all of them and not by Serbia. Additionally, no new UN Security Council resolution has been passed to follow Resolution 1244.

certain programmes. Serbia has to identify political and economic priorities that should be promoted through different forms of regional cooperation. A coordination structure is needed (for example, working groups) for each priority area of cooperation identified by the Regional Cooperation Council: economic and social development, infrastructure development, justice and home affairs, cooperation in security and defense, and development of human resources (education and science). These structures need to be linked with the relevant administrative bodies in charge of EU integration.

- Transform regional cooperation into “regional ownership.” This implies a careful division of roles, and the participation of countries in initiatives based on positive competition and regional synergies. Obstacles to an intensified process of European integration and regional cooperation should be removed, especially with respect to political requirements (such as cooperation with the International Criminal Tribunal for the former Yugoslavia, and a policy of reconciliation with neighbours).
- Provide funding from the budget for participation in regional initiatives (such as the Regional Cooperation Council). This is important given the withdrawal of donors from certain programmes, and the increased number of “centres” for cooperation. It is necessary to avoid undue duplication (especially across the Regional Cooperation Council, Central European Initiative, SAP and Black Sea Economic Cooperation Initiative) and reduce the costs of activities, even through the dissolution of some. Cost-benefit analysis is required.
- Engage other actors in cooperation, especially local governments, the private sector (chambers of commerce, associations of employers, etc.) and civil society organizations in the coordination process not only at the administrative level, but also through their active participation in overall regional activities. To that end, it would be useful to establish certain broader bodies for coordination and information, similar to the process of coordination for cooperation with the EU (i.e., national councils for regional cooperation).
- Encourage cooperation between parliaments, their committees and individual parliamentarians, as this opens room for strengthening relations with neighbours and overall regional cooperation. Equally important is cooperation between political parties, and its transfer from the European political associations to the bilateral and regional level.
- In Serbia and other countries, support the interests of minorities to advance the development of bilateral relations and regional cooperation. These groups need to be directly involved in this process. A stable region integrated in the EU offers the greatest guarantee that human and minority rights will be protected, and communication will be smooth between national minorities and their countries of reference.
- Adopt transparency, continued dialogue, and openness to neighbours and the region as necessary prerequisites for a different image of Serbia worldwide and its ability to act independently in international relations. Proactive participation in regional cooperation towards developing “micro-alliances” among certain countries is necessary, and should be based on similar interests and objectives. This would mean refocusing cooperation from “comprehensive” initiatives in which all countries participate, to “interest-based” initiatives drawing on only those countries affected by specific issues. These could be ad hoc or permanent.
- Further promote regional cooperation towards developing a common platform vis-à-vis Brussels, including common political positions at the highest level and in diplomatic activities (the promotion of common interests, advocacy of the benefits for the EU from Western Balkan membership, including a regional information strategy targeting

EU citizens, etc.). Special efforts are needed to advocate regional and neighbourhood policies in using EU pre-accession funds, and the attractiveness of Serbia as a foreign policy partner and regional actor.

3. Trade and investment

For Serbia, regional economic cooperation is of crucial importance in sustaining results achieved since 2000. Identifying common economic cooperation interests can also help shore up confidence and overcome tensions from recent conflicts. The main priorities in regional economic cooperation comprise trade liberalization, a regional energy market, development of transport infrastructure, environmental protection, attraction of foreign direct investment (FDI), development of information and communication technologies, and the growth of small and medium enterprises. These coincide with the wider priorities and objectives of the Lisbon Strategy, and will enable South Eastern European countries to build their capacities and prepare for EU integration. The implementation of the 2006 Central European Free Trade Agreement could foster the competitiveness of goods and services from these countries and lead to increased exports and employment, contributing to higher living standards.

A decade of conflicts, economic decline and isolation from the regional and international community generated numerous human development constraints in Serbia. Despite positive achievements, current limitations to economic development include the low level of GDP per capita; the high share of people in poverty or at risk of poverty; the high rate of registered unemployment; the unfavourable ranking of the country in terms of international competitiveness; high foreign and internal debt; a high current account deficit; a low GDP share of investments in fixed assets; a high GDP share of public sector expenditures and growing inequalities between sub-national districts.

GDP per capita (US\$ 10,375 in 2007) is less than one third the EU 15 average (US\$ 32,938), although relatively high performances in education and health have meant Serbia attains higher human development index values (see HDI annex). Joblessness became acute in the 2001-2005 period, when unemployment increased by 37.4 percent. Job security continues to decline as informal sector employment rises. Direct government intervention in the economy persists, including through big subsidies to public and socially owned enterprises that impose a substantial burden on the budget. Restructuring large socially and state-owned companies is still in the initial stages. Although privatization and investments should be the best and most powerful tools for overcoming jobless growth, in transition economies their benefits are often not evident in the short term. A positive trend is the structural shift of the Serbian economy towards the service sector (62.8 percent in 2005, compared to 55.8 percent in 2000), coupled with the sustained activities of small and medium enterprises, which accounted for about 53 percent of total economic revenues in 2005.

Across the South Eastern European region, recovery and increased economic growth characterized the 2000-2006 period, with most countries experiencing an average increase in GDP of about 5 percent or more. Among other factors, a considerable contribution to more dynamic economic growth was the establishment of a network of bilateral free trade agreements within the region, privileged access to the EU market, and increased inflows of FDI. The relative level of development in South Eastern Europe is still low, however, as several years of accelerated growth could not make up for a decade of strong decline.

Exports have been an important component of Serbia's economic recovery, with cumulative exports from 2000 to 2007 amounting to US \$23.3 billion. Imports reached US \$52.9 billion, with a deficit of US \$29.7 billion. In 2006, South Eastern Europe as a region was the second most important trading partner of Serbia after the EU, with shares of over 30 percent and 45 percent in overall exports, respectively. From 2004 to 2007, Serbian exports to other South

Eastern European countries increased 6.7 times; imports increased 6.4 times, with a constant trade surplus.

Significant FDI poured into South Eastern Europe from 2001 to 2006, but more than two-thirds went to Bulgaria and Romania, especially starting in 2003. Croatia has, in all years except 2006, attracted much more FDI than other countries of the Western Balkans. Serbia rated second in FDI flows, and only surged ahead of Croatia in 2006 due to several major privatizations.

International isolation during the 1990s left many industries in Serbia technologically outdated and uncompetitive. A significant brain drain of highly qualified national experts simultaneously occurred. So far, in implementing the European Charter on Small and Medium Enterprises, Serbia has ranked lowest in available capacities, particularly the ability of educational institutions to provide knowledge and skills that meet the needs of small and medium enterprises. Such a rating underscores the need to view the accelerated development of this sector from a human development perspective, starting from education, through all forms of transferring knowledge and technologies from the scientific-research sector to the economy.

Recommendations

- Develop and implement comprehensive national programmes for increased employment. A policy for employment growth should take priority because low employment in Serbia, as well as in other Western Balkan countries, poses a serious threat to the achievement of sustainable growth, on top of the prospect of extending social marginalization and political radicalization. Future tasks and challenges for an active labour market policy demand greater focus on: continuing reform of the National Employment Service and labour legislation, targeting specific groups and segments of the labour market, developing efficient programmes for employing redundant workers during the privatization of socially owned enterprises and the restructuring of public enterprises, improving the quality of the workforce (through vocational training and additional education programmes, etc.), promoting the development of the private sector and entrepreneurship by reducing taxation and subsidizing a portion of labour costs, reducing the informal economy, and providing security and insurance against adverse events such as job loss.
- Pursue more efficient social protection. As a low-income country, Serbia cannot afford a generous social protection system and needs to reform its social welfare system. Another challenge involves extending social protection to the informal sector and the part of the agricultural sector outside the state fiscal system. Alternative means of providing social protection to the informal economy need to be considered.
- Adopt policies facilitating transition during trade reforms. If regional trade liberalization in South Eastern Europe negatively affects parts of the Serbian labour force, then labour, social and macroeconomic policies should respond to redistribute some gains from winners to losers, which requires more empirical research (such as through a computable general equilibrium model).
- Reforms to encourage FDI have to be enhanced. This implies introducing regulatory reforms in the fields of competition, investment, trade, taxation and anti-corruption initiatives; enhancing institutional capacities and developing cooperation at national and municipal levels to facilitate business development; focusing on the sectors able to contribute to the development of skills and innovation, and increased national productivity; raising awareness of FDI's significance; strengthening corporate management and entrepreneurship; and developing an international marketing strategy for attracting FDI focused not only on the privatization of enterprises, but also on Greenfield investments.

- Policies for FDI should be further harmonized at the regional level. Increasing the integration of regional financial markets, with EU banks dominant across South Eastern European countries, requires additional support from the EU and the international financial institutions for improving national and regional environments for financial flows and services.
- Prioritize policies for small and medium enterprises. These should seek to enhance legislation, regulations, and institutional frameworks and infrastructure for supporting enterprise development and entrepreneurship, especially in the start-up and registration phases; promote competitiveness, particularly through innovation, better management, and higher quality products and services; adjust financial systems and taxation policies to the needs of enterprises; enhance the education system to meet the needs of the economy and labour markets (level and structure of ability, knowledge and skills), while decreasing brain drain; strengthen technological capacities and assist the development of clusters, incubators and technology parks; and improve connections among economic, educational and scientific-research organizations to achieve effective transfers of knowledge and technology into the economy.
- For all South Eastern European countries, make the case for continued international development assistance in implementing economic and social reforms. In Serbia, support is still required for building institutions and capacities. Donor assistance is important for the reform of public administration, training on and implementation of national strategies in certain areas, and the modernization and coordination of government authorities.
- Understand that in all the domains fundamental for economic development and ultimately for human development, regional cooperation and integration can enhance the economic potentials of both Serbia and its neighbours. It provides a larger market and more stable conditions for investments, and generates better opportunities for technological updates, innovation and employment.

4. Energy and infrastructure

Important sectors with some already evident achievements in regional cooperation include energy, transport, telecommunications and the environment. Infrastructure is very demanding in terms of funding, which means that the region looks carefully at the financial and technical support of European and international institutions. Regional cooperation projects are the ideal mechanism to improve infrastructure in the most efficient way, taking into account the need to link national networks and systems into regional and subsequently European and global networks. The level of infrastructure development, and the opportunities provided for freedom of movement and technological outreach, can greatly contribute to human development.

Building harmonized regional markets for different sectors, from telecommunications to transport and energy, would attract foreign investments in these sectors, and would facilitate the implementation of EU legislation in the region. Such markets subsequently could be integrated in European networks and systems through regional cooperation projects and initiatives. The main criteria for European investments in South Eastern European infrastructure, apart from technical, economic and environmental requirements, are that the projects have a regional character and that they contribute to finalizing trans-European routes and networks.

Serbia's energy resources are scarce. Imported sources make up about 40 percent of the total available primary energy, with a likelihood that this portion will increase. The energy intensity of the Serbian economy is very high, including for the major export goods. Energy consumption per unit in households is also high. These tendencies affect inflation trends,

so reducing the impact of energy consumption on economic growth is among the major challenges that Serbia faces. Essentially, energy-intensive economic growth is not feasible. A shift away from it needs to take place in the midst of numerous integration processes in the energy sector, and at a time when energy security and efficiency, along with environmental security and the mitigation of climate change, are prominent political issues worldwide.

The signing of the South Eastern Europe Energy Community Treaty is vital for developing the energy sector as the basis for continued and stable economic growth. After this initial step, the Serbian Government is faced with restructuring and privatizing the sector, and other activities relevant to the signing and ratification of accompanying international agreements, such as the Energy Charter, Aarhus Convention and the Initiative for the Transparency of Extractive Industries.

Challenges to the development of the Serbian transport and traffic systems include major differences in the level of development and greatly dispersed population density; a low share of inter-modal transport in the overall transport load; a very old fleet of passenger vehicles (with an average age of 11 years); an underdeveloped network of regional airports; unbalanced development of the road network, which does not fully comply with European standards; and very limited compliance of the rail network with these standards.

The countries of South Eastern Europe face similar problems with transport infrastructure. These comprise inadequate institutional capacities, a lack of planning and maintenance of roads, limited funding, high indebtedness, issues relevant to border-crossings and inadequate inter-modal transport. In overcoming these problems, regional cooperation projects could ensure the improvement of transport connections in all sectors (roads, railroads, inland waterways and air traffic), and maximize the advantages of transport infrastructure for overall economic and human development across the Western Balkans. Regional projects in this sector are by far more attractive to foreign investors, and can lead to joint networks in the region and Europe.

Over the past decade, the telecommunications sector in Serbia has developed at a significantly slower pace than in other countries in the region. Standards are much lower than those in the EU. The first reason for this comes from the disintegration of the former Yugoslavia, accompanied by the collapse of the sectoral management system. A second reason involves the international sanctions of the 1990s and the destruction caused by the North Atlantic Treaty Organization's bombing of Serbia in 1999. The broadcasting system was devastated, including radio-relay telephone stations, satellite stations and other elements. Coming at the end of a decade of global isolation, this left a strong mark on the state of the equipment and the development of the telecommunications sector.

Since 2000, Serbia has emerged from international isolation, embracing an open market that has enabled rapid progress, although the final results are expected to be visible only in several years. The current goal is to achieve the level of telecommunications development prevailing in the EU countries. By supporting the development of an information society, Serbia can contribute to reducing the digital divide in comparison to the EU and foster conditions necessary for EU membership.

Resolving environmental issues in individual countries and the region will contribute to sustainable development and improved quality of life through sound rural and urban development, appropriate industrial production modalities, food safety, the sustainable use of natural resources and reduced levels of poverty. A major challenge entails integrating environmental considerations in other sectoral policies. Successfully dealing with this and other obstacles requires ongoing and intensified international assistance, and capacities for its efficient absorption.

Recommendations

- In order to achieve efficient regional cooperation, build adequate legal and institutional frameworks in each of the sectors above. Institutional frameworks need to be designed to lead to convergence between the region and the EU. Relevant ministries need to be dedicated to fulfilling these tasks, and adequate human resources and technical conditions should be provided to support regional and international cooperation projects, and the overall coordination of activities in national sectors.
- Take specific steps to strengthen partnerships between stakeholders (government organizations, NGOs, industry, trade unions, universities, etc.). Particular benefits can be drawn from public-private partnerships in achieving synergies and optimizing the use of resources in a competitive environment.
- Promote and make accessible prompt and accurate information on all areas of infrastructure. This would expand possibilities for regional cooperation projects to attract increased investments, and significantly support economic development and greater employment.
- In the energy sector, modernize the existing power plants to increase their efficiency and environmental viability. Energy consumption per production unit must be reduced significantly in industries, in compliance with international standards; the same applies to households. Households especially need energy-saving appliances and more efficient supplies of heat. In order to develop the energy trade within the region and with neighbours outside it, primarily the EU, it is necessary to establish a regional common energy market that will improve supplies and lower costs. The Government of Serbia should consider the possibility of adopting a law on the implementation of the South Eastern Europe Energy Community Treaty. Future investments need to make optimal use of regional harmonization in the energy sector, and, through international cooperation during the construction of oil and gas pipelines, expand the scope of primary energy supplies
- Develop a Transport Master Plan for Serbia. The current plans are mostly focused on the regional core network, without looking in detail at local and intra-state needs. Such a plan should be the basis for the management, maintenance, planning, financing and construction of transport infrastructure. It should be institutionally integrated in national development plans through the relevant procedures. Work should begin on establishing a joint database on traffic and traffic infrastructure, and implementing the relevant rule books (by-laws) derived from the new Law on Roads (categorization of the road network, technical instructions and traffic signalization, etc.), as well as to accelerate the adoption of laws relevant to traffic and transport (the law on traffic safety, the law on passenger transport, etc.). The Western Balkan countries are expected to fully contribute to recently launched negotiations on the Transport Community Treaty.
- Establish telecommunications policy in Serbia around cross-cutting priorities such as: the liberalization of the telecommunications sector; the provision of universal services and support to the development of new, integrated services; further development of the telecommunications infrastructure, particularly in enabling broadband services and reaching remote areas and underdeveloped regions; use of dynamic new technologies to bridge the information gaps with developed countries; and participation in the new economy of global information. In liberalizing telecommunications, Serbia needs to prioritize the finalization of institutional and regulatory frameworks, and the promotion and supervision of a competitive market environment. The institutional framework should be designed around convergence with the EU.

- Address the following priorities for Serbia to benefit from regional cooperation on the environment: ratification of international agreements, according to the National Strategy of EU Integration; increased capacities and qualifications of local environmental services; establishment of the Environmental Protection Agency as an independent professional body and an intersectoral service; greater capacities for efficient operation of the government Sustainable Development Council and the office providing administrative support to it; stronger partnerships between governments (national, provincial and local), NGOs and businesses; and enlarged capacities for NGOs working on sustainable development and the environment.

5. Social development

The underlying preconditions for human development include access to education, quality health care, housing and employment for all citizens. In a situation in which a significant share of the Serbian population lives in poverty or close to the poverty line (10 to 20 percent), a human development analysis must take into consideration social exclusion and the position of vulnerable groups in order to identify and accelerate policies to improve living standards. This report looks at education, health care, gender equity, the position of the Roma, refugees and internally displaced persons (IDPs), and persons with disabilities in light of prospects for regional cooperation.

Education is a priority in any society aspiring to sustainable development. In South Eastern Europe, education extends to the development of European values, the skills needed for a market economy and a competitive environment, and social inclusion. Over the past two decades, the quality of education in Serbia has deteriorated significantly as a result of overall economic and social decline. There have been some positive trends in terms of legislation, initiatives and activities undertaken by educational institutions, and international assistance and cooperation, primarily within the region. These must continue and expand, since higher education in particular offers great potential to support EU integration and regional cooperation.

The public health sector in Serbia has also suffered from general deterioration. For decades, there has been underinvestment in public health, including to address inequalities in access to care that result from socioeconomic disparities. People who are poor, vulnerable and socially marginalized face increased mortality risks. Although there are differences on these issues among countries in South Eastern Europe, they all face shared challenges: weak health care systems, and eroded human and social capital due to conflict and devastated economies. The current investments in health care are still far below the levels at the beginning of the 1990s.

With respect to gender equality in Serbia, an active women's movement with a high level of knowledge, expertise and professionalism is ensuring that progress takes root. Strong regional and international links help empower local networks and organizations. That said, the country lags behind in adopting gender equality legislation, there is still a high degree of exclusion in political decision-making, and women contend with increasing unemployment and discrimination in the labour market.

The Roma population is certainly the poorest and most neglected group in Serbia, as is the case in other South Eastern European countries. Their most acute problems include the precarious living conditions in the slums where most of them are confined. Tackling poverty among the Roma is most effective when policies to enhance their social inclusion focus on legalizing and improving these settlements, with eviction practiced only if absolutely necessary. Indicators of extreme poverty among the Roma include poorer health conditions, shorter life expectancies, lower educational attainments and higher unemployment compared to national averages. Serbia is lagging seriously behind other countries in the region in terms of building an

institutional and organizational infrastructure for a comprehensive solution to the social exclusion of the Roma. The Decade of Roma Inclusion 2005-2015 is a political commitment by governments in Central and South Eastern Europe to improve the socioeconomic status and social inclusion of the Roma within a regional framework. Serbia will take over the presidency of this initiative in 2008.

In 2002, Serbia adopted the National Strategy for Resolving the Problems of Refugees and IDPs, which includes the provision of affordable housing under favourable conditions (including a purchase option, soft loans, social housing for the most vulnerable categories, etc.) and numerous other measures to reduce poverty among uprooted populations. Refugees and IDPs are to some degree deprived of rights compared to the general population. It is therefore necessary to work towards improving their situation in the following areas: status issues, access to adequate housing or housing protection, access to education, access to health care, access to pensions and social protection rights. Regional cooperation is of great significance in resolving the problems of these groups.

Persons with disabilities are entitled to all human rights granted by international and national laws. Serbia has explicitly prohibited discrimination in its Constitution. In April 2006, it adopted the Law Prohibiting Discrimination against Persons with Disabilities. Beyond its general provisions against discrimination, the law stipulates special cases of prohibited discrimination, procedures for the protection of persons exposed to discrimination, sanctions for the perpetrators of certain discriminatory acts and measures by the Government to promote social inclusion of persons with disabilities.

Recommendations

- Set education as the first national development priority, since it is the basis for accelerated economic development and integration of Serbia into the EU. Promote mobility within the region by adopting legislation that would regulate the recognition of qualifications in line with the Lisbon Convention, which has been ratified by Serbia. Promote a culture of quality assurance systems, and develop criteria and procedures harmonized with the general quality assurance regulations in European higher education and scientific arenas. Build the capacities of stakeholders in education at all levels. Intensify cooperation between educational institutions, governments and NGOs at the national, regional and European levels.
- Enhance social cohesion by strengthening community-based health care services. Increase the monitoring of contagious diseases and provide programmes for the suppression of contagious diseases. Improve institutional capacities, and foster sectoral cooperation to ensure accessible and affordable food and food products. Increase the quality and self-sustainability of the region in the provision of secure blood and blood products. Strengthen integrated health services available free of charge to beneficiaries. Establish a regional network and system for collecting and exchanging information in the social protection and health care sector.
- To further improve work on gender equality, integrate gender equality issues in national strategies and enact gender equality legislation that can be implemented. Promote further development in aspects that have so far been neglected, such as gender equality and science and technology, women in rural areas, etc. Seek the maintenance of continued and well-organized international support, and institutionalize regional cooperation. Promote cooperation between state institutions and NGOs, with donor support, to manage the distribution of competencies and responsibilities.
- For the Roma population, provide meaningful political support to the implementation of the Decade of Roma Inclusion. Introduce criteria for the implementation and management

of the National Strategy for Roma Integration and Empowerment, and for building relevant institutional infrastructure. Allocate adequate financial resources to the implementation of the envisaged action plans. Use the Decade of Roma Inclusion to initiate cross-border and bilateral cooperation to exchange best practices.

- For refugees and IDPs, the governments of Croatia and Serbia should intensify efforts to implement the commitments of the Sarajevo Declaration. They should sign as soon as possible the Agreement on Dual Citizenship, and through bilateral relations resolve other issues related to the return of refugees to Croatia. There should be accelerated efforts to resolve the accumulated problems of IDPs from Kosovo, such as the enforcement of court decisions in Kosovo and poorly coordinated document exchanges between the Government of Serbia and the UN Mission in Kosovo.
- Amend the Public Procurement Law, in line with the EU Directive on Public Procurements, to ensure compliance with standards of accessibility and prohibit discrimination against persons with disabilities in terms of physical access to public buildings, assets, services and infrastructure. Ensure that each child with a disability has access to education. Amend the list of professions for persons with disabilities in compliance with technological developments and labour market demand. The planned reconstruction of primary health care institutions should be implemented consistently so that all health care centres and services are made accessible.

6. Security

One of the most important areas in which regional cooperation can improve human security in Serbia involves combating the expansion of transnational organized crime. According to a survey done in 2005, although they do not perceive organized crime as a threat to their personal security, the citizens of Serbia correctly perceive it as a threat to their society as a whole. Among the respondents, 74 percent said that Serbia cannot become prosperous without reducing organized crime and corruption.

The *Serbian Human Development Report 2008* provides a detailed analysis of areas where regional cooperation can help improve security in Serbia, such as the fight against organized crime, migration, integrated border management and transitional justice. This discussion must include recognition of the fact that cooperation began only after 2000, and relations among the countries of the Western Balkans are still cautious. This is especially true for sensitive issues related to the legacy of recent conflicts and the exchange of information in the area of home and external security. All initiatives from the European Union and other actors to stress regional cooperation as a condition for further EU integration meet with open as well as hidden resistance, particularly efforts to “regionalize” highly sensitive security information and the results of criminal investigations. Conflict-related issues, such as the exchange of information on war criminals and trans-border mafia-style activities, are particularly problematic.

All security issues can be connected to good governance and efficient, accountable and transparent institutions. The significance of good governance in overall development of every society is unquestionable. Institutions, rules and political processes play a big role in whether or not economies grow, children go to school, and human development moves forward. Human development is not just a social, economic and technological challenge; it is also an institutional and political challenge. Security sector reform implies institutional changes, as institutions need to become efficient, free of corrupt civil servants, subject to civilian oversight and accountable to citizens.

Recommendations

- Establish the confidence of citizens in Serbia's institutions. It is of crucial importance for Serbia to make progress in adopting the SAP as the main framework for reform in the security field.
- Establish solid institutional cooperation based on partnerships, primarily with neighbouring countries. This is not only because they face the same challenges, many of which transcend borders, but also because they are responsible to their neighbours and can make faster progress by working together. This applies equally to managing migration, fighting organized crime and prosecuting war crimes.
- Improve the exchange of data and information. The countries of the Western Balkans should adopt adequate legal frameworks, harmonize their legislation to the greatest level possible among themselves and with the *acquis communautaire*, introduce comparable statistics and integrate mechanisms for cooperation in their institutions.
- Work towards a higher form of cooperation: shaping common policies in different fields. This can take place if the awareness of the need for partnership is based on trust, shared interests and values, and prevails over old animosities and suspicions.

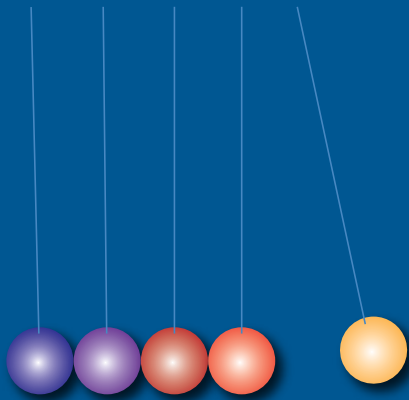
7. Summary of overall findings and implications

In the Western Balkans, regional integration is fundamental to overcoming the legacy of conflict, sustaining reconciliation and facilitating the regional balance of interests required to control threats to stability. The notion of integration can draw from a long common political and economic history, geographical vicinity, and multiple ethnic, cultural and linguistic links and influences. The conflicts that occurred in the former Yugoslavia were to a great degree about a new and violent drawing of borders, including ethnic cleansing. The former borders often failed to coincide with geographic, economic or ethnic logic, reflecting the complex history of the region.

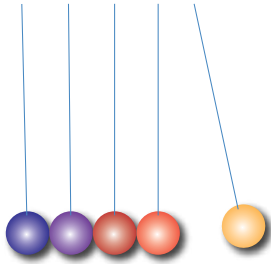
The possible development of regional cooperation and potential future integration in the Western Balkans points in three basic directions, according to the findings of this report: the strengthening of formal bilateral and multilateral cooperation; formal and informal cooperation resulting from the convergence of political regimes towards functional democracies and the rule of law, similar economic policies and security arrangements, and bottom-up initiatives; and passive integration through participation in EU structures and policies.

In-depth analysis, following the decision of the EU and other international actors to encourage the participation of the Western Balkan countries in managing regional cooperation and integration (the so-called regional ownership and leadership), indicates that cooperation is evolving simultaneously on all three fronts. The passive integration into EU structures and policies is still the least disputable and subject to oscillations, although its timeline is not clearly defined.

Providing candidate status to all these countries in the near future, and the consequent introduction of the screening process related to accession negotiations, as well as increased freedom of movement for the population of the region, will directly contribute to commitments by the political elites to further strengthen regional cooperation without fears that it could become a substitute for European integration. In these circumstances, Serbia could play an important role in consolidating and upgrading existing regional initiatives, as well as in launching additional regional cooperation programmes.



CHAPTER 1
**INTRODUCTION:
FRAMING THE ISSUES**



CHAPTER 1 INTRODUCTION: FRAMING THE ISSUES

Human development helps people live longer, healthier and more fulfilled lives. It comprises material aspects of development, such as health, income and education, along with the enlargement of people's choices. Individuals and social groups should be able to participate meaningfully in societal processes, enjoying political freedoms and access to cultural goods (Ranis and Stewart 2000, p. 49).

As much more than the rise of national incomes, human development implies creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. This concept is people-centred,¹ because people are the real wealth of nations. It considers economic growth as a means to expand choices. In poor societies, therefore, reducing poverty is about both achieving general economic goals, and emphasizing the equitable distribution of income to enhance human resources, and sustain growth and development over the long term. Even when there is a high degree of correlation between economic growth and human development, analyses indicate that policies should prioritize the broader objectives of human development (ibid., p. 197).

The human development concept advocates similar values to human rights and has a similar goal: the achievement of human freedoms. People have to be free to choose between opportunities and participate in decision-making on issues of significance to their lives. Human development and human rights build on each other, contributing to the welfare and dignity of all, reinforcing people's self-esteem and ability to respect others.

During the 1990s, shortcomings in Serbia's human development stemmed not only from conflicts and economic crisis, but also from international sanctions and isolation. Citizens of Serbia had previously lived in a large and complex state—the former Yugoslavia—and enjoyed freedom of movement within and outside its borders. A decade of conflicts left a damaging legacy in relations with other former Yugoslav republics, along with key regional and international actors. Political isolation, economic sanctions and an obsolete infrastructure, further damaged during the intervention of the North Atlantic Treaty Organization (NATO) in 1999, reduced access to international markets and significantly limited the ability of Serbian citizens to travel abroad. A war economy and limited rule of law fostered illegal trade and trafficking in weapons, drugs and people. As the predominant forms of trade across the region, these became a major threat to security.

Overcoming recent conflicts and improving cooperation with former Yugoslav republics and other neighbours, some of which are already EU member states, is crucial for human development in Serbia. The advantages of improved regional cooperation go beyond the

¹ A new paradigm for development was proposed in the global *1994 Human Development Report*. It brought together the concepts of human security and sustainable human development to “enable all individuals to enlarge their human capabilities to the full and to put those capabilities to their best use in all fields—economic, social, cultural and political. ...A major restructuring of the world's income distribution, production and consumption patterns may therefore be a necessary precondition for a viable strategy for sustainable human development” that protects poor people today and natural resources for unborn generations (UNDP 1994, p. 4).

potential economic benefits, because it is the pre-requisite for stability, progress and security within Serbia and the region at large.

Different reasons for regional cooperation are closely interlinked. Regional stability and security are necessary for economic development and productive lives for people, which in turn reinforce stability and security. In isolation, the countries of the region cannot resolve problems such as the return of refugees, development of infrastructure, environmental protection and cross-border crime.

Other strong incentives across South Eastern Europe, but especially the Western Balkans, include cooperation as a condition for progress towards EU accession, as reiterated in the Salzburg Communication (Commission of the European Communities 2006), which sets the level and intensity of regional cooperation and good neighbourly relations as political criteria for the accession of individual countries. More broadly, in relation to other external partners, a group of marginalized countries organized as a region significantly increases its negotiating power. Small states in particular must turn to cooperation to resolve their problems because the alternative is often a "client" status with relation to one of the major powers outside the region. The leading role of the EU in promoting regional cooperation has not fully removed the risks of other major international actors² seeking to strengthen their position in the region, instead of working to assist it to overcome the legacies of the recent past.

Other critical factors favouring cooperation include the sustainable use of natural resources and environmental management, as environmental and political borders do not coincide. Cooperation provides for better protection and use of regional public goods such as water, energy and other environmental resources, and facilitates the prevention of or response to natural or man-made disasters.

The prominence and urgency of regional cooperation prompted its selection as the theme of the 2008 Serbian national human development report. The report has sought answers to the following questions:

- What are the specific benefits of regional cooperation for Serbia in different fields, such as political cooperation, trade and investments, infrastructure development, social protection and security issues? What have been Serbia's achievements in developing cooperation?
- What are the main obstacles preventing Serbia from moving faster and more effectively towards regional cooperation in the Western Balkans?
- What is the role of Serbia in different regional initiatives, in light of the new configuration of the region, which is now fully surrounded by EU member states? What are the prospects for these initiatives?
- How can different regional initiatives support Serbia's integration into the EU by helping to fulfil the EU's regional cooperation criteria?
- How can Serbia facilitate multilateral cooperation in the region, especially from a broad human development point of view, to generate employment and entrepreneurship, develop democracy, incorporate the interests of minorities, support civil society, and strengthen cooperation between local governments?

As a starting point, this report is premised on the notion that regional cooperation happens at several levels, in an institutional or informal manner, across sectors, and with the participation

² It is especially visible in the field of energy sector development, where the EU, Russia and the United States are the main players in the region. Their interests do not clearly synchronize and often diverge. See Altman 2007, p. 2.

of a broad array of actors. The process is highly dynamic, with contributions coming from many directions. In defining regional cooperation, it is assumed that regions are territorially based sub-systems of the international system with different degrees of regional integration (Hettne 2000, p. xviii).

International actors can play a decisive role in cooperation, especially in the initial stages. The history of South Eastern Europe, marked by tension, conflict and the disintegration of the former Yugoslavia, has made it difficult for national policy makers to envisage the benefits of closer relationships. External stimuli have been required for the process to begin, grow and sustain itself until the countries of the region can assume full "ownership."³ At the current stage, cooperation will very much depend on how the unilaterally declared independence of Kosovo will be reflected in Serbia's internal political development, as well as in ethnically and constitutionally complex states such as Bosnia and Herzegovina, Macedonia and Kosovo itself.

As Hettne (*ibid.*, p. xix) points out, "Regionalisation generally denotes the process, and, furthermore, normally implies an activist element, a strategy of regionalisation... (which) may transform a peripheral geographical region from a passive object, that at the most could create problems for more organised core regions ('chaos power'), to a subject with capacity to articulate the interest of the emerging region, as well as resolving conflicts internal to the region. This process is described in terms of increasing levels of 'regionness'.... In our research it was found that the most appropriate approach to the new regional dynamics was to explore the options of single states and the underlying power structure determining their external orientations."

This chapter introduces the main regional trends and determinants of the role of Serbia in regional cooperation in the Western Balkans, with the dynamics in different arenas further analysed throughout the report.

Phases of regionalization

The countries of South Eastern Europe have been subject to global processes of disintegration and reintegration. Since World War II, there have been three waves of integration that have taken root in different regions of the world (UNDP 2005, p. 23). The first occurred with the establishment of the European Economic Community⁴ in 1957. During the 1980s and early 1990s, for the second phase, integration agreements emerged in North and South America and Asia.⁵ The third wave started in 1997, after the Asian financial crisis and post-conflict arrangements in the Balkans and other regions. The process of strengthening regional cooperation in South Eastern Europe belongs to this period, characterized by many regional initiatives.

³ The Stability Pact for South Eastern Europe was transformed into the Regional Cooperation Council, created under the framework of the South Eastern Europe Cooperation Process, as the only authentic regional initiative established by the countries of the Balkans. The Regional Cooperation Council is expected to contribute significantly to a higher level of regional integration (measured by the intensity of regional identity and cooperation, and increased responsibility for regional development). During the transition, the main challenge was to empower weak countries and post-conflict societies to assume regional ownership and leadership.

⁴ At the same time as the European Atomic Energy Community, and preceded by the European Coal and Steel Community (1951). Both were driven by security (control of Germany and the Cold War).

⁵ During the 1990s, 64 new regional trade arrangements emerged all over the world, according to the World Trade Organization. From 2000 to 2002, 30 new arrangements were struck. See more in Schadeva 2005, p. 236.

The first wave of regional integration was focused primarily on liberalizing regional trade and protecting regional markets. The second phase that began in the 1980s became multifaceted, including economic, political, social, environmental, security and cultural aspects. It sought to build diverse frameworks, and prioritized coherent regional structures and identities. It evolved from the bottom-up and within, becoming an “extrovert” system as a result of the increasing interdependency in the global economy.

Today, in the third phase, regionalism has become an important way of facing the challenges of globalization, in which an increasing number of countries lack the capacities and resources to deal with problems at a strictly national level. One of its forms is the “Europe of regions,” a concept that bypasses the national state as an intermediary between the local and the global. The level and intensity of regional cooperation, or integration, may grow or fall depending on regional dynamics that reflect the influences of global, national and sub-national factors. Each region has its specific structure established not only by the nation states but also by sub-national ethnic groups and micro-regions. With time, regions themselves can become actors on the global scene, as the EU is demonstrating. States can see them as an arena to promote their own interests, although internal tensions can arise from varying perceptions of different social groups.

While some groups believe that they can benefit by increasing the scope of their activity in the supranational arena, others stick to their vested interests in the national arena. This makes building regional entities and identities complex, more so given the multitude of areas of cooperation and actors comprising businesses, politicians, civil society groups, and so on. Local communities are taking an increasing role through cross-border cooperation. Although the potential benefits of multifaceted integration are dramatically greater, so are the challenges.

The case of the Western Balkans demonstrates that when political authority collapses at one level, previously latent power struggles can begin at other levels. In ethnically complex countries, however, it is difficult to reach a new equilibrium. Factors making regional cooperation in the Balkans difficult include previous conflicts, resistance to yielding newly acquired sovereignty, incomplete and late (compared to most countries in Western Europe) nation-state building, unresolved status issues, and problems related to the transition to democratic societies and market economies. Since conflicts are rarely solved without introducing new problems, potential new conflicts of interest must be monitored.

Today, the Western Balkans is only in the first stage of regional integration, characterized by trade liberalization⁶ (see Table 1.1). But subsequent chapters will demonstrate that the elements of developing common policies are emerging in the fields of energy, where all countries have signed the South Eastern Europe Energy Community Treaty. Transport infrastructure development plans are updated annually, and the Transport Community Treaty is under preparation (European Commission Communication to the European Parliament and the Council 2008, p. 17). Although these examples are of sectoral integration into broader trans-European networks, they have prompted policy harmonization and common planning. They suggest that until the Western Balkans are fully integrated into the EU there will be an ongoing deepening of cooperation.

⁶ Trade data show that among the countries of the Western Balkans, with the exception of Albania, a certain dependency on regional exchange remains from earlier links inherited from the former Yugoslavia, although this also stems from strong competition from the EU and global market. In 2005, the share of intraregional trade within South Eastern Europe was high for the ex-Yugoslav countries, comprising 38 percent of all exports from Macedonia, 34.6 percent from Serbia and Montenegro, 32.4 percent from Bosnia and Herzegovina, and 21.8 percent from Croatia. Exports to other countries were more limited, including 11.2 percent of the total to Bulgaria, 4.9 percent to Romania and 3 percent to Albania. Trading intensity increased during 2006 and 2007 with the adoption of the Central European Free Trade Agreement, indicating a realistic basis for an economic region.

The future of regional cooperation and integration in the Western Balkans could involve three basic directions:

- The strengthening of formal bilateral and multilateral cooperation through state administrations;
- Formal and informal cooperation, resulting from the convergence of political regimes (to functional democracies and the rule of law), economic policies and security arrangements; and
- Passive integration through participation in EU structures and policies (Hettne 1997, p. 35).

After the decision of the EU and other international actors to promote regional cooperation and integration through regional ownership and leadership, regional cooperation began evolving simultaneously on all three fronts. The integration into EU structures and policies is the least disputable and suspect to oscillations, although its timeline is not clearly defined.

Table 1.1: Stages of deepening regional integration

Depth of integration	Trade liberalization	Common trade policy	Freedom of movement – goods, capital, labor, services	Common monetary and fiscal policy	Common government
Foreign trade agreements	+				
Customs union	+	+			
Common market	+	+	+		
Economic Union	+	+	+	+	
Political Union	+	+	+	+	+

Source: Schadeva 2005, p. 234.

For Serbia, regional cooperation can be examined from different angles, depending on its objectives and character. It is possible to differentiate between institutional and functional forms (see Table 1.2). Serbia can benefit from specific incentive measures (such as free trade zones or infrastructure development), or integration into the EU through direct transposition of the EU *acquis communautaire*⁷ (for example, through the harmonization of energy regulations and transport infrastructure).⁸ These processes may be viewed from a top-down angle (coming from the state) or bottom-up initiatives (by non-governmental organizations or NGOs, local communities and the like). Initiatives may be classified as emerging from the region (not prompted and/or financed from the outside, like the South Eastern Europe Cooperation Process) or externally imposed (like the Stability Pact for South Eastern Europe).

Serbia has often been involved in externally induced, top-down initiatives, with its presence and activities generally positive. This has been part of a process of establishing new patterns of behaviour and overcoming the thinking that states are self-sufficient. It has advanced cooperation among national administrations, civil society representatives, business communities and other circles, facilitating communication and networking, and raising awareness of common objectives. This has encouraged cross-border project proposals,

⁷ The *acquis communautaire* is the overall body of EU legislation, including all treaties, regulations and directives adopted by EU institutions and rulings of the European Court of Justice.

⁸ For additional information, see Van Meurs 2003, pp. 26-30.

with some supported by international funding. Contacts among members of the younger generation through joint school and university projects, including exchange programmes for students and teachers, are particularly significant. Learning about different cultures in the region should also be pursued.

Table 1.2: Forms of regional cooperation in South Eastern Europe

<i>Institutional cooperation</i>	
<p>1. MULTILATERAL</p> <ul style="list-style-type: none"> ▪ <i>TYPE OF RELATIONS</i> TOP DOWN ▪ <i>FORM</i> STRUCTURES ORGANIZATIONS INITIATIVES AGREEMENTS MEMBERSHIP ▪ <i>FOCUSED OUTSIDE THE REGION</i> GLOBAL STRUCTURES (UN, World Trade Organization, International Monetary Fund, International Bank for Reconstruction and Development, etc.) EUROPEAN UNION (Stabilization and Association Process or SAP) EUROATLANTIC STRUCTURES (NATO's Partnership for Peace) NEIGHBOURING REGIONS (Central European Initiative, Black Sea Economic Cooperation, Adriatic Ionian Initiative, Danube Cooperation Process) ▪ <i>FOCUSED ON THE REGION</i> SOUTH EASTERN EUROPE (Southeast European Cooperative Initiative, Stability Pact) THE BALKANS (South Eastern Europe Cooperation Process) THE WESTERN BALKANS (within the SAP) 	<p>2. BILATERAL</p> <ul style="list-style-type: none"> ▪ <i>TYPE OF RELATIONS</i> TOP DOWN • <i>FORM</i> AGREEMENTS (trade, investments, taxation, visa regimes, readmission, culture, etc.) ▪ <i>FOCUSED ON THE REGION</i> SOUTH EASTERN EUROPE THE BALKANS THE WESTERN BALKANS
<i>Functional cooperation</i>	
<p>3. SECTORAL</p> <ul style="list-style-type: none"> ▪ <i>TYPE OF RELATIONS</i> TOP DOWN MULTILATERAL BILATERAL ▪ <i>FORM</i> AGREEMENTS MEMORANDUMS ▪ <i>SCOPE OF COOPERATION</i> TRADE (Central Europe Free Trade Agreement 2006) SOUTH EASTERN EUROPE ENERGY COMMUNITY REGIONAL PARTICIPATION IN TRANSEUROPEAN TRANSPORT NETWORKS (South East Europe Transport Observatory) REGIONAL COOPERATION TO ENHANCE THE INVESTMENT CLIMATE (INVESTMENT COMPACT) ELECTRONIC AND BROADBAND (e-SEE and b-SEE) SOUTH EASTERN EUROPE EDUCATION REFORM INITIATIVE SOUTH EASTERN EUROPE EUROPEAN RESEARCH NETWORK (SEE-ERA.NET) INTEGRATED BORDER MANAGEMEN—THE OHRID PROCESS REGIONAL CENTRE FOR FIGHTING TRANS-BORDER CRIME REGIONAL CENTRE FOR MIGRATIONS AND INTERNALLY DISPLACED PERSONS SKOPJE PARLIAMENTARY COOPERATION (between Western Balkans parliamentary committees dealing with the SAP) ▪ <i>FOCUSED OUTSIDE THE REGION</i> TRANSEUROPEAN NEIGHBOURING REGIONS ▪ <i>FOCUSED ON THE REGION</i> SOUTH EASTERN EUROPE THE BALKANS THE WESTERN BALKANS 	<p>4. ON SPECIFIC ISSUES</p> <ul style="list-style-type: none"> ▪ <i>TYPE OF RELATIONS</i> BOTTOM UP MULTILATERAL BILATERAL ▪ <i>FORM</i> NETWORKING ▪ <i>SCOPE OF COOPERATION</i> COOPERATION OF CROSS-BORDER REGIONS (EURO-REGIONS) CROSS-BORDER COOPERATION OF LOCAL COMMUNITIES (NEIGHBOURHOOD PROGRAMMES, etc.) ASSOCIATIONS OF TOWNS ASSOCIATIONS OF BALKAN CHAMBERS OF COMMERCE SMALL AND MEDIUM ENTERPRISE NETWORKS EDUCATION AND CULTURE ACADEMIES OF SCIENCE STUDENT ORGANIZATIONS NGOS MEDIA ▪ <i>FOCUSED OUTSIDE THE REGION</i> TRANSEUROPEAN NEIGHBOURING REGIONS ▪ <i>FOCUSED ON THE REGION</i> SOUTH EASTERN EUROPE THE BALKANS THE WESTERN BALKANS

Pre-conditions for institutionalizing regional cooperation

The future development of institutionalized regional cooperation in South Eastern Europe is a distinct issue, since institutionalization is one of the major trends in contemporary international relations.⁹ There are three key pre-conditions for the establishment of successful regional arrangements:

The vicinity of participating countries: Cooperation as a rule is based on economic, transport, historical, cultural, ethnic or other close links in a region, as a factor contributing to interdependence and networking. Since geographical vicinity plays an important role in the economic domain, regional organization has become one of the predominant features of the global economy. Many key indicators of globalization, such as trade flows, trends of foreign direct investments, and especially infrastructure networks or international institutions are established at the regional level (Rusi 2007, p. 193). Overcoming geographical barriers, such as mountain chains or major rivers, has helped strengthen connections and communication.

Common interests and challenges: It may seem contradictory that intensifying globalization has increased the emphasis on regional and sub-regional cooperation. But this reflects the need to pool together resources to better face global challenges and overcome obstacles to national objectives. Successful regional cooperation, however, requires more than common interests. The desired starting point is a regional identity, existing or potential, that can be stimulated through integration.

In parallel to redefining their national identities, the countries of South Eastern Europe, especially the Yugoslav successor states, are faced with the issue of regional identity. There has been a phenomenon in South Eastern Europe of creating new regional identities together with new national identities. At times, this goes back to earlier identities (such as Central Europe or the Danube countries) or involves the “contesting” of certain definitions (like the Balkans). This issue has, more than could be perceived at first sight, burdened official cooperation.

Apart from the influence of physical proximity, the evolution of regional identity in South Eastern Europe derives to a great extent from external influences, primarily from the European Union. The EU enlargement policy in Central and Eastern Europe and its strategy for South Eastern Europe are reflected in a gradual evolution of the (self) definition of the region. In other words, political identity is not emerging from some internal feeling, but from an external approach to the politically unstable and economically weak area of the Balkans.¹⁰ The EU policy for the region came up with a new term: “the Western Balkans” (meaning the countries of the former Yugoslavia, without Slovenia, plus Albania, or six plus one minus one).¹¹

The Western Balkans do have many things in common – economic conditions, historical and political experiences, institutional frameworks, cultures and ways of living, and experience of recent wars, tensions and still unresolved territorial issues. Since a crucial aspect of regional cooperation is the improvement of security and stability, political and economic cooperation structures developed subsequently, following the initial stabilization framework (i.e., the Stability Pact and the SAP).

Another factor is that Western Balkan populations inhabit more than one state (Albanians, Bosniaks, Croats and Serbs), and form majorities or are part of constituent nations (such as

⁹ Besides the EU, the North American Free Trade Agreement (NAFTA), the Mercado Común del Sur (Mercosur) and the Association of South-East Asian Nations (ASEAN) are well-known examples.

¹⁰ See an interesting analysis of external impacts on regional identity in Bechev 2006.

¹¹ On cooperation in the region, see: Lopandic and Bajic 2003, p. 362; Lampe 2006, p. 338; Bilman 1998; Uvalić 2001; Clemant 1998, pp. 217-226; International Commission for the Balkans 1998, pp. 133-166; Demetropolou 1999, pp. 4-10.

Serbs in Bosnia and Herzegovina, Albanians in Macedonia, etc.). These patterns are both pre-conditions and obstacles to regional identity. It is therefore understandable that the strongest incentive for regional cooperation comes from EU conditionalities, although the contents of cooperation must also be attractive.

Political will to cooperate: Since the end of the 1990s, even as mostly external initiatives stimulated awareness of the Western Balkan region as an actor in international relations, communication among politicians remained insufficient. Political will is not the exclusive domain of politicians, however. Contacts among individuals, municipalities, and educational, scientific and cultural institutions have played important roles, contributing to numerous activities within several regional initiatives. All Western Balkans countries are aware of their significance, as reflected in their increased willingness to take part in a higher level of institutionalization through sectoral agreements and to assume greater ownership of the process.

Within the Stability Pact, and with the full participation of all countries of the region, the following priorities for regional cooperation have been identified:¹²

- **Economic development:** includes regional trade and foreign investments, especially the single free trade agreement and the regional investments framework. It is expected that these arrangements will boost support for the private sector.
- **Infrastructure:** includes transport infrastructure, focused on the main transport corridors; energy (including gas); a common aviation area; and e-SEE. The full engagement of international financial institutions should foster cooperation in these areas.
- **Justice and home affairs:** includes especially the fight against organized crime and corruption, as well as support to regional cooperation for better law enforcement through the Southeast European Cooperative Initiative Regional Centre for Fighting Trans-border Crime and through improved cooperation between the centre and Europol.
- **Security:** includes the reform of the security sector, including conversion of the defence industry and curbing the proliferation of small arms and light weapons. Regional cooperation has been encouraged outside the scope of the Stability Pact.
- **Fostering and building human capital:** includes education, technical and professional training; research and scientific cooperation; and especially improved public administration capacities.
- **Parliamentary cooperation:** an overarching activity that supports all of the above areas.

These priorities apply also to the South Eastern Europe Cooperation Process and its newly established Regional Cooperation Council, as well as to the EU accession process.

The Western Balkans on the road to the European Union

Serbia is a potential candidate for EU membership, after signing the Stabilization and Association Agreement (SAA) in 2008. EU integration, entailing internal reforms based on EU standards for freedom, democracy and justice, a market economy and functional administration will enhance human development for Serbian citizens. EU membership, beyond its acceptance in Serbia and the incorporation of European values into Serbian society, will be a formal acknowledgement of the success of the SAP.

The countries of the Western Balkans should be the next group of EU member countries in the next decade. All Western Balkans countries have the prospect of EU membership, as decided by the European Council in Feira in June 2000, and reconfirmed in Thessalonica in June 2003.

¹² www.stabilitypact.org.

Further affirmation has come from high-level meetings of the EU, including informal meeting of foreign affairs ministers in Salzburg in March 2006.¹³ An additional set of measures for the Western Balkan countries was proposed during the Slovenian Presidency. These related to “people-to-people contacts, covering areas of visa liberalization and scholarships, for developing civil society and for enhancing the region’s economic and social development” (European Commission Communication to the European Parliament and the Council 2008, p. 3). The new agreement on the EU’s Reform Treaty adopted at the informal summit in Lisbon on 18 October 2007 was welcomed by European Enlargement Commissioner Olli Rehn. “The success of the Inter-Governmental Conference preparing the Reform Treaty is important for enlargement,” he said, noting in particular the fine-tuning of the wording on accession. “This should underline the fact that enlargement continues to be a key policy of the Union, based on clear and well-established conditions.”¹⁴

The European perspective is of crucial significance, given that the years of conflict and thwarted transition increased social and regional disparities across the Balkans. There are now high expectations and ambitions for economic and social development, and its more equitable distribution. The slow down or halting of the EU integration processes could produce a European ghetto comprising most of the Western Balkans nations, detained behind visa barriers. Hopes for prosperity and stability without EU integration would diminish. It is also clear that failing states and protectorates slow the pace of integration.¹⁵

The SAP¹⁶ was established in May 1999, expressing the long-term dedication of the EU to assist the countries of the region in their political aspirations and in developing human capital. Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia (including Kosovo, according to UN Security Council Resolution 1244) are included in the SAP;¹⁷ as part of the EU Enlargement Policy preparing the Western Balkans for EU integration (see Table 1.3). The SAP is both a bilateral and regional process that establishes relations among the participating countries and the EU, and encourages regional cooperation. Analysing the EU policy, M. Delevic concludes that “... although meant to be parts of the same package, stabilization requires more of a regional context, while integration, even within the common regional framework, is an essentially bilateral exercise.”¹⁸

¹³ In January 2006, the European Commission adopted “The Western Balkans on the Road to the EU: consolidating stability and raising prosperity.” This document assesses the progress made since the EU Summit on the Western Balkans in Thessalonica 2003, and proposes concrete measures to enhance the EU policy towards the Western Balkans. See Commission of the European Communities 2006.

¹⁴ ELARG-NEWSLETTER@ec.europa.eu 2007.

¹⁵ Krastev 2007, p. 96.

¹⁶ http://ec.europa.eu/enlargement/index_en.htm.

¹⁷ On 17 February 2008, Kosovo unilaterally declared independence, which was recognized by the majority of the EU countries. The EU sent its mission EULEX to Kosovo to help build judiciary and home affairs systems, a move strongly opposed by Serbian authorities.. A SAP Tracking Mechanism already existed under the SAP negotiating framework with the Kosovo Government.

¹⁸ See wider argumentation in Delevic 2007, p. 26 and p. 98.

Table 1.3: Progress towards the SAP

	Start of the SAP process	Feasibility study	SAA signed	Submitted membership candidacy	Membership candidacy accepted	Membership negotiations started	Number of chapters closed
Albania	1999	January 2003	June 2006	—	—	—	—
Bosnia and Herzegovina	1999	November 2003	June 2008	—	—	—	—
Croatia	1999	May 2000	October 2001	February 2003	April 2004	October 2005	3
Macedonia	1999	June 1999	April 2001	March 2004	December 2005	—	—
Montenegro	2000	April 2005	October 2008	—	—	—	—
Serbia	2000	April 2005	April 2008	—	—	—	—

The SAP pursues three goals: stabilization and fast transition to a market economy, improved regional cooperation and EU accession. It assists the countries of the region to build their capacities to accept and implement European standards, including the EU *acquis communautaire* and basic international standards.¹⁹

The key strategic and political component of the EU's long-term engagement, related explicitly to accession and adjusted to the level of development of each country, is to enable them to proceed at their own pace, while strongly encouraging regional cooperation. It is a developing partnership, through which the EU is offering a mix of trade concessions, economic and financial assistance, and contractual relations.

One of the chapters of the SAP is dedicated to regional cooperation, stating that the signatory country will actively support regional cooperation. After signing the SAA, the country must "begin negotiations with the country or countries who have already signed the SAA in order to enter into bilateral conventions on regional cooperation, with the aim to enhance the scope of cooperation between the relevant countries."²⁰ Constructive regional cooperation is valued as an indicator of the readiness of a country to integrate into the EU, since it follows the model of integration and cooperation within the EU itself.

The EU integration processes question the predominant role of traditional nation states both at the level of internal organization, and in broader regions and the structure of international relations (Rusi 2007, p. 191). The EU includes in the wider harmonization process not only an increasing number of member states of different sizes and degrees of power, but also, through associated status and partnership networks, those countries that are not yet members but

¹⁹ All countries of the region have made progress towards the EU. The European Council granted membership candidacy to Croatia on 18 June 2004 and to Macedonia on 15 December 2005. Other potential candidates are Albania, Bosnia and Herzegovina, Montenegro and Serbia, which have all signed SAAs. According to the Thessalonica Summit, Kosovo is part of the SAP process, under UN Security Council Resolution 1244. Negotiations will proceed within the SAP Tracking Mechanism.

²⁰ Article 12 of the SAA with Croatia.

are part of Europe, or even whole regions bordering on the EU.²¹ It covers, apart from nation states, a growing number of autonomous territories (the Oland Islands, Greenland, the Phare Islands, Catalonia, Southern Tyrol, Northern Italy, etc.), some of which are attempting to get semi-independent status at least within the regions to which they belong (ibid.). During unsuccessful negotiations in 2006 and 2007, Serbian authorities proposed these models as a basis for solving the Kosovo issue. As a territory under international administration, it had already participated in numerous regional structures in the Western Balkans and more widely in South Eastern Europe.

Since regional cooperation in the Western Balkans cannot be understood without the concept of a Europe of regions, there needs to be a move away from the traditional notion of nation states to a strengthening of regions, city-regions and regional networks. This requires new governance technologies and the establishment of horizontal power structures that counterbalance vertical power structures. These can be forged in long-term processes of jurisdictional integration, as a contrast to the historical tradition of drawing borders by means of military force.

The Western Balkans region during the 1990s and the first decade of this century has gone through intensive and turbulent nation-state building processes, compared with longer lasting processes in European history. The former have been marred by all the temptations of “compressed” time, including the limited development of processes towards autonomy and transition.²² That is why the EU has become critical to shaping not only regional cooperation, but also internal political, social and economic processes in unstable, post-conflict societies.

Perception and assessment of regional cooperation

How do Serbians describe the region to which their country belongs? To what extent do cooperation with neighbours and regional cooperation coincide? Each country in South Eastern Europe has had its own definitions of these terms. This has resulted from the disintegration of Yugoslavia and the subsequent creation of new sovereign entities, as well as changes resulting from the disappearance of the Eastern Bloc and the continued transformation of the European architecture. EU member states are now direct neighbours of Serbia, on its northern and eastern borders.

A wider concept of the region, as seen from Belgrade, goes beyond the divisions resulting from institutional relations with the EU (i.e., members, candidate countries and others). It generally encompasses the countries participating in the South Eastern Europe Cooperation Process (what used to be Balkan Cooperation), and covers the whole geographical area of the Balkans, including Greece and Turkey.²³

A number of regional initiatives that have brought together the countries of the Western Balkans cover its wider neighbourhood. These comprise the Stability Pact for South Eastern Europe, the South Eastern Europe Cooperation Process, the Central European Initiative, the Danube Cooperation Process, the Adriatic-Ionian Initiative, the Black Sea Economic

²¹ The EU Neighbourhood Policy was developed for the countries of the Commonwealth of Independent States. The EU Mediterranean Policy covers North Africa and the Middle East, with special associated status for the Maghreb countries. The EU has also developed special relations with a number of African, Caribbean and Pacific countries under one policy framework.

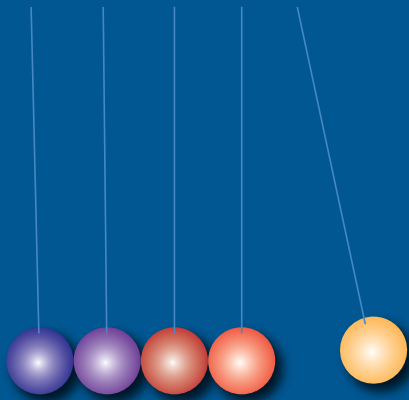
²² It was proposed that the EU, instead of nation-state building, should support EU member state building in the Western Balkans as a more effective long-term strategy. See the International Commission on the Balkans 2005, p. 14.

²³ Moldova, although not a country of the Balkans, managed to join Stability Pact activities and to qualify as a South Eastern European country after lobbying and support from Romania and other external actors.

Cooperation initiative, and the Central European Free Trade Agreement. The last spans the countries of the Western Balkans and Moldova.

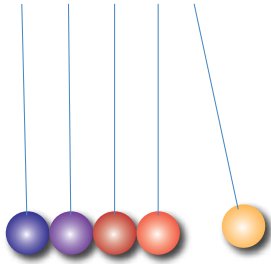
A common objective of all regional initiatives in the Western Balkans has been the development of multilateral cooperation as the basis for economic progress, political and economic stability, the consolidation of good neighbourly relations and integration into the EU. Within most regional activities, countries that recently joined the EU have shared their experiences with nations on the road to accession.

In the previous period, regional cooperation in South Eastern Europe had been predominantly externally initiated and promoted. Today, countries of the region need to assume greater control over cooperation process, in order for it to yield long-term, sustainable results.



CHAPTER 2

POLITICAL RELATIONS: BILATERAL AND MULTILATERAL COOPERATION



CHAPTER 2 **POLITICAL RELATIONS: BILATERAL AND MULTILATERAL COOPERATION**

Introduction

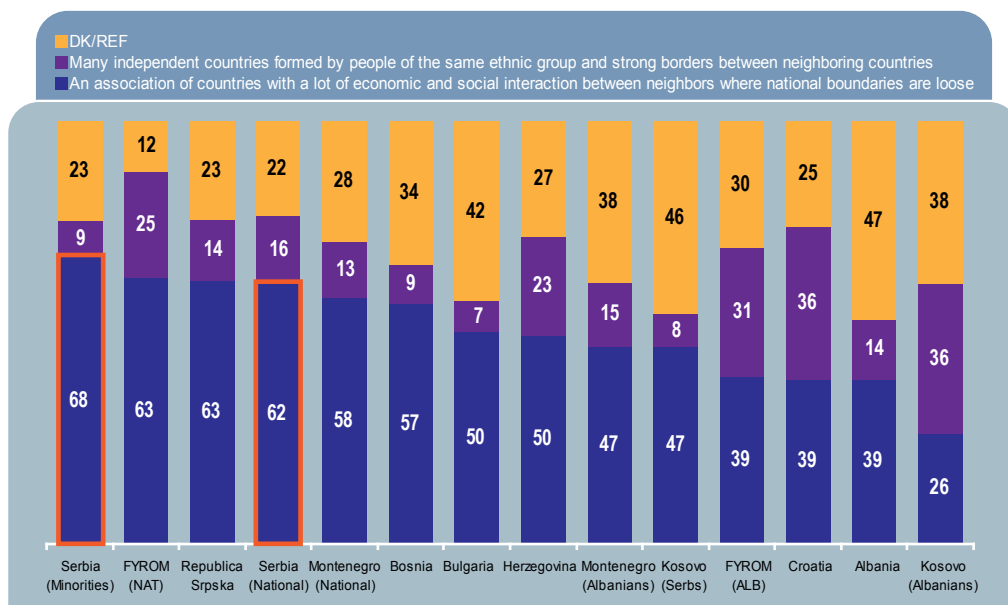
After the change of regime and the ending of international isolation in 2000, successive governments of Serbia²⁴ declared normalization of regional relations and cooperation as a key foreign affairs priority.

Serbia has eight direct neighbours—more than most European countries—due to its central position within the Balkans-Danube region, where many small new states have been established. Almost two-thirds of Serbia's municipalities are located near a border, which demonstrates the vital significance of good neighbourly relations and cross-border cooperation. Internal and international positions vary among Serbia's neighbours, implying a need to foster sensitive and differentiated bilateral policies attuned to the specific needs of each partner. At the same time, a multilateral approach to regional policy allows for the balanced resolution of issues significant to all.

After a decade of conflicts, regional cooperation is still a promising way for Serbia to normalize and enhance good relations with its neighbours, especially those new countries created in the area of the former Yugoslavia. Regional cooperation mitigates difficulties arising from the creation of new state borders, which, by their very nature, are an obstacle to cross-border contacts and the smooth movement of goods, people, capital and services. This approach has facilitated and accelerated Serbia's integration into the EU, thereby reducing the discrepancies in bilateral relations resulting from different degrees of integration. It has also fostered the building of common attitudes (so called "one voice of the region"), which in turn has improved the economic and political attraction of the region for foreign investments, tourism, etc., and augmented the interests of South Eastern European countries with the EU and other international actors (Lopandić 2000¹). In Serbia itself, most people support regional cooperation (see Figure 2.1).

²⁴ In the period until May 2006, the Federal Republic of Yugoslavia and (from May 2003) the State Union of Serbia and Montenegro were responsible for foreign policy.

Figure 2.1: Serbia's strong support for cooperation



Source: Manchin 2007.

In 2007, however, the status of Kosovo had the main political impact, attracting intensive negotiations under the auspices of the UN and, later, the Troika (the EU, Russia and the United States). Serbia entered 2008 with the question of Kosovo's status overshadowing its domestic politics, economic situation and international position. During all negotiations and in international fora, including the UN Security Council, Belgrade insisted on the protection of its territorial integrity and sovereignty as defined by UN Security Council Resolution 1244. Then, on 17 February 2008, Pristina proclaimed unilateral independence. In response, Serbia declared the act null and void pursuant to positions and resolutions previously adopted by the Serbian Parliament, and lowered the level of diplomatic relations with those countries that supported Kosovo's unilateral declaration of independence. Regional cooperation has been put on the back burner, at least in the short term, as Serbia has shifted its foreign policy focus and activities towards the UN Security Council. Simultaneously, it has intensified dialogue with UN member states supporting Resolution 1244, particularly Russia. On the domestic front, there has been a complete split in the ruling coalition on whether to continue with the process of EU integration, since the majority of members recognized Kosovo's independence. Furthermore, the EU decided to send a mission on legal affairs to Kosovo to seek implementation of the Ahtisaari Plan,²⁵ which has not been approved by the UN Security Council. It was in such circumstances that the Government of Serbia was dissolved and new elections were called for 11 May 2008.

An analysis of Serbia's regional cooperation over the past years requires answers to the following questions: What was the character of regional cooperation and how did it evolve between 2001 and 2007? Was Serbia an active participant or merely a follower of different forms of regional cooperation? Has regional cooperation contributed substantively to the integration of Serbia into the region (including improved bilateral political relations with its neighbours) and to the stabilization of regional relations? To what degree has regional cooperation contributed to EU integration? Have the issues of fostering regional cooperation been instrumentalized and radicalized in the internal political arena of Serbia and neighbouring countries? Is the concrete

²⁵ See www.unmik.org.

political benefit resulting from the problems still greater for those in the political elite who have established positions based on conflicts?

This chapter will first look into Serbia's bilateral political relations with its neighbours, with special emphasis on improving human and minority rights, including regional cooperation in the area of gender equality. It will also examine cross-border cooperation, which strengthens direct links between local communities and citizens of neighbouring countries. The second part of the chapter will look at multilateral political cooperation in the region, with a special focus on different regional initiatives and forms of institutionalizing them. Special emphasis is put on parliamentary cooperation, which has a major role in numerous regional initiatives as one of the most important forms of political collaboration.

Bilateral cooperation

Serbia's regional position and foreign policy priorities

In terms of foreign policy with its neighbours, Serbia experienced important, decisive changes in 2007. This was the year in which Serbia became an independent actor in international relations, following the independence of Montenegro in 2006. In June 2007, Serbia resumed negotiations with the EU on the Stabilization and Association Agreement (SAA), which also had an impact on regional relations, and signed it on 29 April 2008.²⁶ Its implementation will depend on Serbia's full cooperation with the International Criminal Tribunal for the former Yugoslavia.

Parliamentary elections were held at the beginning of the year. Long negotiations, lasting until the last day of the date set by the Constitution for the formation of the Government, resulted in a grand coalition.²⁷ All political parties in the ruling coalition support EU integration, regional cooperation and good neighbourly relations as key foreign policy objectives. Three of the four parties are members of European political party associations.²⁸

At the end of 2006, Serbia adopted a new Constitution, which explicitly states that "European values" are the basis for Serbia's constitutional organization.²⁹ The Constitution also states: "... foreign policy of the Republic of Serbia shall be based on generally accepted principles and rules of international law."³⁰

A decisive benchmark for Serbia's international position and its foreign policy was the negotiations on the status of Kosovo, held under the auspices of the UN. Serbia has rejected the proposal made by the special envoy of the UN Secretary-General. Its main position is that the proposed plan is a revision of Resolution 1244, and violates the territorial integrity and sovereignty of Serbia, international law and other international documents. Officially, Belgrade offered to continue the negotiations, supporting a compromise solution and political and legal instruments in search of a sustainable solution acceptable to both sides.

The Preamble of Serbia's new Constitution states that "the Province of Kosovo is an integral part of the territory of Serbia, that it has the status of a substantial autonomy within the sovereign

²⁶ Available at www.seio,sr.gov.yu.

²⁷ The coalition is made up of the Democratic Party (Demokratska stranka), the Democratic Party of Serbia–New Serbia (Demokratska stranka Srbije–Nova Srbija) and G-17, and has a parliamentary majority of 130 of the 250 seats in the National Assembly of Serbia.

²⁸ The Democratic Party is a member of Socialist International, while the Democratic Party of Serbia and G-17 are members of the European populist parties.

²⁹ The text of the Constitution is available at www.parlament.sr.gov.yu.

³⁰ Constitution of the Republic of Serbia, Article 16

state of Serbia, and that from such status of the Province of Kosovo follow constitutional obligations of all state bodies to uphold and protect the state interests of Serbia in Kosovo in all internal and foreign political relations.”

The year 2007 saw another major change for Serbia with respect to its neighbours, with serious implications for its foreign policy and international position. After the Montenegro referendum of 2006, the State Union of Serbia and Montenegro ceased to exist. For the first time in seven decades, Serbia was building relations with its neighbours, the region, Europe and the world as an independent international actor. Moreover, Serbia now has two new EU members on its borders, Romania and Bulgaria, after the 2004 membership of Hungary. This marked a qualitative shift in the direct foreign policy environment with three out of eight neighbours being EU members.

Most of Serbia’s new neighbours have progressed in terms of their EU status; Croatia is in the process of negotiating its membership, Macedonia has candidate status, and Albania and Montenegro have each signed an SAA with the EU. Bosnia and Herzegovina is the only country currently waiting to sign the agreement.

Serbia’s neighbours have also made progress towards joining the North Atlantic Treaty Organization (NATO), the key military security grouping for the Western Balkans and Europe. Decisions are pending for the full membership of Albania, Bulgaria, Croatia, Hungary, Macedonia and Romania. Bosnia and Herzegovina, Montenegro and Serbia became members of the NATO programme Partnership for Peace at the end of 2006, a tacit precondition to obtain the status of EU candidacy. In 2007, a political debate on further steps towards NATO was opened in the context of the negotiations on the status of Kosovo. In the Resolution on Kosovo (2007) adopted by the Parliament, Serbia’s military-political position is referred to as a “military neutrality” (Declaration on Military Neutrality 2007), but this has not been worked out or defined.

Another key factor in Serbia’s relations with its neighbours is the fact that EU and NATO members surround the Western Balkans, so the region has become a priority for EU and NATO enlargement. Serbia now has the EU to its east and its north, which has a strong political, economic, social and psychological impact on the political elite and citizens at large. The new Government of Serbia has explicitly formulated a policy objective of working towards full EU membership. There is a clear awareness that Serbia’s path towards EU and Euro-Atlantic integration leads through the region and its neighbours.

The Strategy for the Accession of Serbia and Montenegro to the European Union,³¹ which was adopted by the National Assembly of Serbia in 2005, states key principles in relations with neighbours: peaceful resolution of disputes, good neighbourly relations, inviolability of borders and relations set by agreements. It also emphasizes the significance of relations with neighbours in creating a more conducive political climate; facilitating and intensifying the movement of people, capital, goods and services; and fostering well-designed cultural and scientific cooperation. Statements by the highest Serbian officials put strong emphasis on the significance of neighbours new and old.³² The first group includes Yugoslav successor states, while the other is made up of countries that border Serbia in the north, east and south.³³

³¹ The document was adopted in 2005. It covers both Serbia and Montenegro, following two separate strategies, one for Serbia and one for Montenegro, with a common introduction. See www.seio.sr.gov.yu.

³² Inauguration speech by President Boris Tadić (www.predsednik.yu); statement by Prime-Minister Vojislav Koštunica (www.srbija.sr.gov.yu).

³³ The new neighbours are Bosnia and Herzegovina, Croatia, Macedonia and Montenegro. The old neighbours are Albania, Bulgaria, Hungary and Romania.

Priorities will most probably be on further normalization, development and enhancement of relations with the “new” states. In this framework, an important issue for the Government of Serbia is the development of relations with Bosnia and Herzegovina (and especially with Republika Srpska),³⁴ based on the Dayton Peace Accord.³⁵

Serbia also has a legitimate interest in the position of the Serb communities living in neighbouring states, whose constitutional and legal positions vary from country to country. The approach to this issue is of major significance in bilateral relations with neighbours, and also in political relations within Serbia. The position of minorities in Serbia, who make up one-third of the population and usually originate from other countries in the region, is an equally important factor in Serbia’s relations with its neighbours and the EU, and in its overall standing in the international community. Numerous Roma populations, with no motherland in the region, are present in all countries and under certain circumstances could be an integrating factor.

The international community monitors and evaluates relations between Serbia and its neighbours on an ongoing basis. The European Commission, in its 2006 progress report on Serbia, assessed these relations as good in respect to direct neighbours, or as improving in respect to new neighbours (European Commission 2006). Likewise, a joint statement from the First Intra-Parliamentary Meeting of the European Parliament and the National Assembly of Serbia, in Brussels in 2006, states: “Serbia continues to provide a contribution to regional cooperation and follows policies aimed at improving relations with neighbours.” High-ranking members of the Council of Europe also gave a positive assessment to Serbia in the context of its chairmanship of the council during 2007.³⁶ One of the four priorities in this chairmanship was “enhancing the European perspective to improve cooperation and good neighbourly relations through improved implementation of standards and objectives of the Council of Europe in South Eastern Europe.”³⁷

In an assessment at the beginning of 2008, the EU stated: “Serbia has a key role to play in the region from an economic and political point of view” (Commission to the European Parliament and the Council 2008). Serbia is also important for the stability of the region, it said, adding that neighbouring countries would benefit from a stable and prosperous Serbia fully integrated in the family of European nations. Serbia, it concluded, faced strategic choices regarding its future, and the outcomes of the presidential elections held in February 2008 and the May parliamentary elections had confirmed Serbia’s European aspirations.

Relations with new neighbours

Those countries categorized as “new” neighbours—Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Slovenia—were created from the territory of the former Yugoslavia. Serbia’s relations with them are marked primarily by a history of living together within practically the same state borders for seven decades, but also from the circumstances related to the disintegration of the former country and the legacy of the war that accompanied it.

It is possible to distinguish two tracks in relations with the new neighbours. The first is related to issues relevant to the disintegration of the country. The general international legal framework for the resolution of outstanding issues is identified in two multilateral agreements:

³⁴ The first visit by the Foreign Affairs Minister of Serbia was to Bosnia and Herzegovina on 28 May 2007.

³⁵ The Dayton Peace Accord is available at www.vladars.net.

³⁶ See www.coe.int/T/SECRETARYGENERAL/.

³⁷ See www.mfa.gov.yu/coe.

the Dayton Peace Accord and the Succession Agreement.³⁸ The existence and operation of the International Criminal Tribunal for the former Yugoslavia is a strong influence. In this respect, one set of issues relates to building bilateral, interstate relations: mutual recognition, establishment of diplomatic relations (now in place with all five countries), border regulation, bilateral agreements and the like. Another set includes specific property concerns, acquired rights, social and health care insurance, a visa regime, refugees, displaced persons, prosecution of war crimes and the search for missing persons. The influence of internal politics on bilateral relations, and on the region as a whole, is another significant factor, which is especially noticeable in election processes. Additionally, these relations are being built in a situation of transition and profound changes in social structures with regard to issues such as ownership, privatization and consolidation of pluralistic political life.

The second track relates to all issues resulting from the fundamental foreign policy objective of Serbia—European and Euro-Atlantic integration, and primarily EU membership. The fact that, like Serbia, all new neighbours have the same foreign policy objectives is a positive factor and a stimulus to the development of bilateral relations. These issues primarily involve economic cooperation, trade, transport and communications infrastructure, energy, scientific and cultural collaboration, tourism, environmental protection, human rights and contacts among people. They include fighting organized crime, and trafficking in human beings and narcotics, as well as preventing illegal migration and terrorism. All of these areas are key elements of compatibility with the norms, standards and legal and institutional aspects of the EU's *acquis communautaire*.

Military cooperation is a separate segment. Since Serbia joined NATO's Partnership for Peace, along with all of its neighbours, harmonized activities have taken place in the reform of the defence and security sectors, and in developing new defence strategies that focus on eliminating security risks. Cooperation in this domain contributes to stability and enhances trust in the region. Within the South Eastern Europe Stability Pact, Serbia participates actively in the work of the Regional Arms Control Verification and Implementation Assistance Centre,³⁹ which has made a significant contribution to establishing bilateral military cooperation.

An increasing number of non-governmental organizations (NGOs) and non-state actors are building cross-border relations with their "new" neighbours—a desirable trend that deserves support. NGOs and civil society organizations have added content and stability to bilateral relations across the region. At the same time, private sector cross-border investments are increasing, companies are building links, and bilateral and regional cooperation between political parties is growing, along with new ties to European political party associations.

Open issues

Resolving open issues with its new neighbours, in partnership and based on stable relations, regional cooperation and mutual respect, is a crucial element of Serbia's foreign policy. These include some of the following.

Charges brought before the International Court of Justice in the Hague by Bosnia and Herzegovina and the Republic of Croatia against the Federal Republic of Yugoslavia have increased tensions in Serbia's relations with these two neighbours. In the case of Bosnia and Herzegovina, the court rejected its charge of genocide during the 1992-1995 war, but ruled that Serbia was guilty of violating the Convention on Genocide because it did not act to prevent the genocide in Srebrenica, and did not prosecute and punish the perpetrators. In

³⁸ For the Agreement on the Succession of the Former Yugoslavia, see Official Gazette SRY no. 6/2007.

³⁹ The centre has been operating in the region since 2000. Based in Croatia, it is an initiative of the Stability Pact and has a two-fold objective: to facilitate arms control and the implementation of international agreements; and to act as a forum for regional dialogue and cooperation on military issues.

the case of the Republic of Croatia, the charges relate to aggression. This dispute is only in its preliminary stage, but the very existence of the charges has put pressure on relations between Croatia and Serbia.

Prosecution of war crimes is a less visible but very significant element of relations between Serbia and its new neighbours (see also Chapter 6). In view of the regional character of the war, all the states will have to work in collaboration to ensure prosecution of persons indicted of war crimes, and to achieve justice and reconciliation. Judicial cooperation with neighbours, bilateral and regional, is also key in making progress in the search for missing persons.⁴⁰

Complex and sensitive border negotiations have been ongoing since the democratic changes in Serbia in October 2000. There have been some positive developments in regard to Bosnia and Herzegovina, Croatia and Macedonia—including the appointment of mixed diplomatic commissions, adoption of fundamental documents covering modalities of negotiations, and the exchange of maps and proposals. Serbia is preparing for the start of talks with Montenegro. Negotiations are likely to come into sharper focus as Serbia and its neighbours advance in the EU membership process, since the EU demands new members have as few unresolved issues as possible, especially in terms of their borders. Meanwhile, it is crucial that the lack of agreements does not curtail the cross-border movement of people and goods.

Implementation of the agreement on the succession of the former Yugoslavia is slow and selective. The division of financial resources held in foreign banks is almost finalized. Progress has been made in dividing up diplomatic-consular property. Difficulties persist in returning the property of individual persons, however. The lack of full implementation of the agreement may be an obstacle to economic cooperation and result in long court litigation.

The number of refugees in Serbia is 440,000.⁴¹ Most are Serb nationals who have fled Bosnia and Herzegovina, and Croatia (see also Chapter 5). In 2004, Bosnia and Herzegovina, Croatia and Serbia signed the Sarajevo Declaration on the return of refugees, implying that this is a bilateral and regional issue.⁴² But implementation has been slow and unsteady, partly as a result of different regulations on the return of property, especially tenants' rights. One of the most politically important issues is the fact that the Serbian people live under a different constitutional-legal position in several states in the Balkan Peninsula and in Central Europe. Serbia follows European principles and standards in managing relations with Serbs outside its state borders, striving to determine their position by agreements and through active engagement with its neighbours. Serbian authorities have shown an interest in signing agreements on dual citizenship, but so far only Bosnia and Herzegovina has done so. Montenegro has criticized the proposal.

The Serbian Orthodox Church is controversial in some states. Its position and activities are subject to agreements in Bosnia and Herzegovina, and Croatia, while its role in Macedonia and Montenegro is an issue of dispute that does not contribute positively to relations with these states.

⁴⁰ According to the data provide by the Commission for Missing Persons of the Government of Serbia, there are 439 missing citizens of Serbia in Croatia, and 103 in Bosnia and Herzegovina. The commission also has available data on 2,400 persons of Serb nationality in Croatia. The data available to the International Committee of the Red Cross include 1,200 such persons.

⁴¹ Data from the Republic Commissioner for Refugees of the Republic of Serbia from 2005 state that 76,546 persons who have fled Croatia are now residing in Serbia with refugee status. It is estimated that over 150,000 refugees from Croatia have acquired Serbian citizenship. Croatian data indicate that the number of returnees from Serbia is 91,555. For more details, see www.kirs.sr.gov.yu.

⁴² The Sarajevo Declaration is available at www.kirs.sr.gov.yu.

Relations with old neighbours

Good relations and continued political dialogue characterize Serbia's foreign policy and relations with its old neighbours, Albania, Bulgaria, Hungary and Romania. Three of the four are members of the EU (Hungary since 2004, and Romania and Bulgaria since 2007) and of NATO. The fact that they belong to groups that Serbia aspires to join is a significant aspect of relations. As EU and NATO members, they are reliable, acceptable and predictable partners. With their support, Serbia is better able to access EU funds and special EU programmes for the development of the EU region.

There is a fundamental problem due to the obligations of these countries to the EU common foreign and security policy, which limits the movement of people. This has hampered Serbia's dialogue with them on the positions of the Hungarian, Romanian and Bulgarian minorities in Serbia and of the Serb minority in Hungary and Romania. The current focus is on establishing dialogue and cooperation based on Council of Europe and EU standards.

Serbia does not have border problems with these neighbours, as border agreements were inherited from the former Yugoslavia. Other advantages come from the transport, tourism, environmental and general economic development potential of the Danube, as the biggest and most important river of the EU.

Together with Serbia, three of the four "old" neighbours (Albania, Bulgaria and Romania) participate in the South Eastern Europe Cooperation Process, the underlying political framework of regional cooperation in the Balkan Peninsula.

Relations with Albania have been stalled for some time. The main reason for this is the support of Albanian authorities for the independence of Kosovo. In 1992, Albania recognized the "Republic of Kosovo" and has maintained active contacts through provisional institutions established there.

Key areas of cooperation

Human and minority rights

The political and interstate problems the countries of South Eastern Europe faced with the beginning of transition, including the mass violations of human rights during the dramatic disintegration of Yugoslavia, are now past. The legacy of this era, however, continues to affect the overall situation in the region, adding tension to relations between countries and slowing down the process of EU and Euro-Atlantic integration.

Some of the problems arise in respect to the enforcement of human and minority rights in the region. For instance, the countries of the Western Balkans committed to respect human and minority rights during negotiations for the Stabilization and Association Process (SAP) with the EU, but many of them have not yet finalized the institutional and legislative structures needed to implement this commitment. Serbia itself has failed to fully institutionalize the protection of human rights and the rights of national minorities with respect to diversity since the adoption of the new Constitution. As yet there has been no major social campaign to face the past and address responsibility for the events that shook the region in the 1990s.

Regional initiatives to promote both human rights and the rights of national minorities are not frequent, despite the ineffectual programme of implementing obligations to international agreements. The major regional initiatives—the Stability Pact, which has been transformed in significance and structure during 2008, and the Central European Initiative—were introduced externally and are not authentic regional contributions to enhancing regional links. State actors have a tendency to discuss and regulate these issues through bilateral relations and, to a lesser degree, through cross-border cooperation. NGOs have been more active than

government actors, developing projects focusing on the regional dimensions of the protection and enhancement of human and minority rights.

With respect to bilateral cooperation, the Council of Europe Framework Convention for the Protection of National Minorities recommends that whenever possible, old neighbours should sign multilateral or bilateral agreements on the protection of national minorities. In 1995, the UN Commission on Human Rights clearly advocated bilateral agreements.⁴³ These have a long history in Europe. Aware of their advantages, international organizations have undertaken activities and initiatives to improve relevant instruments and mechanisms.⁴⁴

Bilateral agreements have the advantage of being able to focus on the specific needs of each national minority, depending on the historical, political and societal circumstances affecting their position. They have also contributed to improving relations and stability in the region, as well as the position of minorities, but they would be even more efficient if states established adequate mechanisms for their implementation. For that purpose, interstate commissions, including with minority representatives, have been established. They do not have efficient mechanisms to influence decision-making, however, and have been limited to making recommendations to governments on implementing and amending the agreements.

The benefits for minorities in these agreements mainly cover culture and education; social and health care protection; exemptions for visas, residence permits and taxes; issuance of work permits; reduced travel costs to the home country and advantages in acquiring citizenship in home countries. The scope of rights granted to compatriots abroad differs from state to state; some grant few of the above benefits while others, like Hungary, have agreements that are more comprehensive. The Serbian Constitution makes reference to the obligation of the state to protect the rights and interests of its citizens abroad (although not of its original diaspora), including a simplified procedure for obtaining passports.

As is the case with regional links, NGOs appear to lead in bilateral initiatives, with most of their projects focussing on removing the consequences of conflicts, building tolerance and enhancing inter-ethnic relations, and integrating the region into the EU and NATO.

The political role of gender equality

Serbia's multiple and complex efforts towards achieving gender equality have been closely linked to anti-war and reconciliation efforts since the beginning of the 1990s. A dynamic and innovative women's movement, established in the mid-1970s, gained new impetus with the wars in the former Yugoslavia and the consequent, deterioration of women's status, increasing misogyny and conflict dynamics of gender relations.

Since the mid-1990s, the scope of the activities of women's NGOs has increased, and they have gained more expertise in a growing number of specific issue areas (see Box 2.1). Earlier women's groups in Serbia were mainly focused on awareness-raising activities (for example, Women and Society Group/Grupa Zene i drustvo), education (Women's Study Centre), political activities (Women's Party, Women's Parliament, Women's Lobby and Women in Black) and the

⁴³ According to data of the Belgrade Centre for Human Rights, Serbia has obligations under 80 international agreements relevant to the protection of human rights, of which 20 have been signed and ratified since World War II, 25 were ratified by the Assembly of the Socialist Federal Republic of Yugoslavia, 16 by the Assembly of the Federal Republic of Yugoslavia, and 10 by the Parliament of the State Union of Serbia and Montenegro. Serbia is obligated to nine international agreements, most of which refer to the protection of social and economic rights, enjoyment and protection of political and civil rights, the rights of vulnerable groups (national minorities, refugees and detainees), the prevention of discrimination, ending corruption, and preventing extreme violation of human rights (genocide and torture).

⁴⁴ See UN document E/CN.4/1995 L.32, 22 February 1995.

struggle against violence against women (SOS phone and the Autonomous Women's Centre Against Violence against Women).

Later groups started to organize around economic issues and the protection of minority women (women refugees, handicapped women, lesbians, Roma women and trafficking). They have not only proliferated throughout Serbia, but also professionalized their activities. In 2006, 35 women's groups in Serbia were involved in a process sponsored by the UN Development Fund for Women⁴⁵ to develop a National Plan of Action for the empowerment of women and the strengthening of gender equality (2007-2010). This collaboration is a good precondition for the development of a long-term partnership between the state and the women's movement, which should advance institutional transformation towards increased gender equality in all domains.

In the 1990s, women's political engagement was a key factor in the anti-war movement, democratic protests (1991, 1992, 1996-1997 and 2000) and elections, but after the 2000 elections women were largely excluded from the political decision-making arena. Major democratic parties, with rare exceptions, are still dominated by old boys' networks. The present phase of democratic development, marked by the personal gains to be made from inclusion into the "new political class" and informal systems and structures of political decision-making (clans, clientelism, favouritism), hinders women from being judged on the basis of their competencies. Women politicians have been slow in building solidarity networks to support each other, whether within the parties or across party lines. Instead, the existence of small quotas for women has exacerbated the competition between them. The percentage of women parliamentarians increased from 12.4 percent to 20.4 percent in the last election, but this does not reflect the extent of women's political and party participation.

These facts correspond with the disempowerment felt by most ordinary citizens, women and men. According to a recent study, "Gender Barometer: Serbia, 2006," there is a growing gap between them and the new political class—only 5.2 percent of women and 9.2 percent of men felt that, as citizens, they have more influence on decision-making after the changes in 2000.

The field of gender equality, or gender mainstreaming, in contemporary South Eastern Europe includes a number of different stakeholders at both the national and international levels. Aside from women's NGOs and movements, they comprise: all the major institutions in the EU, the UN and other international organizations; specific international agencies dedicated to women's issues; donor organizations and intermediate organizations/networks; different state machineries for gender mainstreaming; political parties and associations of political parties; women's organizations within the parties; women's unions and organizations within the unions; and individual women and men politicians and influential leaders. Through connections and exchanges, and joint projects and activities, these stakeholders have created a dense web of gender-related policies and mobilized political pressure for their implementation. Regional cooperation is an essential strategy embraced by all major national stakeholders involved in gender equality issues, because it contributes both to the internationalization of women's issues and political pressures that move things forward, as well as to regional cooperation in establishing civil society.

Regional networks have often been incorporated within wider women's networks. An example is the Central and Eastern European Network for Gender Issues, which was initiated in 1994 by the European Forum for Democracy and Solidarity to address the gender aspects of building democracy and the status of women in countries in transition. This working group initiated many activities and organized workshops and conferences all over the region, on a voluntary basis. In 1997, the European Forum decided to continue the work on these issues and give it

⁴⁵ See www.unifem.org.

Box 2.1. The growth of women's activism

The first SOS telephone was established in Zagreb (1988), followed by similar systems in Ljubljana (1989) and Belgrade (1990). Women activists from Belgrade were trained in Zagreb prior to starting the project in Belgrade.

***Women in Black** from the former Yugoslavia, the best known anti-war women's group, started to meet outside of the territory of the former Yugoslavia, to initiate communication. In 1992, women from Ljubljana, Zagreb, Belgrade, Priština, Novi Sad and Skopje gathered in Venice to exchange experiences, and continued networking during the war years. These meetings were often challenged with serious and painful discussions on the connection between individual and collective guilt, and on the "hierarchy of victimhoods," but they opened a space for a much needed public debate on war, responsibility and reconciliation.*

*A regional conference, "**Women and the Politics of Peace**," was held in Zagreb in 1996. It brought together feminists from the wider region of the Balkans and the Mediterranean.*

***Lesbian groups** from Ljubljana, Zagreb and Belgrade have held three regional conferences, starting in 1997.*

a more formalized structure. Another example is the Central and Eastern European Women's Network/East-West Women's Network, which connects women's advocates in more than 30 countries. Members represent a broad range—feminist and human rights activists, writers, students, journalists, lawyers, parliamentarians, professors, artists, union organizers and health care workers. Its overarching goal is to support the formation of independent women's movements and to strengthen the capacities of women and women's NGOs to influence policy that impacts on women's lives.

Cooperation between feminist scholars at women's studies centres in the region is ongoing in the form of lectures, conferences, joint publications and the exchange of experiences. The "First Balkan Conference on Gender: Troubles with the Balkans," held in Sarajevo in 2004, gathered many prominent feminist scholars and young researchers from the region; another is being organized for 2008. In 2007, postgraduate gender studies were initiated, also in Sarajevo, involving teachers and students from across the region. Joint research and publication projects are increasingly common. Sometimes these are external initiatives; for example, in 2003, the EU Parliament commissioned a comparative study on the Social Status of Women in the Balkans. Many of these projects originate in the region, however, and from the bottom up, driven by NGOs, expert groups, networks of scholars, etc.

In May 2007, Serbia submitted its report on the implementation of the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) at two sessions of the CEDAW Committee. The Committee's main recommendations point to the need to finalize legislative changes to ensure gender equality, enable monitoring, develop complaint mechanisms and strengthen gender mechanisms.

Parliamentary cooperation

The Stability Pact has designated parliamentary cooperation as one of the priorities of regional cooperation. To date, parliamentary cooperation has been indirect, through events organized by the Council of Europe, the Organization for Security and Cooperation in Europe, NATO and contacts with the European Parliament. These activities were directed towards enhancing capacities and building sustainable operating structures between parliaments.

Priorities in parliamentary cooperation have centred on issues relevant to European integration, primarily the harmonization of regional and EU legislation, democratic oversight of the security sector, budget oversight, reforms of the judiciary, macroeconomic and social policy, visa regimes and education. The strengthening of regional cooperation, especially through the signing of the Central European Free Trade Agreement (CEFTA) and the South Eastern Europe Energy Community Treaty, is enabling more proactive approaches. Furthermore, country negotiations with the EU present a unique opportunity for parliamentarians to exchange experiences about the legislative activity accompanying EU integration, including drafting legislation, conducting parliamentary debate, and ratifying and monitoring implementation. Exchanges over parliamentary cooperation with other sectors of society, especially civil society organizations, are also important. Cooperation should extend to technical and support services within parliaments.

Parliamentarians can both promote regional cooperation and contribute to regional stability, a win-win situation for a region focused on EU integration. Support to such efforts is expected from associations of European political parties to which most parliamentarians in the region belong. Cooperation has been established through the Conference of Committees for EU Integration, which brings together parliamentary committees of countries undergoing the SAP process. This body has established link with the relevant body of EU integration committees of EU member states.

The significance of parliamentary cooperation has also been recognized by the conversion of the Stability Pact into the Regional Cooperation Council, which is based in Sofia. Parliamentary cooperation will be the overarching activity of the council, possibly through the creation of a Parliamentary Assembly.

In Serbia, parliamentary cooperation is the most important form of international cooperation undertaken by the National Assembly. According to its 2006 Report on International Cooperation, it hosted 32 visits by representative bodies of other countries and delegations of multilateral parliamentary institutions, along with talks with foreign parliamentary delegations.

Cross-border cooperation and Euro-regions

Cross-border cooperation plays a special role in the process of European integration as a driving force for the development of border regions and local communities along state borders.⁴⁶ Euro-regions are an important segment of cross-border cooperation,⁴⁷ which can be perceived both as a process and an instrument for developing the potential and capacity of local governments in border regions to provide the services for which they are responsible. It can evolve successfully only in those areas and domains in which local authorities on both sides of the border have comparable interests and equal levels of competence. The ultimate objective is to establish and develop partnerships and contacts, and improve the economic, cultural, social and overall potentials of the region. This form of cooperation, therefore, can contribute significantly to stable and enhanced relations between states.

Border regions have long been on the periphery of social and economic development. They have been neglected in terms of economic, social and infrastructure development, and are the least developed areas within the countries of this region. In the context of European integration, borders are no longer perceived as a factor of separation, but as a means of bringing regions together. Cooperation through joint projects and programmes aims to promote their development, with Euro-regions the last step in this process. Such cross-border cooperation in EU member states has been going on for many years and has so far yielded good results in reducing development discrepancies. The implementation of such programmes prompted the EU to establish the Neighbourhood Programme in 2004 to support cross-border cooperation,

⁴⁶ Data indicate that 33.13 percent of the total number of Hungarians in Serbia live in four municipalities neighbouring with Hungary; 27.13 percent of Croats live in seven neighbouring municipalities; 75.82 percent of Bulgarians live in two neighbouring municipalities; and 32.8 percent Romanians live in 13 municipalities. Finally, 11.5 percent of Wallachians, who have the right to individual expression of identity-ethnic origin, live in four municipalities bordering on Romania. Eighty percent of Bosniaks in Serbia live in Snadžak (the municipalities of Novi Pazar, Sjenica and Tutin), and there are six more municipalities with populations that are 15.68 percent Muslim. Significant numbers of Serbs live in the border areas of Serbia's neighbours. Eighty percent of Serbs in Romania live in the border districts of Timiș and Mehedinț, and numerous members of the Serb population in Croatia live in the bordering areas of Baranja. In Hungary, which hosts the greatest number of Serbs, most live in the border areas around Szeged.

⁴⁷ Euro-regions were established as non-political entities to resolve common problems, advance the welfare of citizens living in border regions and coordinate joint community projects, in accordance with the national legislation of participating countries and international law. In terms of their legal status, Euro-regions differ with respect to their organization and structure: Some have the status of legal entities, some are based on private and public law, while others work with communities with the status of legal entities. There are no internationally adopted legal definitions and descriptions of Euro-regions as a model of cross-border cooperation. In order to resolve the issues, the Council of Europe has offered the European Framework Convention on Cross-border Cooperation, better known as the Madrid Convention. The Republic of Serbia is not yet a signatory but is obliged to sign and ratify it as a member of the council.

Box 2.2. Regional initiatives and membership

South Eastern Europe Cooperation Process

This began at the meeting of ministries of foreign affairs in Sofia in 1996 and is the continuation of the original tradition of "cooperation in the Balkans" of the 1970s and 1980s. Eleven countries participate: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Moldova, Montenegro, Romania, Serbia and Turkey. The process involves summits, regular meetings of ministries of foreign affairs, the activities of the "Troika," meetings of political directors and sectoral ministerial meetings. Individual countries preside for one year.

South Eastern Europe Stability Pact

The EU established the Pact in 1999 as a component of the SAP strategy for the Western Balkans. Serbia and Montenegro became a member in October 2000. The beneficiaries are the six countries of the Western Balkans, as well as Bulgaria, Moldova, Romania and the UN Mission in Kosovo (UNMIK). The pact includes other neighbouring countries (such as Hungary and Slovenia), international institutions (like the World Bank and Organisation for Economic Cooperation and Development) and bilateral donors (the EU, United States, Japan, etc.). It functions through annual "regional tables" (ministers of participating countries), three working tables (democracy and human rights, economy, and security and justice) and about 20 other specific initiatives.

Central European Initiative (CEI)

Initiated in 1989 after a proposal made by Italy, it presently includes 18 member states. Serbia and Montenegro became a member at the end of 2000. It holds annual summits, meetings of ministries of foreign affairs, meetings of international coordinators and numerous working groups. A secretariat in Trieste manages a small budget and projects funded through the European Bank for Reconstruction and Development.

and prevent and reduce the differences in the development of regions along the external EU borders. The Neighbourhood Programme focuses on establishing and promoting contacts between local communities, and strengthening cultural, social and economic links and cooperation. This instrument also aims to advance sustainable development, environmental protection and the fight against organized crime, and improve border management and security. It reflects the development priorities of border regions and the EU, as well as the EU ideals of freedom of movement of people, goods, capital and ideas.

The Neighbourhood Programme will contribute to improving bilateral relations in the region, and thereby regional cooperation. Positive effects are expected in economic, cultural and tourism cooperation, as well as in environmental protection. It will also contribute to reducing development disparities and creating new forms of cooperation between citizens, institutions and organizations on both sides of the border.

A special aspect of Serbia's cross-border cooperation relates to the cooperation of minority communities with their home countries. This form of cooperation is of special significance for the process of reconciliation, stabilization and the forging of ties between Serbia and its new neighbours, especially Bosnia and Herzegovina, and Croatia.

Multilateral initiatives

After a decade of isolation, in 2001 and 2002, Serbia quickly renewed its status with or joined the following regional initiatives: the South Eastern Europe Cooperation Process, the Stability Pact, the South Eastern Europe Cooperation Initiative, the Central European Initiative, Black Sea Economic Cooperation, the Adriatic-Ionian Initiative, the Danube Cooperation Process, the Sava River Commission and the Regional Arms Control Verification and Implementation Assistance Centre (see Box 2.2). Within these regional initiatives and organizations, Serbia has been active in over 100 different areas, including working groups, sectoral centres and specific projects. Significant milestones include chairing the Cooperation Process (April 2002 to April 2003), hosting the regional meeting of the Stability Pact in Belgrade (May 2006), and chairing the Adriatic-Ionian Initiative (2004-2005) and the Black Sea Economic Cooperation process (2006-2007), as well as a number of other regional forums.

Issues and difficulties

Serbia has made progress on regional integration, but the process has been fraught with difficulties resulting from internal and external problems, such as: the status of Kosovo; lack of public awareness on the importance of regional cooperation and its links with EU integration; limited funding and administrative capacities; legal and organizational difficulties; and lack of openness on the part of the central Government towards local government and NGO initiatives.

External difficulties and obstacles include the number and complexity of regional cooperation activities, resulting in considerable overlapping and lack of clearly defined content and objectives, and problems in bilateral relations with neighbours. In addition, there is a lack of coherence in certain aspects between bilateral policies of the EU towards the Western Balkans (SAP) and regional cooperation, and between donor-driven initiatives and the interests of national actors or beneficiaries, with some weighted in favour of external interests. Artificially established cooperation stemming from the need to fulfil EU conditionalities also poses problems.

The implementation of Serbia's regional cooperation policy as a part of its foreign policy has depended to a certain degree on the specific constitutional situation of Serbia from 2000 to 2006. It was one of two constituent members of the Federal Republic of Yugoslavia until 2003, and part of the State Union of Serbia and Montenegro until May 2006 (Đurković 2007, p. 226; Jovanović 2006; and Vejvoda 2004 pp. 37-55). Uncertainty about the final constitutional

outcome was an obstacle to setting and implementing a clear long-term foreign policy strategy, coordinating responsibilities between sectors, and defining clear roles for the Ministry of Foreign Affairs and its diplomatic network abroad. The main actor of regional cooperation policy was the Ministry of Foreign Affairs of the Federal Republic of Yugoslavia—in other words, an institution that was placed at the level of the State Union administration of Serbia and Montenegro. In contrast to Montenegro, which during this period had its own Ministry of Foreign Affairs at the republic level, Serbia did not establish a separate ministry until the dissolution of the State Union. These uncertainties extended to Serbia's participation in some regional organizations.

With respect to coordination in the Republic of Serbia, the Ministry of Foreign Affairs and other bodies at the State Union level were not fully involved in the work of the Serbian bodies and inter-ministerial commissions. This resulted in State Union bodies being treated to some degree as “foreign” by sectors within the Serbian Government, which placed additional burdens on information exchange, cooperation and coordination efforts.

Apart from the constitutional obstacles, the specific position of Serbia in regional initiatives resulted from attempts by UNMIK to participate autonomously in the name of Kosovo in regional cooperation. Such trends became most visible after the establishment of the State Union of Serbia and Montenegro. In this context UNMIK participated, for example, in activities of the Stability Pact, and it was among the signatories of certain multilateral agreements, such as the South Eastern Europe Energy Community Treaty, the Open Sky agreement and CEFTA. Serbian representatives, with some reservations, accepted UNMIK's participation to demonstrate that it was possible to include Kosovo in regional cooperation by implementing UN Security Council Resolution 1244. The authorities did not have a coherent approach to this issue; sometimes it was more rigid, at other times more flexible. In the future, Kosovo's unilateral declaration of independence may become an even greater factor complicating the participation of Serbia in regional activities. This became apparent during 2006 and 2007 at some Cooperation Process and Stability Pact meetings, where the status of Kosovo was increasingly the main topic of discussions and source of disputes among participants.

Generally, the major national political actors have supported Serbia's participation in different regional activities, although this has varied on a case-by-case basis. While regional cooperation at the highest political levels (heads of state and government, ministries of foreign affairs, parliaments) has been explicitly promoted, at the operational levels of ministries and at lower levels the situation depends on individual circumstances. There are divergent degrees of interest and capacities for active participation.⁴⁸ In some cases, representatives of the Republic of Serbia have been very active in putting forward recommendations, and organizing meetings and other activities. Serbia showed initiative and organizing capacity during its chairmanship of the Cooperation Process and in the implementation of the Neighbourhood Programme mentioned above. In other cases, its participation has been less visible. In certain initiatives, there were many complaints of excessive workload, insufficient administrative assistance and duplication of similar activities by different international organizations (for instance, anti-corruption initiatives related to the UN, EU and Stability Pact).

The engagement and effectiveness of Serbia's participation in individual initiatives has often depended on the profile and role of its representatives, the level of support they had in the national context, and the extent of their capacity to organize the relevant national coordination structure. In general, representatives have been more efficient when they come from government sectors with clearly defined roles and responsibilities. Difficulties have arisen

Southeast European Cooperative Initiative (SECI)

Established in 1996 on the suggestion of the United States, it serves as a “pragmatic form” of regional cooperation. It is partly integrated in the Stability Pact (both initiatives have the same international coordinator). Its most high-profile project is the centre for fighting trans-border crime in Bucharest (the coordinating body for ministries of home affairs and customs administration in the region).

Black Sea Economic Cooperation

It convenes countries of the Black Sea region and some Balkan countries (Albania, Greece and Serbia), with a secretariat in Istanbul and a development bank in Thessalonica. It holds summits and regular meetings of ministries of foreign affairs, along with sectoral meetings involving about 10 working groups. Serbia and Montenegro became a member in 2003.

The Danube Cooperation Process

Initiated in 2002 by Austria and Romania, this holds intermittent ministerial meetings and business conferences for the Danubian countries.

Adriatic-Ionian Initiative

Italy began sponsoring this in 1998, with members comprising the coastal countries of the Adriatic and Ionian seas. Activities are organized through six working tables and ministerial meetings organized by the presiding country.

Other forms of cooperation have been established for specific issues, in some cases with donor assistance. They include:

*The **Stability Pact Initiative against Organised Crime (SPOC)** in Bucharest under the centre for fighting trans-border crime;*

*The **Stability Pact Anti-Corruption Initiative (SPAI)**, a regional anti-corruption centre in Sarajevo;*

*The **Migration, Asylum, Refugees Regional Initiative (MARRI)** in Skopje;*

*The **South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC)** in Belgrade;*

e-SEE, a broadband initiative for the development of e-government located in Sarajevo; and

*The **Education Reform Initiative (ERI)** in Zagreb.*

⁴⁸ On administrative capacities in Serbia, see: EPUS 2004; COM Serbia Progress Report 2006.

most often when these were not clearly defined,⁴⁹ or when participants came from NGOs without sufficient national or local support. Other challenges have stemmed from inadequate national legislation for appropriate engagement or from lack of experience. The development of multilateral cooperation in the region, while also improving bilateral relations, especially with neighbours from the former Yugoslavia, has been an important issue. Despite the positive effects of regional initiatives on Serbia's position within the region and cooperation with neighbouring countries, it should be noted that these initiatives have not yet resulted in a substantive change in the region's political and socioeconomic environment.

Regional initiatives have on the whole yielded only partial results (UNECE 1996).⁵⁰ There are many reasons for this, ranging from insufficient political support, to lack of funding and administrative experience, to unclear objectives and operational plans. Even as regional cooperation has been enlarged and strengthened, and Serbia has played a visible role, this trend has not always been accompanied by improvements in some of the more sensitive bilateral relations, such as those with Bosnia and Herzegovina or Croatia. Such relations suffer from the legacy of past conflicts and internal politics. This means there is no automatic correlation between improved multilateral regional relations and bilateral cooperation (although the former indirectly has a positive effect on the latter and vice versa). Moreover, there are limitations to any spill-over from good relations between countries; improved economic and trade cooperation, transport, police cooperation, etc. do not automatically contribute to improved political relations, for example.

The evolution of regional cooperation towards strengthening regional ownership as a major element in multilateral cooperation may, paradoxically, lead to tensions. This is because the greater involvement of a country makes unresolved problems and obstacles resulting from bilateral relations more visible.⁵¹ As external actors (especially the EU) reduce their tactical role in cooperation processes such as the Stability Pact, the pressure increases on countries of the region to promote their own more specific positions and interests. For example, in negotiations on CEFTA 2006 and on structuring the future Regional Cooperation Council, Croatia worked much harder (and succeeded to a great degree) to establish itself as a regional leader. Other countries, including Serbia, increased their engagement. There was also a marked trend towards the formation of "spontaneous coalitions" between certain countries, not involving Serbia. Such examples may be the basis for healthy regional competition, which in the long run could lead to more effective regional cooperation (provided that it is not abused or blocked). This requires a careful approach by Serbia, which should work more towards bringing neighbours together around common interests.

Serbia's participation and positive approach in regional cooperation contributes to facilitating the process of EU integration, as one of the SAP's political criteria and a legal obligation under the SAA. The regional component of the EU's Community Assistance for Reconstruction, Development and Stabilisation programme has provided additional incentives for cooperation (cross-border, home affairs, judiciary and trade cooperation, programmes, etc.). The same is

⁴⁹ A typical example is the participation in the Disaster Preparedness and Prevention Initiative of the Stability Pact, with disputes about the division of competencies between the Ministry of Defense and the Ministry of the Interior.

⁵⁰ This statement also refers to other sub-regions.

⁵¹ For example, the former Minister of Foreign Affairs of Serbia and Montenegro, Vuk Drašković, despite numerous meetings with Croatian officials on regional cooperation, did not make a single official visit to Zagreb in the context of bilateral relations as a result of reactions from Croatia to his positions on certain historical issues. Similarly, between 2005 and 2006, the leaders of Serbia and Montenegro/Serbia and Bosnia and Herzegovina met at numerous multilateral summits, but not a single high-level bilateral meeting took place within the bilateral Cooperation Council or otherwise.

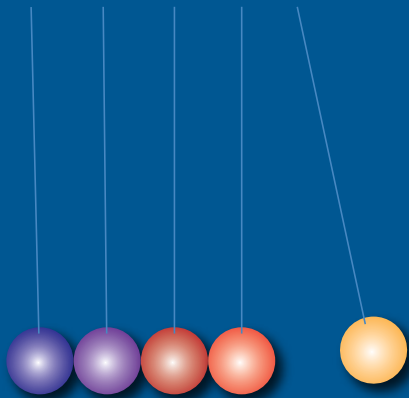
expected of the 2007 Instrument for Pre-Accession (IPA) that has replaced the programme as a policy instrument.

Conclusions and recommendations

Serbia needs to accurately and clearly identify its foreign policy priorities, including those for closer cooperation with its neighbours, and EU and Euro-Atlantic integration. Some recommendations include the following.

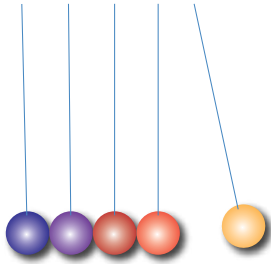
- Initiative, transparency, continued dialogue and openness to its neighbours and to the region are the necessary prerequisites for a different image of Serbia to emerge worldwide and to help it adjust to acting independently in international relations.
- Bilateral relations and regional cooperation will continue to be influenced by national political developments. Strengthening relations based on agreements, both in bilateral and regional terms, stabilizes dialogue and cooperation, although internal political and especially election-related dynamics may yield negative effects.
- Transformation of regional cooperation towards “regional ownership” implies a careful division of roles and participation of countries of the region in specific activities and initiatives, based on positive competition and regional synergies.
- Removal of the obstacles to speeding up European integration and regional cooperation depends especially on political requirements (such as cooperation with the International Criminal Tribunal for the former Yugoslavia, and the policy of reconciliation with neighbours).
- The links between foreign trade policy objectives and the interests of Serbia, and programmes and initiatives for regional cooperation, should be more clearly defined to achieve full participation.
- It is important to identify key political and economic priorities that should be promoted through different forms of regional cooperation (for example, the development of infrastructure, energy sectors, visa policies, justice and home affairs, cooperation in the Danube and Sava watersheds, development of e-government, education, etc.). Priorities should be oriented towards promoting economic growth and cooperation.
- Working groups should coordinate each priority area of cooperation as identified in the regional cooperation strategy of Serbia: economic development, infrastructure development, justice and home affairs, cooperation in security and defence, and development of human resources (education and science). These working groups need to be linked with the relevant EU structures.
- A cost-benefit analysis of certain programmes is required since participation in regional initiatives increasingly requires funding from the budget (funding secretariats of the Regional Cooperation Council and other initiatives, withdrawal of donors from certain programmes, an increased number of different “centres” for cooperation, etc.).
- Regional ownership implies greater efforts towards nationalizing numerous regional initiatives, avoiding undue duplication (especially between the Regional Cooperation Council, the Central European Initiative, SAP and Black Sea Economic Cooperation), and reducing the costs of certain activities, including through the dissolution of certain centres.
- Special efforts are needed to promote a regional neighbourhood policy in terms of using EU IPA funds, underlining Serbia’s positive contributions as a foreign policy partner and regional actor.

- Capacities for and coordination of regional cooperation should be strengthened both at national level and at the level of specific activities and projects, in order to improve coordination, efficiency and transparency. The integration of the Ministry of Foreign Affairs in the Government of Serbia will facilitate this process. There is also a need for a coordinated evaluation of human and other resources of the Ministry of Foreign Affairs and other relevant sectors, in order to strengthen, whenever possible, the presence of Serbia in the standing and working bodies of regional institutions.
- Actors outside of the central government, especially local governments, businesses (including chambers of commerce and associations of employers), NGOs and citizens associations should be more engaged in the coordination process, not only at the administrative level, but also as active participants in regional activities. To that end, it is useful to establish broader bodies for coordination and information, similar to the process of coordination for EU cooperation (for example, the Consultative Council for Regional Cooperation).
- Cooperation between parliaments, their committees and individual parliamentarians provides room for improving relations with neighbours and overall regional cooperation. Equally important is the cooperation between political parties, and its transfer from the European political associations to the bilateral and regional level.
- Minorities should be involved in regional cooperation and the development of bilateral relations. A stable region, integrated in the EU, is the best guarantee for the protection of human and minority rights, and for smooth communication between minorities and their home countries.
- A proactive approach to participation in regional cooperation should have a view towards developing “micro-alliances” with countries with similar interests and objectives. This would require redirecting cooperation from comprehensive initiatives in which all countries participate to more specific initiatives engaging interest countries, on an ad hoc and ongoing basis.
- Serbia will need to define its position in regional cooperation with respect to Kosovo’s unilateral declaration of independence, to avoid isolation.
- Further regional cooperation should work towards developing a common platform vis-à-vis Brussels, including common political positions at the highest level and in diplomatic activities (for example, the promotion of common interests and the benefits for the EU from regional membership, including through a regional information strategy targeting EU citizens).



CHAPTER 3

REGIONAL COOPERATION TO PROMOTE TRADE AND INVESTMENT: PROSPECTS FOR OVERCOMING JOBLESS GROWTH



CHAPTER 3 **REGIONAL COOPERATION TO PROMOTE TRADE AND INVESTMENT: PROSPECTS FOR OVERCOMING JOBLESS GROWTH**

Introduction

Economic growth is a fundamental component of human development, although not the only one. A well-functioning economy provides employment opportunities and improves people's living standards. In transition countries, it supports democratic reforms and social transformation. To be sustainable, economic growth must, among other things, be based on information, knowledge and innovation, implying substantial investments in research and development, innovation, the widespread application of current information technologies, the sustainable use of resources and an enhanced business environment.

It must also be linked to human development objectives, including the equitable provision of decent employment. In the Western Balkans, economic recovery has been accompanied by "jobless growth," entailing increased labour productivity and real wages, but without fair distribution of the benefits. UNDP research shows that labour markets are stagnant and job creation rates are low (Slay, Maddock and Kulic, 2006, pp. 2-5).

In a globalized world, economic growth cannot be achieved in isolation. Regional economic cooperation is key for Serbia to sustain and expand the results achieved since 2000. Cultivating common economic interests among neighbouring countries can also help build confidence and overcome tensions related to recent conflicts. The prospect of EU integration makes regional cooperation and good neighbourly relations even more important.

Economic cooperation is assuming an increasingly important role in four aspects of Serbia's economic development: trade, foreign direct investment (FDI), small and medium enterprises, and development assistance.

Basic economic indicators in South Eastern Europe

The countries in South Eastern Europe have embraced different processes of economic transformation based on variations in wages, tax systems, social security systems, the education of the work force and the need for economic restructuring (Balkan Institute for Labour and Social Policy 2008, p. 8). As a whole, these nations are still underdeveloped, with significant levels of unemployment, extensive grey economies, great dependency on foreign aid, and market institutions and business environments insufficiently developed to attract FDI. They struggle with great social disparities and poverty.

Production has fallen from previous levels in almost all countries, with Serbia one of the most affected. In 2005, it achieved only 60 percent of its pre-1989 gross domestic product (GDP). Upward trends began in 2000, with most nations experiencing annual average increases in GDP of about five percent or more; this trend is likely to continue. Lower rates were achieved in Macedonia and Montenegro, while Kosovo in 2002, 2003 and 2005 had negative growth rates (Uvalic 2007, p. 237).

Since 2000, an early transition phase has been completed and structural changes initiated across the region. Institutional reforms critical for private sector development, integration

into the EU and long-term prosperity are taking place. The business climate continues to improve, with the private sector now accounting for about 62 percent of GDP. Expanding business opportunities have emerged from increased access to trade, domestic finance and foreign investment. The international community (including the EC, the international financial institutions and individual donors) has helped catalyse investors through selected forms of assistance. Further recovery and growth will largely depend on foreign financial inflows and know-how.

South Eastern Europe could become a promising market in Europe through political stability, faster economic reforms, improved legal frameworks and greater legal security. Dynamic growth and regional integration, coupled with EU integration, can accelerate the catch-up process, particularly if political risks decrease.

Considerable contributions to economic growth have already come from bilateral free trade agreements within the region, privileged access to the EU market and increased FDI. Development levels remain low primarily because several years of accelerated growth have not made up for a decade of strong decline.

There are significant differences among the South Eastern European countries (see Table 3.1). Croatia has the highest GDP, with the per capita figure exceeding US \$15,500 in 2007, according to International Monetary Fund (IMF) data. The same year, Serbia had a per capita GDP of US \$10,375. Moldova had the lowest level at US \$2,900.

Comparison with the average GDP per capita of the EU-15⁵² indicates wide variations. Croatia has achieved 47.2 percent, Serbia 31.4 percent and Slovenia 82.6 percent of the EU-15 average.

Table 3.1: National economic indicators (2007)

	GDP per capita (PPP in US \$)	Relative level (EU-15 = 100)	GDP growth rates	Current account balance to GDP	Trade balance (millions US \$)	FDI estimation (millions US \$)	Transition indicators (1-4+)		
							Enterprise restructuring	Price liberalization	Foreign trade liberalization
Albania	6,289	19.1	6.0	-8.3	-2,500	450	2.3	4.3	4.3
Bosnia and Herzegovina	6,963	21.1	5.8	-12.9	-4,843	1,500	2.0	4	3.7
Bulgaria	11,302	34.3	6.1	-21.4	-8,511.4	5,389	2.7	4.3	4.3
Croatia	15,549	47.2	5.7	-8.5	-12,667	3,845	3.0	4.3	4.3
FYR Macedonia	8,468	25.7	5.0	-2.7	-1,330	170	2.7	4.3	4.3
Montenegro	3,322*	11.3*	7.5	-37	-1,290.7	750	2.0	4	4.0
Moldova	2,900	8.8	5.0	-9.7	-1,937	300	2.0	4	4.3
Romania	11,386	34.5	6.0	-13.9	-14,726.4	5,131	2.7	4.3	4.3
Serbia	10,375	31.4	7.3	-16.5	-9,729	3,000	2.3	4	3.3
EU-15	32,938	100							

Sources: IMF 2008, EBRD 2007.

Note: * refers to 2005.

⁵² The EU-15 are the old EU member states (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Sweden, Spain and the United Kingdom).

Serbia's economic performance

After a decade of conflict and isolation, Serbia embarked on economic reforms later than other countries in its region. From 2001 to 2007, it established macroeconomic stability and stable economic development, and achieved a high economic growth rate. Dynamic growth in production after 2000 has been accompanied by accelerated reforms of the economic system, labour market and social sector. The dinar has remained stable, and foreign currency reserves have grown continuously. Prices and foreign trade have been deregulated and liberalized. Relations with international financial institutions have been re-established. Considerable headway has been made in implementing structural reforms, especially in privatizing the banking sector. Over 350 structural reform laws have been adopted.

Numerous constraints to Serbia's development remain, however. Indicators of its low development position⁵³ include the high percentage of people in poverty or at risk of poverty (10 to 20 percent), a high rate of registered unemployment (18.8 percent in 2007) and an unfavourable ranking in international competitiveness (91st on the world list, World Economic Forum 2008). The foreign debt ratio is high, reaching 59.5 percent of GDP in 2007. Public expenditures are among the steepest in the region, as are marked development inequalities across different areas of the country. By 2005, the estimated cumulative loss of GDP since 1991, expressed in constant prices, amounted to US \$377 billion. Serbia's share in world exports dropped from 0.15 percent in 1990 to 0.05 percent in 2007 (UNCTAD 2006, p. 3).

Since 2001, deficits in the current account balance of payments have become the greatest cause of macroeconomic imbalances. From 2000 to 2007, the deficit increased significantly, linked to rising trade deficits. In 2007, the current account deficit amounted to US \$7.3 billion or 16.8 percent of GDP, while the trade deficit reached US \$9.7 billion or 22.3 percent of GDP. Exchange rate stability and the continued growth of foreign currency reserves helped in achieving price stability after 2000.

The ratio of public spending to GDP rose in 2006 from the previous year, with total consolidated revenue at 40.4 percent and total consolidated expenditures at 44.2 percent of GDP. The deficit, calculated by applying the standard methodology in calculating fiscal results of the state, reached 2.5 percent of GDP (The National Bank of Serbia 2007, p. 35).

From 2002 until 2007, 2,189 companies were privatized, with about 750 state-owned companies remaining (Ministarstvo finansija Republike Srbije 2008, pp.56-58). This aspect of restructuring is still in an initial stage, although it is clear that privatization and private investments can be powerful tools for overcoming jobless growth. Government subsidies to public and state-owned enterprises absorbed 12 percent of revenues in 2005.

Structural shifts in the economy have favoured the service sector, which rose from 55.8 percent of gross value added in 2000 to 62.8 percent in 2005. Small and medium enterprises generated about 53 percent of total revenues.

According to the European Bank for Reconstruction and Development (EBRD 2007), which assesses the transition progress of Balkan countries through 14 indicators, Serbia ranks well only in small-scale privatization and price liberalization. It has not done as well in the privatization of big companies, its foreign trade regime and exchange rate policies, competition policies, telecommunications, and the provision of water and waste management. The harmonization of standards and adoption of technical regulations is progressing very slowly, hindered by an incomplete system of accreditation and certification that poses a serious technical obstacle to the smooth flow of goods and services.

⁵³ For additional information, see Vlada Srbije 2006a i 2006b, IMF 2008 and Narodna banka Srbije 2007.

One of the most crucial long-term problems of the Serbian economy is unemployment. Relatively poor progress in creating jobs is typical of states in the early stages of transition. Unemployment in Serbia has ballooned since 1992, and job security has eroded with increased informal sector employment.⁵⁴ Job losses have been particularly large since privatization and restructuring reforms began in 2001. Private sector job creation has been slow, despite fairly strong economic growth (see Table 3.2).

Table 3.2: Jobs have not kept pace with economic growth

	Percentage change						
	2001	2002	2003	2004	2005	2006	2007
GDP rate (in real terms)	4.1	4.9	4.5	5.7	6.2	6.1	7.5
Labour force*	1.8	1.4	2.6	0.3	2.2	-1.1	-1
Employment*	0.2	-1.7	-1.3	0.5	0.9	-2.1	-1.2
Unemployment*	12.2	13.3	14.6	18.5	20.8	20.9	18.8

*End-year.

Source: EBRD 2007; Statistical Office of the Republic of Serbia 2008 (according to the methodology of the International Labour Organization).

Unemployment is characterized by long-term joblessness: For the last decade, 80 percent of the unemployed aged 15 to 64 have gone without a job for a year or more. The lack of new jobs in particular plagues underdeveloped parts of the country. Even where opportunities exist, many of the long-term unemployed do not have the required education or skills. The willingness or ability to move to more dynamic parts of the country may also be a problem. Being unemployed or working in the informal sector or in an otherwise “bad job” are all strongly correlated with being poor.

Women comprise only 40 percent of total employees, for an employment rate of 44 percent that is way below the Lisbon target for female employment of 67 percent. Women’s unemployment rate is 8 points higher than for men. Younger people also face job market difficulties. Of those between ages 14 and 24, 48 percent are unemployed. Labour market exclusion is pronounced among marginalized groups such as the Roma, refugees, disabled persons and internally displaced persons (Statistical Office of the Republic of Serbia 2008).

The impact of trade on employment and growth

Trade liberalization can have significant impacts on employment and income by raising average income levels and stimulating growth, but its benefits can be mixed. Restructuring economic activities around competitive advantages can cause company closures and job losses in some sectors, and the start-up of new firms and increased investments in others. In the short run, net employment effects may be positive or negative depending on many factors, such as the functioning of labour and goods markets. In the long run, efficiency gains can lead to increases in the quantity of jobs and wages or both (Jansen and Lee 2007, p. 2).

Global trade liberalization and EU enlargement to a certain degree have eroded the trade preferentials that the EU extended to the Western Balkans. The asymmetric reduction of trade barriers between old and new EU members has reduced the relative attractiveness of the Western Balkan countries. The EU has also signed free trade agreements with countries worldwide, so most trade concessions granted to the Western Balkans are no longer

⁵⁴ Trade liberalization could create opportunities for new jobs and markets for the self-employed, especially in export-oriented activities, and reduce the role of the informal economy.

Box 3.1: A brief history of CEFTA

At the beginning of the 1990s, the EU encouraged the Central and Eastern European countries to establish two free trade zones—CEFTA (The Central European Free Trade Area) and BFTA (The Baltic Free Trade Area). Namely, the EU assessed that those countries at that time were not yet ready for accession to the EU, and that they should first build close political and economic relations among themselves, especially in terms of trade.

CEFTA was signed in December 1992, between Hungary, Czechoslovakia and Poland. After the disintegration of the COMECON (Council for Mutual Economic Assistance) and the Warsaw Pact, these three countries first established the so-called "Višegrad Group" based on a declaration of co-operation among these countries. Since 1993, CEFTA had four members, as Czechoslovakia in the meantime disintegrated in two countries. During the first enlargement, CEFTA was focused on (South Eastern Europe). Slovenia thus became the fifth CEFTA member since 1 January 1996. Romania became a full member as of 1 July 1997, Bulgaria on 1 January 1999, Croatia on 1 March 2003, and FYR Macedonia in 2006. On 1 May 2004, the following countries terminated their membership: Hungary, Poland, the Czech Republic, Slovakia and Slovenia, as they became full members of the EU, and on 1 January 2007 the same applied to Romania and Bulgaria for the same reason.

Numerous researches on CEFTA functioning showed that the achievements exceeded expectations of the CEFTA signatories, despite the fact that complete liberalization of agro-industrial products failed. Stable growth and significant increase of the trade scope in the CEFTA countries was the most important proof of efficient economic integration of the CEFTA countries, as well as of strengthening of their trade connections due to the liberalization. Improved trade conditions resulted from liberalization of trade in industrial products and the liberalization, to a certain degree, of

preferential. These countries need to strengthen their own competitiveness and regional trade cooperation, and pursue deeper integration with the EU (Muller-Jentsch 2007, pp. 2-3).

In the South Eastern European countries, trade in some sectors is below its potential, although almost all sectors have reached the ceiling of their export potential with the EU. There are huge differences, however, between the Eastern Balkans (Bulgaria and Romania) and the Western Balkans. The former have exceeded their potential and the latter have not. The relatively low level of integration in the Western Balkans confirms the need for greater trade openings (Damijan et al. 2006, pp. 61-62).

Trade between Serbia and South Eastern Europe

From 2004 to 2007, cumulative Serbian exports amounted to US \$23.3 billion. Imports reached US \$52.9, yielding a deficit of US \$29.7 billion. The average share of the EU in Serbia's total foreign trade was 50 percent. The EU trade deficit was on average over 45 percent of the total trade deficit.

Serbia's second most important trading partner is South Eastern Europe. Since 2004, exports have increased 6.7 times to US \$8.3 billion, while imports have risen 6.4 times to US \$6.7 billion. Major partners are Bosnia and Herzegovina, Croatia and Macedonia. The relative importance of Serbian exports to these countries was much greater than to other countries in the region. Albania and Moldova are presently marginal partners at below 1 percent of Serbian exports and imports. There have been constant trade surpluses with Albania, Bosnia and Herzegovina, Macedonia and Montenegro, and deficits with Bulgaria, Croatia, Moldova and Romania.

Since regional trade liberalization began in South Eastern Europe in 2001, with all bilateral agreements ratified only in 2004, it is not possible to precisely assess the full impact on Serbia's regional trading. Regular increases in volume, however, imply that the Central Europe Free Trade Agreement (CEFTA) 2006 will expand intraregional trade (see Table 3.3).

Table 3.3. The shares of South Eastern European countries in total foreign trade of Serbia in 2005 and 2006 (%)

Country	Exports			Imports		
	2005	2006	2007	2005	2006	2007
Albania	0.49	0.51	0.91	0.03	0.04	0.05
Bosnia and Herzegovina	16.60	11.65	11.80	2.79	2.60	2.79
Bulgaria	2.07	2.39	2.47	1.94	3.20	3.16
Croatia	4.37	3.90	3.75	2.47	2.53	2.86
FYR Macedonia	5.82	4.67	4.95	1.61	1.52	1.66
Moldova	0.07	0.06	0.05	0.08	0.06	0.06
Montenegro	-	9.58	10.77	-	1.13	0.71
Romania	2.92	2.75	3.00	2.63	3.32	2.30
South Eastern Europe	32.34	35.51	37.40	11.55	14.40	13.59
Source: The Statistical Office of Serbia						

Industrial products are dominant in Serbia's exports to South Eastern Europe, at 69.6 percent in 2006. Agro-industrial products are a relatively high share of exports to Bosnia and Herzegovina, Macedonia and Montenegro. Access to EU markets for these products is restricted by the low

competitiveness of Serbian producers (causes include significant subsidies for EU producers) and the lack of harmonized regulatory standards, among other factors.

The region's free trade agreements, including CEFTA 2006 (see Box 3.1), have not achieved a higher level of liberalization of agro-industrial products. The reasons encompass surpluses in agricultural products coupled with slow demand, an urgent need to transform agricultural sectors under market economies, and a limited willingness to adopt uniform agricultural policies. For Serbia, the absence of liberalization has narrowed agro-industry exports to a very small number of products (raspberries, blackberries, cherries, sour cherries, mushrooms, sugar, etc.). Market surpluses affect many products without access to foreign markets.

Trade liberalization in South Eastern Europe

Part of the Stability Pact for South Eastern Europe was dedicated to accelerating the normalization of relations and post-conflict recovery through trade liberalization. The pact featured a two-stage process. During the first phase, countries were to remove administrative barriers, suspend the introduction of new trade barriers and reduce all trade barriers in a coordinated way. During the second phase, the countries would join the World Trade Organization (WTO) and establish a free trade zone. As part of fulfilling its obligations under the Stability Pact, the EU initiated the Stabilization and Association Process (SAP) and signed Stabilization and Association Agreements (SAA) with most countries. It unilaterally granted them greater access to the EU market.

Within the region, a memorandum of understanding was signed envisaging a free trade zone throughout South Eastern Europe.⁵⁵ But political will lagged behind as countries opted for a network of limited bilateral agreements, seeing these as less risky and potentially more effective. They signed a total of 32 bilateral free trade agreements, but these proved insufficient. The approaches varied widely, creating complicated trade relations (more recent agreements have begun to converge). In efforts to harmonize agreements, some important segments remained unregulated, such as public procurement, services, investments and intellectual property rights, although CEFTA took a similar stance at the beginning of its implementation.

In the Action Plan for 2005 and at sessions of the Stability Pact Trade Working Group, countries decided that the bilateral agreements should be replaced by a single regional free trade agreement and that CEFTA could serve as a basis for this. The new CEFTA, adopted in 2006, is an inclusive, modern and ambitious agreement. It could contribute greatly to economic and political development in South Eastern Europe, but will also test administrative capacity and political will (Stability Pact for South Eastern Europe 2008a, p.11).

CEFTA 2006 covers all countries and territories of the Western Balkans and Moldova. It is harmonized with the WTO, with provisions for non-member countries such as Bosnia and Herzegovina, Montenegro and Serbia. It maintains achievements in liberalizing industrial and agricultural products, as well as concessions. Gradual liberalization has been introduced for services, investments, intellectual property and public procurement, while existing areas of liberalization are defined in more detail.

The agreement enables diagonal cumulation of origin, first within the region, and subsequently with the EU. It has formed a Joint Committee to supervise implementation and features a new mechanism for solving disputes. By 2010, it will introduce the full application of rules on competition and non-discrimination (Lopandić 2007, p. 5).

trade in agricultural products. This was also accompanied by a significant increase of FDIs, as the establishment and the functioning of CEFTA additionally encouraged foreign investors.

Among the significant effect of functioning of CEFTA was that signatory countries gained experience in multilateral cooperation and prepared for participation in structures of the EU and accession to the EU. More than 14 years of the existence of CEFTA proves that CEFTA was a stable and positive factor that shaped the trade and economic relations between member states. CEFTA countries have made reforms, which considerably included agriculture, too. It contributed to the increase of productivity and competitiveness of many products. CEFTA countries, thanks to this transformation, could protect their markets not only through customs regulations, but also by using free trade mechanisms including stable increase of competitiveness of domestic products.

Results pointed out that a certain period of time is needed for a (free trade agreement) to yield positive results. Autonomous factors were very important for expanding bilateral trade flows, beside reduction in tariff rates. Autonomous factors (e.g., domestic demand for particular import goods) usually have effect immediately after implementation of the agreement, while reduction in tariff rates becomes effective only 2 or 3 years after implementation. It confirms that there is an expansion of imports of important products immediately after implementation of agreement, while other products require time for establishing new business connections. Namely, in time, new business connections are promoted through a decrease in trade barriers, which gives a push to increase of influence of tariff rate cuts on further expansion of trade flows. In addition, the impact of autonomous factors on expansion of import from the CEFTA countries was on average 2-4 times higher than the influence of tariff rates' reduction.

Source: Damijan and Masten 2002, pp. 21-22.

⁵⁵ Protocols of agreement were signed by Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Serbia and Montenegro.

Intraregional trade

Data from 2000 to 2006 show that the relative importance of intraregional trade varies, although several principal features are mostly unchanged. Albania and Romania have been the least regionally integrated countries within South Eastern Europe. Bulgaria and Moldova have a relatively low share of regional trade. Romanian and Bulgarian trade patterns have not been oriented towards the region due to intensive preparations for EU membership (see Table 3.4).

Table 3.4: Shares of intraregional trade in overall trade in South Eastern Europe (%)

	2000	2001	2002	2003	2004	2005	2006
Albania	11.4	11.2	11.1	9.3	9.7	9.7	17.3
Bosnia and Herzegovina	59.1	58.9	67.4	62.1	70.1	67.8	79.4
Bulgaria	17.6	13.2	12.4	13.2	13.3	15.5	19.1
Croatia	18.1	19.6	22.6	23.5	25.3	28.3	27.7
FYR Macedonia	51.3	51.8	56.2	56.7	67.8	65.4	58,3
Moldova	26.4	20.7	20.6	21.9	18.3	18.6	24.7
Romania	7.7	6.1	4.8	5.8	4.8	6.3	8.4
Serbia and Montenegro	52.7	42.3	41.9	40.5	47.1	53.4	47,4

Source: International Monetary Fund, Direction of Trade Statistics, Yearbook 2007, Washington DC

Note: Data refer to imports and exports.

The four countries that emerged from the former Yugoslavia—Bosnia and Herzegovina, Croatia, Macedonia, and Serbia and Montenegro—have stable and high shares of intraregional trade, in both exports and imports from the other South Eastern European countries. Further increases can be expected in the current climate. Large trade deficits have been a consequence of transition processes (privatization, restructuring, liberalization, etc.) and a relatively low level of economic development, as these countries remain dependent on the import of technology, equipment and other sophisticated products from the EU and highly developed countries.

Analysis (Zdravković 2007, pp. 1-14)⁵⁶ of similarities in export offers and trade complementarity between the South Eastern European countries in their relation with the EU and regional markets may provide insights on prospects for further growth. Calculations indicate a high similarity of export offers and relatively limited potential for what countries in the region may offer each other (ibid.). See Table 3.5.

⁵⁶ The similarity of exports between these countries is used as a criteria to assess the degree to which their economic structures are more similar or divergent, per the Finger and Kreinen index of export similarity.

Table 3.5: Index of similarity of export offers of South Eastern European countries (2005)

	Serbia	Croatia	Macedonia	Bulgaria	Romania	Bosnia and Herzegovina	Albania	Average
Albania	36.5	34.0	52.1	45.2	47.8	38.1		42.3
Bosnia and Herzegovina	51.6	44.2	32.9	51.4	44.6		38.1	43.8
Bulgaria	60.6	57.8	53.0		71.9	51.4	45.2	56.7
Croatia	56.4		39.5	57.8	61.9	44.2	34.0	49.0
FYR Macedonia	51.7	39.5		53.0	51.8	32.9	52.1	46.8
Romania	52.9	61.9	51.8	71.9		44.6	47.8	55.2
Serbia		56.4	51.7	60.6	52.9	51.6	36.5	51.6

Source: www.intracen.org.

The similarity is highest for Bulgaria and Romania, which became EU members in 2007. Their index is comparable to that of other new EU members from Central Europe. They also did not undergo the kinds of political, economic and social turmoil that affects economic trends. The lowest level of similarity exists for Macedonia with Bosnia and Herzegovina, and Croatia, and Albania with Bosnia and Herzegovina, Croatia and Serbia. This mostly results from the specialization of Albania and Macedonia in exporting labour-intensive products, and the specialization of Bosnia and Herzegovina, and Serbia in exporting resource-intensive products.

A comparison of the similarity indices of export offers for the South Eastern European countries and new EU members from Central Europe with the import demand for the EU-13⁵⁷ finds that regional indices are higher than individual country indices. This indicates an overall complementarity in export offers relative to import demand in the EU.

The export similarity indices confirm the hypothesis by Linder that there is greater trade between the EU and countries with higher per capita income. Some moderate declines for the CEFTA-5 countries (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) come from an increased share of energy sources in EU imports, a reduced share of labour-intensive exports and an increased share of high-tech exports (ibid.).

The aggregate regional similarity index for the seven South Eastern European countries in Table 3.5 is significantly lower than that of the CEFTA-5, meaning that it will take 10 to 15 years for these countries to adjust their export offers to the demands of the larger European market. The index is increasing, with the greatest increase achieved by Croatia, which has the highest per capita income in the region.

Serbia falls in the middle, having a bigger economy than Albania, Bosnia and Herzegovina, and Macedonia, so it should be able to approach the EU with more diversified exports. The similarity index has not been increasing, however, as was expected following liberalized access to the EU market. In general, the countries in the region will need to undergo significant industrial restructuring to adjust to European market needs.

⁵⁷ The EU-13 are older EU members, without Belgium and Luxembourg, which formerly had joint statistics.

Positive and negative effects from regional trade liberalization

CEFTA 2006 should contribute to political stability in the region and create conditions for balanced development and enhanced solidarity. A free trade zone has the potential to expand regional trade and prepare countries for competition with developed countries, resulting in more balanced trade relationships and partnerships. For most countries in South Eastern Europe, trade liberalization, regional cooperation and deeper integration into the EU are priorities, although most will need to pursue export-driven growth as an engine of economic development and job creation.⁵⁸ Export growth would also help curb trade imbalances, an issue particularly important for Serbia.

The benefits of CEFTA 2006 could include economic growth, new forms of employment and lower prices. The removal of non-tariff barriers, in addition to customs duties, should spur cooperation on technical obstacles to trade, standards, cross-border cooperation and so on. A more liberalized and stable business environment, characterized by uniform rules and increased security for investors, should attract FDI.

Increased competitiveness and specialization in export sectors could boost efficiency, productivity and economies of scale, along with the more efficient allocation of resources. This might in turn foster investments in research and development, innovation, and closer links between businesses and research institutions, which could draw in additional foreign capital. Diagonal cumulation of origin could stimulate the development of cross-border joint production to facilitate non-customs treatment of products during import into the EU and other countries, increase export and investment capacities, and contribute to greater technological capacities and competitiveness.

Regional cooperation in trade and other areas of the economy will assist countries that are not WTO members in preparing for their membership, as well as help all South Eastern European countries in moving towards EU membership. Since free trade in the region is among the conditions of the SAA, several sections of CEFTA 2006 relate to the implementation of EU rules.

Other benefits could include reduced transport and administrative expenditures, and improved dispute resolution. Greater regional cooperation should also cut down smuggling, corruption and organized crime.

The potential negative effects of trade liberalization include import increases that weigh on trade balances and the balance of payments, and reduced revenues from customs and taxes. Some enterprises will face more difficult operating conditions due to stronger competition. Decreased incomes in less competitive sectors and the phasing out of non-competitive enterprises could result in greater unemployment (Kancelarija SCG za pridruživanje EU 2006, pp. 31-35 and 55-57). These problems could be partially alleviated by EU measures for the South Eastern European countries that combine support for trade liberalization and economic development (Uvalić 2005, p. 25).

A rough assessment of the effects on the Serbian economy indicates that the potential benefits are much greater than the negative effects; more in-depth assessment would require

⁵⁸ There is also a strong relationship between the openness of the economy and the level of productivity and GDP per capita, so that an increase in openness by 1 percent increases the level of GDP per capita by around 0.9 percent to 3 percent. It has been proven that open markets enable firms to operate at an efficient scale. Large markets can make research and development investments more profitable, while exposure to modern technology and foreign competition can provide incentives for innovations. Furthermore, deepening specialization and dissemination of new technology are linked to trade and FDI, and at least have an effect on productivity level (Nordas et al. 2006, pp. 21-23 and 41-42).

applying the computable general equilibrium model for Serbia. Calculations done in other countries are not adequate indicators, due to differences in the structures of economies, the levels of development and many other specific characteristics.

In general, sectors that are already export-oriented, such as financial services and tourism, will find it easier to adjust. Those that have been highly protected will require more efforts to increase efficiency and competitiveness. These include the agro-industry, the automobile industry, construction, insurance, banking and especially public enterprises with a great number of employees. Opening up services could complement more open trade in goods in spurring the economy. Banking services with different incentives may help attract investments, for example, if local savings are turned into local investments that enable small businesses to get credit.

Foreign direct investment

Substantial increases in FDI have contributed to the transformation of the countries of Central and Eastern Europe. There are high and mostly diffuse expectations regarding the role of FDI, from enhanced economic growth and access to modern technologies, to better export performance and competitiveness, and the generation of new employment. Policies to attract and manage FDI have to consider the different approaches to this issue.

First, no economic policy instrument can be “burdened” with the requirement of solving all or most problems in an economy. FDI can certainly be helpful in some areas, but it is not a magic wand. Second, different economic policies have different time frames. Policy makers have to harmonize varying requirements (e.g., short-term employment impacts and longer term results in education policy, both closely linked to FDI). Third, as is widely believed among the member countries of the Stability Pact, FDI generally exerts a more productive and long-reaching impact than domestic capital. It employs fewer people to achieve greater outputs than less efficient domestic firms. Finally, to maintain a competitive edge, sources of FDI are generally interested in introducing new technologies (and phasing out obsolete ones). They attach greater priority to technological upgrading than to generating employment.

While FDI can and does contribute to mitigating employment problems, empirical surveys confirm that it cannot be considered a main factor in job creation. Imposing employment generation conditionalities would most probably become a disincentive to FDI and constrain the benefits a country on the path to economic modernization can expect from foreign-owned companies.

Regional trends

In South Eastern Europe, investment dynamics reflect the speed, scope and effectiveness of transition processes, with direct impacts on human development. Some basic characteristics of transition processes in Central and Eastern Europe that are relevant for South Eastern Europe include:

- Relatively quick and sustainable economic growth based on increased productivity and efficiency, but without increased employment;
- High and sustainable inflows of FDI, primarily due to the reduction of risks provided by political stability and institutional changes, and the privatization process; and
- Delayed restructuring of the public sector and periodic fiscal problems (Gligorov 2007a, p. 227).

In most South Eastern European countries, FDI has been primarily directed to privatization. With few exceptions, there has been little investment in conventional Greenfield operations. Investments that have been made have gone mainly towards small and medium enterprises

Box 3.2:
**"Delta" acquiring the
 Bulgarian Pikadili**

By acquiring the Pikadili supermarket network, Delta Holding, a Serbian private company, is continuing its growth in the region. Recently, it acquired Tropik in Banja Luka, the biggest retail chain in the Republic of Srpska, for 35 million euros. Delta has also announced that it intends to acquire Boska, the biggest department store in Banja Luka. Tropik gives Delta a market share of six percent, making it the second largest trade operator in Bosnia and Herzegovina. This year there have also been major investments in Montenegro and the FYR Macedonia, with announcements to open supermarket chains.

Bulgaria, a new EU member, is under an attack by big trading chains, in contrast to Romania, which is still dominated by small retailers. By acquiring Pikadili, Delta will be excellently positioned for further growth in this market. Presently, the leading retailer in Bulgaria is the Austrian retail chain Bila, with a market share of 18 percent. Pikadili ranks second. Other players are fighting for their part, including the German discount store Kaufland and the ever-present Metro.

Source: Press Clipping Vivilia, No. 1785, 6 September 2007.

with lower impacts on growth, exports or job creation. When compared to the countries of Central and Eastern Europe, FDI in the manufacturing sector appears low, and there are still major restrictions in so-called strategic sectors in some countries, such as banking, utilities and telecommunications. The bulk of FDI has been directed towards businesses serving domestic markets, which are limited by definition (Inotai 2005, pp. 15-20).

The situation in the Central and Eastern European economies was broadly similar 10 years ago, but in the intervening period some of them (notably the Czech Republic and Hungary, but also to some extent Poland and Slovakia) have become important producers of higher value-added and higher technology goods. This suggests that proximity to Western European markets is an advantage, but only if combined with the necessary structural changes and active FDI engagement.⁵⁹

One further difference between the South Eastern European and Central European countries is the emergence of new geographical sources of FDI (see Box 3.2). While the main capital-exporting countries from the EU (like Italy and Germany) and the United States still account for most investments, new players include Greece and Turkey. They have invested to a degree much larger than expected, bringing along with their investments their own models of development. This is due to several factors: proximity, the hesitation of Western investors, slow privatization, personal relations and influences, etc. At the same time, capital from the Central and Eastern European countries, but also from Croatia and Slovenia, is playing a significant role in some parts of South Eastern Europe.

Another difference is the inflow of Russian capital, especially in the energy sector. This has recently intensified through high-value arrangements with Bulgaria and Serbia, following previous agreements with Greece and Hungary. Serbia has had a free trade agreement with Russia since the 1990s that should be ratified in the Russian Parliament, opening its market for more sophisticated and higher value-added products such as automobiles.

Overall, total net FDI inflows shot from US \$4 billion in 2000 to almost US \$27.4 billion in 2007 (EBRD 2007; see Table 3.6). To a great extent, inflows continue to depend on levels of privatization, so almost 80 percent of the total in South Eastern Europe over the last three years has gone to Romania, Bulgaria and Croatia (ibid.). As a region, however, South Eastern Europe has great potential as an investment location. It neighbours the EU, one of the world's richest economic areas, and enjoys virtually unrestricted trade access to the worldwide market. It boasts a relatively well-qualified and inexpensive workforce, and has a considerable endowment of natural resources. The region has undoubtedly made considerable progress in some policy areas and now ranks close to Central and Eastern Europe in investment, trade liberalization and tax policies. High GDP growth rates and inflation that is mostly under control have led to solid credit ratings, a clear signal of stability and investor confidence. A new corporate and entrepreneurial culture has emerged.

⁵⁹ Slovenia has practically the same geographical advantages as the South Eastern European countries, but a different approach to market reforms and structural changes.

Table 3.6: FDI in South Eastern Europe (millions of US \$)
(Net inflows in the balance of payments)

Country	2005	2006	2007	2008
			Estimate	Projection
The SEE-3				
Bulgaria	4,003	7,333	8,154	7,937
Croatia	1,551	3,170	3,845	4,806
Romania	6,587	11,430	9,659	10,963
The SEE-5				
Albania	263	325	623	434
Bosnia and Herzegovina	520	423	1,600	1,200
FYR Macedonia	94	424	321	412
Montenegro	482	650	1,000	1,000
Serbia	1,550	4,264	2,195	3,100
Total	15,049	28,019	27,396	29,853
Sources: IMF, central bank data and EBRD estimates (various years)				

But performance in a number of policy areas is less impressive, particularly those related to regulatory governance, anti-corruption initiatives and competition. Medium- to long-term strategic areas such as human capital development have not received enough attention. The pace of reform varies across different countries. Bulgaria, Croatia (to a certain extent) and Romania have completed a first phase of policy elaboration and institution building. They are currently engaged in policy implementation with respect to most of the dimensions covered by the Index of Investment Reforms. Other countries have demonstrated solid reform capacities in specific areas such as regulatory reform (Moldova and Serbia), trade (Albania, Macedonia, Moldova, Montenegro and Serbia), taxes (Montenegro and Serbia), and investment promotion (Serbia).

Almost all countries of the region lag behind in establishing some basic legal and institutional frameworks, particularly for anti-corruption initiatives in Albania, Bosnia and Herzegovina, Montenegro and Serbia; regulatory reforms in Albania, Bosnia and Herzegovina and Macedonia; human capital in Albania, Bosnia and Herzegovina, Moldova and Serbia; and competition in Moldova, Montenegro and Serbia (OECD 2006, p. 15). See Box 3.3.

Inconsistencies in implementing economic policy measures produce conflicting signals. For example, while countries have significantly reduced tariffs and abolished import and export licenses, they still have high non-tariff barriers to trade. Despite very competitive corporate tax rates ranging from 9 percent to 20 percent, tax administration capacities are still relatively weak. There are high compliance costs, delays in value-added taxes (VAT) reimbursement and ineffective mechanisms for dispute settlement.

At the same time, competition to attract international investment is more intense than ever. Much available capital has already been invested elsewhere, particularly in Central and Eastern Europe. With this in mind, a solid and balanced policy and institutional framework is needed to develop a competitive edge, overcome the limitations of small and fragmented markets,

Box 3.3: OECD recommendations for foreign investment in Serbia

After a country mission and self-evaluation by the Serbian Government, the OECD Investment Compact Team proposed the following priorities for Serbia:

- 1. Competition policy:** Establish a competition authority to enforce the law by carrying out investigations, and imposing remedies and sanctions.
- 2. Investment policy:** Allow foreign and local investors to own all types of land (e.g., urban construction land).
- 3. Anti-corruption initiatives:** Apply the law on public procurement and introduce a system to monitor implementation.
- 4. Trade policy:** Streamline customs and administrative procedures to decrease the complexity and time required for imports and exports.
- 5. Tax policy:** Enforce the law to reimburse VAT within 30 days with effective monitoring and applications of sanctions.
- 6. Human capital:** Develop specific strategies for adult and vocational education.

Source: OECD 2006.

Box 3.4: Enhancing regional ownership

The policy of strengthening regional ownership in investment policies in South Eastern Europe has led to the establishment of the Investment Committee of SEE Countries (in coordination with the OECD Investment Compact, the Stability Pact and the governments of the countries in the region). This body will coordinate the implementation of the Regional Framework for Investments adopted at the Ministerial Conference in Vienna in June 2006, and will, through support to the CEFTA agreement, be closely linked to the activities of the future Regional Cooperation Council. The primary goal of the Investment Committee is the achievement of a high level of coordination between countries in implementing policies to improve the investment climate in the region. It will design relevant mechanisms and recommendations for enacting reform measures and policies recognized in the Index of Investment Reforms.

Within the Investment Committee, working groups have been set up to develop plans and programmes to increase capacities for carrying out priority reforms. They will develop proposals and promote best practices to advance regional cooperation and integration. In cooperation with governments and the private sector, they will work towards removing direct obstacles to investments. Four working groups began operating in 2007: on regulatory reforms (the coordinating country is Serbia), investment promotion (Bulgaria), anti-corruption policy (Romania) and strengthening human capital (Croatia).

Source: OECD 2004.

and convince investors that South Eastern Europe can be a reliable and competitive location for FDI (see Box 3.4).

Without further reforms, the Western Balkans and Moldova risk being marginalized by competition from both Central and European countries (which are increasingly active in the higher-value, more capital- and technology-intensive sectors) and low-cost, labour-intensive producers in Asia and North Africa.

Capital markets

Regional initiatives relevant to capital market can be significant in strategic positioning and overcoming the shortcomings of local markets. The major representatives of stock exchanges in South Eastern Europe have initiated the creation of a joint market by signing a Memorandum of Cooperation for the exchange of information and joint training. National capital markets face three options:

- Maintaining their independent status, based on the notion that local capital markets are adequately performing, although they may remain invisible to international investors and may not be cost-effective;
- Integration with other stock exchanges or acquisition by other stock exchanges; or
- Building alliances with other stock exchanges based on joint presentations to big institutional investors (Popović 2007).

Pre-conditions to increase the attractiveness of capital markets in South Eastern Europe include: increasing public confidence, international standards in market analysis and reporting, investor protection, improved corporate management, standardized licensing procedures for professional titles, market protection against political and interest groups, implementation and enhancement of rules governing stock exchange operations, promotion of stock exchange quotations, and integration through the exchange of information and possible cross-trading (Ekonomist Magazin 2007).

Foreign investments in Serbia

Serbia has a long tradition of FDI, primarily in the form of joint ventures, which were for the first time allowed under the Law of 1967. In the early 1990s, a few examples of FDI were recorded, the largest of which was the 1990 acquisition of a 75 percent stake in the country's major pharmaceutical company, Galenika. UN sanctions at the beginning of that decade stopped reforms and foreign inflows, with the exception of the 1997 sale of 49 percent of the shares of Telekom Srbija, the national telecommunication company, to an Italian investor.

The period of international isolation during the 1990s made many industrial sectors in Serbia technologically outdated and uncompetitive. This trend was accompanied by a significant brain drain of highly qualified national experts. Investors who came to Serbia at the beginning of transition achieved very high yields due to weak competition in many sectors, such as the banking sector, and very high active interest rates.

From 2000 to 2006, cumulative FDI reached US \$8.3 billion. Most was invested in the privatization of profitable operations (the tobacco industry, cement factories, breweries, the food-processing industry) and/or the acquisition or establishment of banks. The share of Greenfield investment was low and generally involved real estate and trade.

According to the National Bank of Serbia, net foreign investments in Serbia in 2006 amounted to US \$4.4 billion.⁶⁰ The total inflow of foreign capital was considerably higher at US \$5.6

⁶⁰ Commodity and financial flows are included.

billion. Rising Serbian investments abroad meant that for the first time the structure of foreign investments included significant outflows of capital.

Most FDI in Serbia comes from transactions related to privatization, and the acquisition of enterprises and banks. In 2006, Greenfield investments considerably increased, with one-third of these related to the sale of the third mobile telephony license to Mobilcom. There was a marked increase in smaller investment projects, especially in labour-intensive sectors such as the textile industry. EU investments are still dominant in the sources of FDI, with Austria the first-ranked country (see Table 3.7). FDI is highest in the building construction, banking and financial intermediary services, followed by processing industries, wholesale and retail trade, and real estate. Much lower amounts have gone into power supplies, food processing, textiles and other sectors.

Table 3.7: Major investments in Serbia (2007)

Company	Country of origin	Industry	Investment type	Investment value (millions of euros)
Alpina Mayreder/PORR	Austria	Construction	Concession	800
Embassy Group	India	Real estate	Greenfield	428
Fondiarria SAI	Italy	Insurance	Privatization	220
KBC Group	Belgium	Banking	Acquisition	96.5
Alita/United Nordic Beverages	Lithuania/ Sweden	Food	Privatization	61.4
Grand Casino	Austria	Entertainment	Acquisition	60
Golden Lady	Italy	Textiles	Greenfield	55.9
Lamda	Greece	Textiles	Privatization	55.8
Future Biotec	Germany	Energy	Greenfield	50
Kronospan	Austria	Wood	Greenfield	50
Acciona Investments	Cyprus	Tourism	Privatization	38
Calzedonia	Italy	Textiles	Greenfield	35
Carlsberg	Denmark	Food	Greenfield	34
Grawe	Austria	Real estate	Greenfield	30
Sumadija Industrial and Logistic Park	Italy	Construction	Greenfield	25
Home Art & Sales	Switzerland	Retail	Privatization	22
InterContinental Hotels Group	Great Britain	Tourism	Greenfield	20
Rauch	Austria	Food	Greenfield	19.3
Vital Source	Switzerland	Energy	Greenfield	17
Kornikom	Bulgaria	Mining	Privatization	16

Source: Serbian Investment and Promotion Agency, 2008.

In 2006, the Government adopted the Strategy for Encouraging and Developing Foreign Investments. It covers regulatory reform; enhancements in institutional capacities and cooperation at the national and municipal levels to facilitate business development; activities and initiatives to boost competitiveness; and national campaigns to raise awareness of the significance of foreign investments and clearly directed international market strategies.

The foreign investment strategy gives a detailed overview of Serbia's problems with past investment policies, and recommends concrete responses and a time frame. Most measures have been implemented during 2006 and 2007. The strategy identified a number of key economic sectors, including the agro-business, auto components, banking and financial services, high-tech services related to back office operations and existing research strengths, textiles and tourism.

The national strategy, recommendations by international financial institutions and private sector proposals suggest that Serbia's main challenges in attracting FDI comprise further improvement of the legislative framework and procedures, and a strengthening of the corporate and entrepreneurial culture (see Box 3.5).

Box 3.5: Serbia's Foreign Investors Council recommends ways to attract FDI

In its 2007 "White Book," the Foreign Investors Council of Serbia concludes that FDI inflows will depend on government commitment to structural reforms. Large-scale privatizations include a 37.5 percent stake in the national oil company NIS. A novelty in 2007 was a huge FDI outflow, as Serbia's state-owned Telekom Srbija in December 2006 acquired a 65 percent stake in Bosnia and Herzegovina's Telekom Srpska.

The "White Book" underscores the need to finalize the privatization process more actively, pursue corporate restructuring, maintain current efforts to bring down inflation, continue establishing the exchange rate on the basis of the supply and demand of foreign exchange, control public spending and generate a fiscal surplus in 2007.

Source: Foreign Investors Council of Serbia 2007.

Small and medium enterprises

The European Charter for Small Enterprises, adopted at the Thessalonica Summit in 2003 under the Lisbon Agenda, has become the main reference for policy changes in the Western Balkans. The charter identifies 10 dimensions, including: education and training for entrepreneurship, cheaper and faster start-ups, better legislation and regulations, training matched to needed skills, improved online access, improved management of small enterprises in national and foreign markets, taxes and financial issues, models of successful e-management and more effective representation of the interests of small enterprises.

The charter helps countries identify regional and thematic trends, learn from common experiences, pinpoint good practices in policy implementation, discover national and regional strengths and weaknesses, and improve planning. An enterprise development index measures achievements across the 10 dimensions with rankings from 1 to 5 (see Table 3.8).

Progress has been uneven to date (European Commission 2007, p. 12). Pilot projects for training entrepreneurs have been initiated in each country. Significant steps have been taken to enhance the business environment, including by allowing cheaper and faster start ups, and addressing tax and financial issues. Slower, more uneven steps have occurred in regulatory reforms and operations in national and foreign markets. Variations in other areas include the fact that Croatia is ahead of other Western Balkan countries in technological capacities and e-business. Overall, most countries require better human resource development strategies that depend on complex structural reforms in education and labour markets, yielding results over longer periods of time.

In implementing the charter, the Western Balkan countries and the UN Mission in Kosovo (UNMIK)/Kosovo can be divided into three groups. The first group is making progress in completing legal and institutional frameworks underpinning small and medium enterprise development. It consists of Albania, Bosnia and Herzegovina, and UNMIK/Kosovo. In the second group, legal and institutional frameworks are largely complete; this comprises Macedonia, Montenegro and Serbia. Croatia is the sole member of the third group. It has made the greatest progress in implementing small and medium enterprise development policies, leading in 6 out of the charter's 10 dimensions.

Table 3.8: National scores on the enterprise development index

Dimension	Serbia	Montenegro	Bosnia and Herzegovina	Croatia	Albania	UNMIK/Kosovo	Macedonia
Education and training for entrepreneurship	2	2	2-3	2-3	2	2	2
Cheaper and faster start ups	3-4	3	1-2	2-3	2-3	3-4	3
Better legislation and regulations	3	2	1-2	3-4	2-3	2-3	2
Availability of skills	1-2	1-2	2	2-3	1-2	2	1-2
Improved online access	2-3	2-3	1-2	3-4	1-2	1-2	2-3
Better operation in national and foreign markets	2-3	3	2	4	2	1-2	3
Taxation and financial issues	3-4	3-4	2-3	3-4	2-3	2-3	3-4
Strengthening technological capacities of small and medium enterprises	2-3	3-4	2-3	3-4	2	1-2	3-4
Models of successful e-management and top-class support to small business	2-3	2-3	2-3	4-5	1-2	1-2	2-3
Effective representation of the interests of small and medium enterprises	2	3-4	2-3	3-4	2-3	2-3	3-4

Sources: European Commission 2007; OECD 2007, pp. 151-166.

Serbia's business environment

After democratic changes in October 2000, Serbia chose accelerated development of small and medium enterprises as the backbone of socioeconomic development. From 2001 to 2006, progress was made in improving the institutional framework and infrastructure supporting small and medium enterprises and entrepreneurship; enhancing the general business environment; and reducing and eliminating legal barriers, especially for company start ups and registration.

The reforms have not yet resolved problems that have accumulated through many years of a negative investment climate, lags in technological development, incomplete privatization, etc. Despite greater access to financing, the financial system has still not adjusted to the needs of small and medium enterprises. Start-up financing is limited, coupled with a lack of specialized financial institutions for microcredit. Tax rates, incentives and exemptions do not reflect the needs of many enterprises in the early years of their operation, in contrast with usual practices in other market economies.

Nonetheless, small and medium enterprises have become increasingly important to structural reforms, especially in generating new employment and revitalizing overall economic growth

(see Box 3.6). The sector has a 60 percent share of total employment (see Table 3.9), a 65 percent share of total turnover and an almost 55 percent share in generating the gross value-added of the Serbian economy.

Altogether, 268,515 small and medium enterprises are operating (Ministarstvo privrede, 2007), comprising 99.7 percent of the total number of enterprises in Serbia. These businesses are predominant in all sectors of the economy, although about 67 percent are concentrated in three sectors. Wholesale and retail sales, motor vehicle repairs, and motorcycles and household appliances make up 39.5 percent; the processing industry 16.6 percent; and transport, warehousing and communications 10.9 percent. Nearly 47 percent of enterprises are in the city of Belgrade, and the districts of Južno-bački, Nišavski and Južno-banatski. From 2004 to 2006, the sector absorbed a surplus of employees from larger enterprises, mostly micro-firms. The employment rate in micro-firms was 32 percent.

Table 3.9: *Employment by enterprise type in Serbia (2004-2006)*

	2004		2005		2006	
	Employed	%	Employed	%	Employed	%
Enterprises						
Small and medium enterprises	752,740	54.7	810,862	59	870,979	63.1
Large enterprises	622,182	45.3	563,094	41	508,776	36.9
Total	1,374,922	100	1,373,956	100	1,379,755	100

Sources: Ministarstvo privrede, Republički zavod za razvoj Republike Srbije, Agencija za mala i srednja preduzeća, 2007.

Box 3.6: Part of Solving the Unemployment Problem, But Not Key

Small and medium enterprises are a part of the solution, but not the key to the unemployment problem, which is a very complex problem requiring an approach treating it both as an economic and as a social problem. Unemployment can be curbed only with a higher demand for labour, which depends on whether the national economy is strong enough to generate new employment and increase the demand for certain profiles of qualifications. Another key factor is a massive inflow of FDI, while the third is the development of entrepreneurship.

Source: Blackburn 2005, p. 64.

Competitiveness

The Lisbon Agenda calls for making the EU the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion. It defines small enterprises as the main driving force of innovation, employment and integration, which should be supported through the most conducive environment.

Serbia's Development Strategy for Small and Medium Enterprises 2003-2008 (Vlada Srbije, 2003) identified the poor competitiveness of enterprises as one of the major problems of the Serbian economy. It emphasized innovation as one of three key factors affecting competitiveness (the others being management and quality). The 2005 Law on Innovation Activities is the first law of its type (see Box 3.7). It defines innovation as an activity to generate new products, technologies, processes and services, and introduce significant changes to the existing ones, according to market demand.

During the 1990s, many enterprises in Serbia had to fight to survive and did not have the resources to invest in improving and developing products and services. Simultaneously, research indicates that there is a gap between the scientific research sector and the economy, meaning that a huge potential source of innovation goes mostly unutilized. This encompasses inadequate mechanisms to transfer knowledge and technologies to small and medium enterprises, and the sector's insufficient abilities to receive and adopt new technologies and knowledge. Surveys in 2006 (Initiative for Economic Transition, p. 53) found that out of the 300 most successful enterprises, only one in three turned to scientific research organizations to create innovations, and only one of them was a small enterprise.

Serbia's Strategy for Regional Development states that the economic structure of the population is the most significant structure for economic development, as an indicator of the social and economic development of the country. A great challenge is the unfavourable educational structure of the population, especially the inappropriate level and structure of

qualifications, knowledge and skills of the working active population given the needs of the economy and the labour market.

All EU countries have identified increased investments in research and development as a national goal. If all of these individual goals are achieved, the level of investment at the EU level will be 2.6 percent of GDP in 2010 (in 2005 it was 1.9 percent). This would be a major accomplishment, although it would not attain the initial objective of the Lisbon Agenda of 3 percent by 2010. But it would mean that GDP at the EU level would be between 2.6 and 4.4 percent higher by 2025 than it would be without these additional efforts. The crucial element is increased investment by the private sector. This requires stronger links between science and industry; the promotion of internationally competitive clusters; better access to financial aid; and improved services supporting innovation such as broadband infrastructure, e-government, etc. The system to protect intellectual property rights needs to be modernized.

The new EU Framework Program FP7 offers opportunities for linking enterprises and research institutes, supporting education and technology infrastructure, and designing legal and macroeconomic policies as essential factors of increased competitiveness. Serbia's Ministry of Science has taken an encouraging approach by offering abundant information to researchers and assisting them in submitting proposals through National Contact Points. There is also a need to use a similar model in order to provide organized support to enterprises and enable them greater access to participation in EU programmes.

Policy implementation

Serbia's ranking on the enterprise development index of the European Charter for Small Enterprises gave it higher scores on only 2 out of 10 dimensions: cheaper and faster start ups, and taxes and financial issues. Serbia did poorly in the dimensions of available capacities, and the need for education and training organizations to offer adequate knowledge and skills.

This performance emphasizes the need to accelerate the development of small and medium enterprises within the context of human development, starting with general education and moving into knowledge and technology transfers. The relations between the economy, education and scientific research organizations need to be understood in completely new ways (see Box 3.8).

With international donor support, Serbia has over the past years initiated several actions to drive innovation. Of special significance is the Program to Support the Development of Enterprises and Entrepreneurship funded by the EU and implemented by the European Agency for Reconstruction. It has helped draft a Strategy for Support to Innovations, but the Government has not yet adopted this.

Serbia needs efficient, planned and coordinated actions to assist regional instruments for small and medium enterprise development (see Box 3.9). These could comprise business incubators, scientific research parks and cross-border clusters that effectively build on the region's potentials, accelerate its development and facilitate intraregional links. Funds from the National Investment Plan need to be appropriated and used in a planned, rational manner, with a focus not on building new plants, given excessive construction of new premises, but on the process of incubation and identification of ways to meet the region's needs.

Box 3.7: Limited Scope for a Law

Small and medium enterprises can bridge the lack of capital for innovation development by using the Development Fund or the Guarantee Fund of Serbia, but "this Fund has so far provided guarantees for a very limited number of loans and is yet to be developed." Venture capital is also inadequately developed, and funds investing in Serbia are mostly focused on Central and Eastern Europe, such as Copernicus and Southeast Europe Equity Investment Fund. Regional funds mostly invest in big companies.

Thus, although the Law on Innovation Activities has been adopted and designed to promote innovations in enterprises, in the absence of further measures to relieve the burden of entrepreneurs and in the absence of more efficient legal procedures, its effects will not have the desired scope.

Source: Žarković 2005, p. 38.

Box 3.8: The challenge of new approaches

It is of utmost importance for Serbia, as a transition country, to have a strategic approach defining the process and supporting the development of the national innovation system, and systematic interaction between all actors of social development. It is necessary to take into consideration that good functioning of the innovation system requires also an adequate thinking of the actors involved, and the changing of approach and way of thinking could be the greatest challenge.

Source: Horvat 2006, p. 14.

Box 3.9: Regional cooperation to support business development

Regional cooperation is of great significance for the development of small and medium enterprises. A good example is the project RECCO (Regional Chamber of Commerce Užice), implemented during 2006 within the Stability Pact, and funded by the German Ministry of Foreign Affairs. It covers Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia; the implementing partner for Serbia is the Regional Chamber of Commerce Užice.

Apart from organizing a number of conferences, the project has presented over 200 enterprises on a web platform (www.seenetwork.com). It organized business forums for business people from Albania and the Užice region in Tirana in December 2006 (with the participation of 9 Serbian and about 50 Albanian enterprises). Several market studies have looked at potentials for new automobiles in Albania, FYR Macedonia and Serbia, and confectionary products in Albania.

Two other project initiatives have included the establishment of a business incubator in Vranje, where small and medium enterprise support programmes are based on the development needs of the region and its industry, and the creation of the Business-Technical Incubator in Belgrade. The latter has been done in cooperation with the municipality of Palilula, and with the support of the City of Belgrade and the OECD. Its objective is to support young, technically educated people in starting their own businesses through attractive conditions that are an incentive to remaining in the country.

Source: Bjelić 2007.

International development assistance

International development assistance has played a significant role in implementing economic and social reforms in Serbia, as reflected in an improved investment climate and a considerable increase in FDI, along with a better quality of life for many citizens. During 2006, assistance decreased as part of the progressive phasing out of bilateral assistance and the provision of EC pre-accession funds (see Table 3.10). Limited aid absorption capacities have slowed the implementation of pledged support and projects already underway.

Past international cooperation has focused mostly on covering the very high expenditures of reforming the fiscal, health care, judicial and pension systems, and building new institutions suitable for a market economy. By 2006, the leading areas of support had become transport and energy, public administration, local government, social policy, judiciary and law enforcement. Additional assistance is still needed in public administration reform, training and implementation of adopted strategies in specific sectors, and the modernization and coordination of different authorities (see Box 3.10).

The World Bank and the International Financial Corporation adopted the Strategy of Assistance for the 2005-2007 period. By April 2006, the World Bank had approved 18 loans totalling US \$704 million under the conditions of the International Development Association (World Bank 2007).

Cooperation with the International Monetary Fund under a three-year arrangement will address macroeconomic stability, and fiscal and monetary policy, including advice to the Government on overcoming structural problems in the economy.

Table 3.10. Total international assistance to Serbia (millions of euros)

YEAR	2000	2001	2002	2003	2004	2005	2006
Total assistance implemented	159,23	837,59	755,51	672,24	448,4	719,19	566,96

Source: ISDAKON (www.evropa.sr.gov.yu).

Regional EU assistance

From 2000 to 2006, most EU assistance for the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Macedonia, and Serbia and Montenegro) came through the Community Assistance for Reconstruction, Development and Stabilization programme. It was intended primarily to support the SAP. A total of 4.65 billion euros was appropriated for four goals: reconstruction and democratic stability; the development of institutions and legislation, including harmonization with EU standards and guidelines; sustainable economic and social development; and enhanced relations and regional cooperation among countries undergoing the SAP, and with EU member states and candidates for EU membership.⁶¹ In 2005-2006, priorities included institution building, the judiciary and law enforcement, cross-border cooperation, private sector development and infrastructure development.

To simplify the planning and management of its budget funds, the European Commission in 2006 adopted the Instrument for Pre-Accession Assistance (IPA)⁶² to provide potential candidates for EU membership with simplified financial rules that would enable quicker

⁶¹ The Commission on 22 October 2001 adopted the Regional Cooperation Document for the programme, providing for financial assistance in the amount of 197 million euros for the 2002-2004 period to the Western Balkans for the purposes of regional cooperation and overcoming common problems.

⁶² The legal basis of the IPA instrument is determined in European Council Regulation No. 1085/2006, adopted on 17 July 2006.

cohesion and integration. From 2007 to 2013, there will be two priorities. The first is to assist countries to meet the political, economic and other criteria relevant to the adoption of the EU *acquis communautaire*, and to build administrative capacities and strengthen the judiciary. The second is to assist countries in preparing to use EU structural and cohesion funds after membership.

The total value of the IPA for this period is 11.468 billion euros. It has five main components involving support for the transition process and institution building, regional and cross-border cooperation, regional development, human resources development and rural development.

The first two components are intended for potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia). All five apply to current candidates (Croatia, Macedonia and Turkey). Serbia and other potential candidate countries will have access to funds to finance initiatives pertinent to the first two components, although it will also be possible to apply these funds to programmes under the other three components. These provisions were put in place given differences in position relative to EU membership, along with the lack in some cases of relevant regulations, institutions and trained public servants for managing all components in line with EU rules, which govern EU funds through a decentralized system.

The first IPA component will assist countries in achieving the political and economic conditions for EU membership, and implementing requirements stated in the SAA. The second component is to support cross-border activities between beneficiary countries and EU members, and enable participation in transnational and interregional programs (Ministarstvo za ekonomske odnose sa inostranstvom Republike Srbije, 2007).

The financial projections within the Multi-Annual Indicative Financial Framework estimate that Serbia will receive 186.7 million euros in 2007, 190 million euros in 2008 and 194.8 million euros in 2009.⁶³

The Multi-Beneficiary Multi-Indicative Planning Document 2007-2009 identifies common priorities of candidate and potential candidate countries. It supports regional cooperation in areas where this is more effective and leads to better results. About 10 percent of IPA funds for the 2007-2013 period will be channelled through this plan. Project development is centralized at the European Commission in Brussels. The main areas of support comprise regional cooperation; infrastructure development; the judiciary and law enforcement; internal markets; public administration reform; democratic stability; education, youth and research; the market economy; nuclear safety and the treatment of radioactive material; and interim administrative institutions and reserves.

Support to the market economy implies incentives for small and medium enterprises through access to funding, enhanced cooperation between enterprises in the region and the EU, and cooperation between organizations supporting entrepreneurship.

Conclusions and recommendations

This chapter presents the results of the research on the role of regional cooperation in enhancing trade, FDI, small and medium enterprises, and foreign assistance, and how Serbia can benefit from regional cooperation in these sectors to sustain results achieved since 2000. Identifying common economic interests can also build confidence and overcome tensions related to recent history.

After a decade of conflicts, economic decline and isolation, the prospect of EU membership is a driving force for institutional reform in Serbia, and the transformation of macroeconomic stability into social security for the population. Broad structural reforms would improve the

Box 3.10: Serbia's international aid needs

The Ministry of International Economic Relations, in cooperation with other ministries, issued a document entitled "The needs of the Republic of Serbia for international assistance in the period 2007-2009;" it was officially adopted in January 2007. The paper identifies key programmes and intersectoral priorities, serving as an instrument for harmonizing donor support and integrating the planning of internal and external sources of financing.

The ministry also prepared a report on the programming of IPA funds for 2007, presenting the main challenges and problems that the Serbian administration is facing. The focus, among other things, is on the better integration of funds at the local level across local self-governments, civil society and the implementation of certain government programmes.

Source: ISDAKON (www.evropa.sr.gov.yu).

⁶³ Multi-Annual Indicative Planning Document for the Republic of Serbia 2007-2009 (www.evropa.sr.gov.yu/Evropa/Document/mipd/pdf).

investment climate and human capital development, increase the flexibility of markets, and begin to capture the benefits of international economic integration.

Serbia could realize significant benefits and a higher level of human development through regional cooperation if the principal goal of the Serbian economy would become the establishment of a modern, export-oriented market economy based on private property, knowledge and innovations, and capable of generating dynamic economic growth and new employment. Increased employment opportunities require economic reforms, active employment measures, favourable conditions for small and medium enterprises, the stimulation of FDI, investments in the private agricultural sector and other relevant measures. It is obvious that high-quality human capital is essential for a more competitive and dynamic knowledge-based economy, and better overall social and economic conditions.

All of the South Eastern European countries currently face major challenges in improving human resources quality and social inclusion. This will include enhancing the adaptability, mobility and competitiveness of the work force. It will require increased access to education and training, improvement of their quality, and stronger relationships between communities and education systems. Finally, greater social integration would contribute to raising the level of employability (Balkan Institute for Labour and Social Policy 2008, p. 39).

Recommendations to achieve these objectives are as follows.

Implement comprehensive national programmes for increased employment. Employment policies should have priority because high unemployment in Serbia seriously threatens sustainable growth, deepens social marginalization and fans political radicalization. Serbia has a National Employment Strategy and National Employment Action Plan. Future tasks and challenges for an active labour market policy could be the following (World Bank 2005b, pp. 31-39).

- Special programmes could target the employment of redundant employees during the privatization and restructuring of publicly owned enterprises.
- More efficient programmes should focus on employment for vulnerable groups, including the long-term unemployed, youth, women, the unqualified, older workers, persons with disabilities, refugees, etc.
- Regional and local employment councils could develop effective local development and employment strategies, especially in the least-developed regions and municipalities.
- Reform of the National Employment Service and labour legislation should continue.
- Improving the quality of the workforce will require vocational training and additional education programmes. Education policies are critical in preparing the country to cope with economic and technological changes, and in stimulating growth and reducing inequality.
- Promotion of the private sector and entrepreneurship should be pursued including through reduced taxation and subsidies for a portion of labour costs.
- The informal economy should be curtailed through preventive, stimulation and penalty measures. The specific question for the Serbian economy is how regional trade liberalization will affect functions, jobs and incomes in the informal economy, given its high share of overall employment. The effects could be both positive and negative.
- Local public works programmes, direct links between employers and the unemployed through employment fairs and the Internet, and favourable microcredit options should be explored.

- Policies should provide security and insurance against adverse events, job losses in particular. Commonly used tools are unemployment benefits and job security legislation to provide a buffer against the most negative consequences of unemployment.

Create policies to facilitate the transition during trade reforms. If regional trade liberalization negatively affects parts of the Serbian labour force, labour, social and other macroeconomic policies must be in place to redistribute part of the gains from trade.

The situation where a number of workers lose their jobs following trade liberalization could be eased by providing financial support during periods of unemployment and instituting active labour market policies that facilitate re-employment through job searches, labour market training, job creation programmes, etc. (Jansen and Lee 2007).

Complementary policies need to spur the development of small and medium enterprises, and establish systems for the quick absorption of redundant workers in emerging sectors, along with other programmes for adjustment. Options include local self-help initiatives to provide insurance against illness and loss of income, as well as urban public works and microcredit programmes (ibid.).

Improve social protection. As a low-income country, Serbia cannot afford a generous social protection system. Another problem is that the large informal sector and part of the agricultural sector are outside the state fiscal system. Alternative means to offer social protection in these instances should be explored.

The reform of the social welfare system, revisions in the role of the state, more efficient social welfare mechanisms, the implementation of the Poverty Reduction Strategy, more dynamic economic growth and an increased employment rate could diminish the share of social benefits in overall GDP.

Research options for redistribution policies. Many economists have looked at redistribution policies in open economies to consider how to introduce appropriate policies in countries like Serbia. Serbia itself has to undertake more empirical research in this domain to better understand how trade liberalization affects the formal and the informal economy, because measuring the potential benefits of improved regional cooperation in promoting trade and investment have to be based on exact methods, such as the computable general equilibrium model. This would become a powerful analytical tool to identify and assess the effects of economic opening on Serbia and its accession to the EU. Romania and Slovenia are the only countries in the South Eastern Europe region that have adopted this model.

Emphasize priority FDI policies to boost investment flows. The growing links between South Eastern Europe and the EU entail not only trade liberalization, but also increasing FDI inflows from the latter. Financial market integration has increased, with EU banks active in all South Eastern European countries (Uvalić 2007, p. 249).

Since Serbia has great potential as an attractive investment destination, it is essential to emphasize certain reform priorities to encourage FDI.

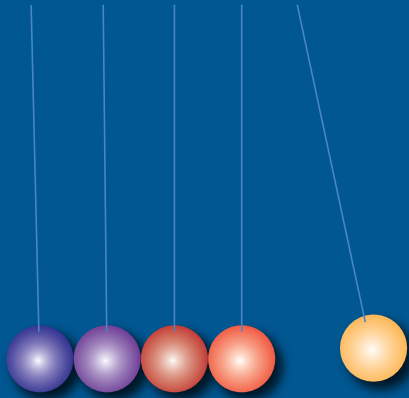
- Regulatory reforms should address policies for competition, investment, trade, taxation and anti-corruption.
- Enhancing institutional capacities and developing cooperation at the national and municipal levels should be oriented around facilitating business development.
- Activities to increase competitiveness and stimulate FDI should focus on sectors that contribute to the development of skills and innovations, and raise productivity at the national level.

- National campaigns should raise awareness of the significance of FDI, and of the need for strengthening management capacities and entrepreneurship.
- A clearly directed international marketing strategy for attracting FDI should focus both on the privatization of enterprises and on Greenfield investments.

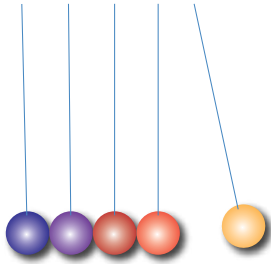
Enact policies to support the growth of small and medium enterprises.

- Enhancing legislation, regulations, institutional frameworks and infrastructure would support small and medium enterprises and entrepreneurship, especially in starting and registering enterprises.
- Competitiveness could be promoted through innovations, better management, and higher quality products and services.
- Financial systems and tax policies should be adapted to the needs of small and medium enterprises.
- Education should be aligned with the needs of the economy and labour markets. Specific strategies should seek to staunch the brain drain.
- Technological capacities of small and medium enterprises should be strengthened. Support should go towards enterprise clusters, incubators and technology parks.
- Much better connections between the economy, education and scientific research organizations would increase the transfer of knowledge and technology into the economy.

International development assistance for economic and social reforms should be sustained. This applies to all countries in the region. Serbia needs continued support for institution and capacity building, particularly for the reform of public administration; the implementation of certain national strategies, including related training; and the modernization and coordination of government authorities.



CHAPTER 4
**INFRASTRUCTURE
DEVELOPMENT**



CHAPTER 4 INFRASTRUCTURE DEVELOPMENT

Introduction

Box 4.1: A new facility for funding infrastructure

The European Commission's role in the ISG was the first step in its commitment to enable closer coordination between the EIB, the EBRD and other international financial institutions in supporting modernization and development in the Western Balkans. Three priority areas are micro-, small and medium-sized enterprises, energy efficiency and infrastructure.

In March 2007, an advisory group was established covering regional transport, energy and environmental projects, municipalities and public-private partnerships, and social issues including health, education, employment and the labour market. In November 2007, the Commission, the EIB, the EBRD and the Council of Europe Development Bank agreed to create an Infrastructure Projects Facility for the Western Balkans with a budget of 16 million euros. More resources will be allocated from the Instrument for Pre-Accession (IPA), which will be supported by a steering committee involving the beneficiary countries, the EBRD, the EIB and the Council of Europe Development Bank.

Adequate infrastructure is fundamental not only to promoting economic development and employment, but also to ensuring proper standards of living by guaranteeing electricity and heating, and facilitating movement. Energy, transport, telecommunications and environmental protection infrastructure are powerful factors in modern, dynamic and competitive countries. Since 2000, the international community has made considerable investments in rehabilitating and improving Serbia's infrastructure, through donations and credits. Serbia is lagging behind the European Union and neighbouring countries, however, in part due to the legacy of conflict, sanctions and economic crisis.

From a regional perspective, the development of regional infrastructure is one of the main integrating factors in the Western Balkans. Policy makers consider it a top priority for cooperation. This recognizes that countries have shared interests and resources, and that regional cooperation is often the ideal mechanism to improve infrastructure in a cost-effective and efficient way. Modern infrastructure is also a prerequisite for the integration of the region into the European and global mainstreams.

European organizations see a regional approach as instrumental for the further development of the EU Transboundary Networks. The main criteria of their investment strategies are, besides the satisfaction of technical, economic and ecological requirements, that projects have a regional character and contribute to the completion of trans-European routes.

In 2001, the Infrastructure Steering Group (ISG) was established to facilitate the development of regional infrastructure in South Eastern Europe and its integration into the trans-European networks (see Box 4.1). ISG members include the European Commission, the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Council of Europe Development Bank and the Office of the Special Coordinator of the South Eastern Europe Stability Pact. The ISG has been meeting regularly since 2004, with the aim of forging a regional consensus on investment programmes in the energy and transport sectors, but also in regional environmental reconstruction programmes, with a focus on water management (European Commission and World Bank 2005, p. 1).

This chapter will analyse the impact on human development of four key types of infrastructure: energy, transport, telecommunication and the environment.

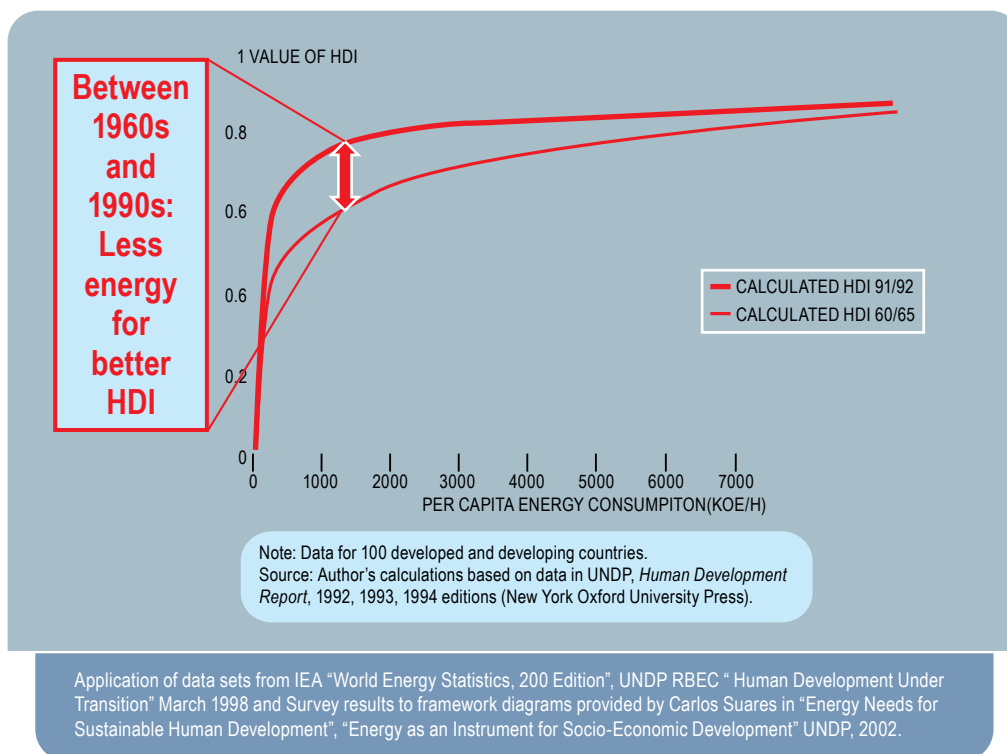
Energy

People use energy to produce goods and services, drive their household appliances, and light, heat or cool their homes. Due to high energy use and diversified needs on one hand, and limited resources on the other, energy systems require high inputs in terms of capital, land and human resources.

Today, technological advances have made it possible to achieve a higher level of human development with the same quantity of energy used in the 1960s. To achieve a higher level

of human development, energy must be available, meaning that total social expenditures for energy services are covered through increased productivity. Human development also requires an adequate and reliable supply of energy, so that people can maintain economic activities that support themselves and their families, and sustain a healthy environment (Kovačević 2007b). See Figure 4.1.

Figure 4.1: Comparison of the human development index and energy consumption per capita, 1960-1991



Investment projects will be financed from grants and loans, with intentions to expand the facility to include other interested donors and additional forms of cooperation. A Western Balkans Investment Framework should be in place by 2010 to enhance harmonization and cooperation around investments in the region's socio-economic development.

Sources: IEA 2000, UNDP 1998, Suarez 2002a and 2002b.

The current situation in Serbia's energy market

Serbia's energy resources are scarce. Imported energy comprises about 40 percent of the total available primary energy. At the same time, the energy intensity of the Serbian economy is very high; the major export goods are energy-intensive.⁶⁴ Due to these factors, energy and energy sources have a strong impact on inflation trends. Lowering the impact of energy consumption on economic growth is therefore a major challenge, since continued energy-intensive growth is not feasible. This shift needs to be made in the midst of numerous integration processes in the energy sector, and in a time when energy safety, energy efficiency and environmental security, with a special emphasis on mitigation of and adaptation to climate change, are pressing political issues worldwide.

Serbia's share of total primary energy supply per unit of GDP is five times higher than the world average, and eight times higher than the average in Organisation for Economic Co-operation and Development (OECD) countries. Carbon dioxide emissions per unit of production are 6.6 times higher than the OECD average.

⁶⁴ Iron and steel products accounted for 13.56 percent of total exports in 2006.

Other relevant considerations include: inefficient use of energy in terms of added value resulting from such consumption, especially in the most densely populated areas, and the fact that Serbia uses increasing quantities of high-quality energy (electricity and oil products) for a disproportionately low contribution to GDP (Ejupi B., Krasniqi G., Kovacevic A., Minic J. 2007., p. 8.).

Coal

Serbia's greatest source of primary energy (about one-fifth) is local coal (lignite). Lignite is mined in two areas, Kolubara and Kostolac, which are parts of the vertically integrated public company Power Industry of Serbia (EPS). The quantities mined in these areas in 2006 were 36,073,846 tons of coal and 97,148,043 cubic metres of overburden. During the second half of 2003, eight underground mines were established as separate legal entities owned by the Government.

The total area covered and affected by surface mines under EPS (excluding those in Kosovo) is 1,000 square kilometres (1.34 percent of the territory of Serbia without Kosovo) (EPS, 2004, Annual Report 2003). The volume of materials mined annually is about 100 million cubic meters. Operating costs in coal mining are relatively high World Bank, 2004,, p. 22) compared to EU standards.

The biggest portion of the coal mined is used in power plants owned by EPS. Coal consumption per generated kilowatt hour in power plants is high.

The Kolubara mining basin is densely populated, rich in arable land, and crossed by roads, railways and waterways, which require ongoing maintenance. The Kostolac basin suffers from the degradation of very fertile land, while the Drmno mining region includes the archaeological site Viminacijum, which is of global significance (EPS, 2004, Annual Report 2003).

Serbia's coal industry is characterized by low productivity, which is partly inherent (the low calorie value of coal, and high direct and opportunity costs for coal enlargement). The management and organizational aspects could be improved, however, along with public awareness and understanding. The lignite industry and energy generation contribute significantly to the total nominal GDP, so their low productivity aggravates the low competitiveness of the Serbian economy. On the other hand, lignite is the only locally available fuel with significant proven reserves. To develop policies and make future strategic choices, it is absolutely necessary to identify the total expenditures and returns from lignite mining and its use in energy generation.

Coal mining has significant effects on human development in Serbia. The environmental consequences of mining, processing and burning coal in technologically obsolete facilities, in a less-than-optimal manner, are widespread and have a cumulative effect. Public health is at risk. The spread of solid particles from ash landfills is a serious problem, and Serbia is a big emitter of sulphur dioxide,⁶⁵ which causes acidification of arable land, a significant factor in reduced yields of certain crops. Lignite mining further requires great areas of land that could be used for other purposes, even as land reclamation is insufficient. At the same time, local communities near surface mines depend very much on the industry. Further reductions of the number of workers in this sector will have a major impact on them.⁶⁶

⁶⁵ See <http://webrzs.statserb.sr.gov.yu/axd/drugastrana.php?Sifra=0010&izbor=odel&tab=43>.

⁶⁶ This refers to the «land for employment» practice of offering employment to landowners during expropriation of land to be used for coal exploitation.

Natural gas

According to the web pages of Srbijagas Serbia imports 92 percent of its gas.. The transport, part of the distribution, storage and trade of natural gas falls under the public utility company Srbijagas. The national distribution of consumers, industrial and households, is unbalanced, and gas distribution is much more widespread in Vojvodina than in the parts of Serbia south of the Sava and Danube rivers.

The high consumption of natural gas in district heating utility plants, which is of seasonal character, limits the possibility of supplying industry with this fuel. Since the prices of district heating are controlled, companies generating heat are not in a position to cover even their operating expenditures at the given level of energy efficiency. District heating is subsidized by local governments, but only a small share of the population enjoys the services, and it tends to be more affluent than average. Despite low prices, the level of uncollected debts for services is high.⁶⁷

Serbia has about 6.6 GW (gigawatts) of installed capacity for heating households and public buildings. With the exception of inefficient mazut-burning co-generation plants generating both heat and electricity, other facilities are heat-only boilers used exclusively for water, which is transported through long pipelines to final users. The level of use of this capital-intensive system is inherently low, at about 1,000 equivalent hours annually. It is important to identify the total social expenditures of these systems in order to enable informed decision-making on future heat generation services, and potentially to reconsider choices in Serbia's Energy Sector Development Strategy on increases in district heating systems.

Renewable energy sources, co-generation, and the use of waste heat from industrial and power generation processes could be considered. In case of the rationalization or reduced consumption of natural gas for district heating systems, the Serbian natural gas market would change. For instance, the natural gas storage now under construction could play a different role. If it were to cover the needs of district heating plants during colder days, it would also have the function of heat storage, although this can be achieved in cheaper ways. The availability of natural gas for industrial processes creating added value would increase, and this could result in higher industrial production indices. The current drop in productivity in January and February cannot be explained only by a lower number of working days during those months. These indices fall most in Vojvodina, which is the region with the highest use of natural gas in industrial processes.

There is also the question of equitable allocation. Through subsidies for the district heating systems, poorer citizens are subsidizing wealthier ones. Several real estate market surveys in Belgrade indicate that the market value of real estate connected to district heating is about 15 percent higher than comparable property that is not connected, meaning that citizens who are not connected are deprived of their rights twice. A public debate is needed based on accurate information regarding the total social expenditures for generation of heat for households and public facilities within district heating systems.

Oil and oil derivatives

Oil comprises about one-fourth of the total primary energy sources in Serbia, of which about 80 percent is imported. Production of derivatives and processing of oil is performed by the joint stock company, Serbian Oil Industry (NIS). NIS is predominantly state-owned, while in the distribution of oil derivatives there is competition. A governmental decree has prohibited

⁶⁷ Companies providing district heating owe their suppliers and have uncollected debt from consumers.

the import of oil derivatives, and all distributors are obliged to process imported oil in the NIS facilities.

The share of public revenues from the oil sector is relatively low in the total national budget, with the share of excise duties and taxes in the price of motor fuels among the lowest in Europe.⁶⁸ The reasons for this are the high price of processing oil in national refineries, the government decree prohibiting the import of derivatives and the desire to keep motor fuels affordable. Low budget revenues must be compensated for in other areas, however.

In addition, the NIS pays almost no compensation for the exploitation of national crude oil, which is set at a very low level of three percent of total revenues. Due to major destruction of NIS infrastructure during the 1999 intervention of the North Atlantic Treaty Organization (NATO), and inadequate investment in maintenance and modernization, domestic oil production has high environmental and social costs.

Electricity

The share of electricity in Serbia's total energy consumption is over 25 percent. EPS is the company generating and distributing electricity, while the Electricity Transmission Company (EMS) is in charge of electricity transmission and management.

Seasonal variations prevent the optimal use of expensive infrastructure, including high household consumption for additional heating in the winter months.⁶⁹ The electrical energy sector was developed to serve an intensively industrialized economy; changes in consumption patterns during the 1990s significantly reduced its utilization.

The prices of electricity have stimulated an irrational use of it. Excessive⁷⁰ use non-productive purposes limits economic growth and produces negative effects on human development. Efforts to reduce irrational consumption through block tariffs have not been completely successful, while distribution is questionable from the point of view of equity.⁷¹ The only widely available substitute is solid fuel (wood). But it costs about the same as electricity and requires advance payment, while electricity bills are settled subsequently and, sometimes, not at all.

Regional cooperation in the energy sector

Due to the unbalanced availability of energy resources in different countries, and the increasing demands for energy sector services, energy needs to be exchanged among national energy markets. Most Eastern European countries have historical links and interdependencies in their energy markets, but these were disrupted following the disintegration of the Soviet Union and Yugoslavia, and the subsequent conflicts.

⁶⁸ According to the International Energy Agency, the share of excise duties and taxes in all European members of the OECD in the second quartile of 2007 was higher than it was in Serbia.

⁶⁹ Several surveys (UNDP 2004, Republic Statistical Office 2006) indicate that solid fuels are the primary source of heating for over 60 percent of households in Serbia. According to UNDP, about 17 percent of households that use solid fuels for heating, and those connected to district heating systems, use electricity for additional heating.

⁷⁰ This refers to the poor ratio of energy inputs and service produced. This low ratio is a consequence of the energy inefficiency of conversion units. In the case of household heating, the building itself is also a unit converting electricity into heat. Housing units in Serbia are characterized by high consumption of energy per square metre of heated area.

⁷¹ Only those connected to the district heating system can count on getting the lowest tariff in their electricity bill. Households that are better off and use electricity for heating bypass the block tariff by moving into the industrial measuring of consumption (through the introduction of the so-called measuring group), or by installing additional electricity metres.

In recent years, the Athens process has shaped regional cooperation in energy, leading to the establishment of the Energy Community of South Eastern Europe. The Athens Memorandum of Understanding was signed on 8 December 2003. The European Commission led negotiations with the countries of the region, supported by the Stability Pact, and based on the requirements of EU member states. The Memorandum of Understanding contains the key obligations of participating parties, including: establishing a regional integrated electricity market and a natural gas network, and integrating them into the wider EU market; agreeing on generally applicable rules of generation, transmission and distribution of electricity; agreeing on generally applicable rules for transport, distribution, availability and storage of natural gas; establishing national energy, regulatory and transport agencies; formulating compatible action plans for the electricity and natural gas markets at national and regional levels; establishing mechanisms for cross-border disputes; authorizing transparent procedures for new investments; supporting initiatives against corruption; and developing legal conditions for third parties to connect to the integrated system and common market.

On 25 October 2005, the Treaty Establishing the Energy Community was signed in Athens. It was the first multilateral treaty in South Eastern Europe following the recent conflicts. The treaty set out a legal framework for an integrated energy market in South Eastern Europe, and regulations on electricity and natural gas.⁷² The signatories are the EU and nine South Eastern Europe partners: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia⁷³ and the UN Mission in Kosovo (UNMIK). The broader name, "Energy Community," was adopted over the narrower "Energy Community of South Eastern Europe." Negotiations are currently underway with Turkey regarding its accession to the treaty.

The long-term goal is for the EU internal energy market to include the whole of the Balkan Peninsula. Actions will focus on greater openness of the market, guarantees for investments and strict regulatory oversight of the energy sector.

One of the main reasons the EU has attached special significance to this process is to improve equilibrium between energy supply and demand as a key for achieving economic growth in South Eastern Europe. This requires legislation covering market-oriented reforms, regional integration and sustainable development, and security of investments. Other considerations include linking South Eastern Europe with the EU energy market to provide security in energy supply, and the urgent need to achieve higher standards in energy infrastructure (Altman 2007, p. 16).

The Athens Process and the Energy Community Treaty imply that signatory countries will implement plans for the reform of electricity and gas tariffs, and all relevant technical standards, such as transmission codes, invoicing systems and exchange of information for transmission operations. They are expected to open access to infrastructure by third parties, establish national regulatory authorities and operators for the transmission system, and develop local solutions for urgent problems related to energy, poverty and social equity.

The treaty is a key component of EU strategy in South Eastern Europe, and an effective pre-accession instrument. All institutions provided for in it have been set up and are operating, and the main stakeholders of the electricity and gas sectors are meeting regularly. In 2007, a conference on investment in energy infrastructure was held and a list of priority energy infrastructure projects adopted. In addition, a Memorandum of Understanding was signed

⁷² The aim of the Energy Community Treaty, which entered into force in July 2006, is to establish a stable regulatory and market framework capable of attracting investment in energy generation, transmission and networks. A single regulatory area in the region, aligned with EU legislation, will help overcome market fragmentation, ensure security of supply and contribute to improving the state of the environment.

⁷³ Serbia's Parliament ratified the treaty on 14 July 2006 (Official Gazette of RS no. 62/06).

to better address the social dimension of the Energy Community. That same year, a new 31-million-euro energy efficiency facility for the Western Balkans was established under the IPA, in cooperation with other international financial institutions. The facility will promote investments in energy efficiency and generation of renewable energy, fostering higher energy savings and lower carbon dioxide emissions.

With the signing of the treaty and the introduction of a European legal framework in the area of energy, South Eastern Europe countries were invited to sign, ratify and implement the Energy Charter Treaty—a framework for investments in energy infrastructure and the use of transport/transit infrastructure to enable the transmission of energy among countries, trade and resolution of disputes, energy efficiency and reduced environmental impacts—and the Extractive Industries Transparency Initiative, which supports investments in extractive industries (further development, and reorganization or privatization).

Serbia and Montenegro were the only European countries that did not sign the Energy Charter Treaty, although it actively implements the international commercial agreements for the purpose of developing energy transit infrastructure. In January 2007, the Government of Serbia signed a Memorandum of Understanding⁷⁴ with the company Gazprom on a major transit gas pipeline. Serbia also inherited a 1996 bilateral agreement with the Russian Federation on the development of a transit gas pipeline in southern Serbia. In April 2007, Serbia signed the Ministerial Declaration Regarding the Pan-European Gas Pipeline Corridor from Constance to Trieste with Croatia, Italy, Romania, Slovenia and the European Commission.

The activities of the Government of Serbia and civil society organizations related to the Extractive Industries Transparency Initiative are lagging behind. Serbia has adopted the Law on Public Access to Information, while the prevailing laws on privatization, mining and the energy sector do not include provisions for transparency in investments in extractive industries or associated enterprises. The Law on Concessions does include provisions on the transparency of the tendering process, tender documents and the selection of the concessionary. But the final outcomes of the process and possibly concession agreements are not necessarily accessible to the public.

The impact of the Energy Community Treaty in Serbia

Membership in the regional energy community is important to Serbia for several reasons, including: integration in the EU energy sector; accelerated adoption of EU standards; access to financial assistance for further development of the energy sector, including investments in generation and transmission facilities; and the opportunity to be among the key actors in the regional market.

Although the Energy Community Treaty does not refer specifically to the coal industry, its implementation will affect this sector. The establishment of a common electricity market in a region with an electricity deficit is a stimulus for investments in new production facilities at the regional level. An EU report on the Balkans Region (2004) indicates that investments in new power plants based on domestic lignite could be among the most desirable options for investors. The construction of new power plants based on domestic lignite is also a strategic priority for Serbia. The continuation of the construction of the power plant Kolubara B, which started and then stalled, is a topic very much present in the Serbian political domain. Negotiations with strategic partners are underway, and it is possible that an additional power plant will be constructed in the Obrenovac complex.

⁷⁴ The interrelation between this agreement and the Energy Charter Treaty is still to be analysed. Official positions from the Serbian Energy Regulatory Agency and the Government of Serbia on compliance with the Serbian legal systems are not yet available.

The construction of such plants requires major funding, and potential investors usually demand long-term supply agreements or ownership of mines. Projections on the increase of electricity consumption both at the national and regional levels provide security to investors regarding sales, so the question that remains relates to a reliable and continued coal supply. In this respect, transparency is essential in presenting publicly the total social cost of lignite production, transportation to power plants, burning and ash disposal, so that strategic decisions can be made and funds allocated equitably.

Unless the overall legal and institutional framework envisaged by the treaty is fully implemented, increased coal production in Serbia could become a serious obstacle to human development. It is true that Serbia could become an exporter of electricity, but if⁷⁵ the total cost of generating electricity are not known, it is not possible to identify the expenditures related to such development, nor who is going to pay for it. Eliminating subsidies and identifying the total cost for individual services would boost competition among different fuels and would enable costs-based decisions on the product mix, so that market optimization would be possible.

Serbia could, in a socially sustainable manner, make full use of the great opportunities provided by the establishment of the Energy Community. Expanded imports of higher quality coal to be used with local lignite in power plants could contribute to increasing transport along the Danube waterway, for example, stimulating reconstruction of inland waterway transport infrastructure and reducing export costs for goods transported on this waterway. This process could contribute to sustainable human development in Serbia. It also demonstrates the need to look at the development of the energy sector in a very broad context.

The impacts of regional cooperation in Serbia are potentially greatest in the gas sector. Although the markets in the region, with the exception of Romania, are relatively small, the region is a possible transit route for natural gas to be supplied from Russia and the Caspian Sea to the developed market in Europe, which is structured differently than in South Eastern Europe.⁷⁶ The possible construction of transit infrastructure passing through Serbia could change the situation in the current natural gas market in the country. Through the construction of new gas pipelines, Serbia would increase its capacity to import natural gas, and diversify its supply routes and possibly its sources of supply.⁷⁷ This would have positive short-term effects on the local industry, and on the inflow of funds resulting from the collection of fees for the transit of natural gas. In order to make full use of the potential natural gas market in the region, it is necessary to harmonize the development of the local gas market with the regional market.

Due to its favourable position on the route between producers and consumers, Serbia is included in many infrastructure development plans for the regional transport of gas. In order for this public asset to be used in an optimal manner and to integrate the human development perspective, the management of public and natural resources in the energy sector must improve. Articles 86 and 87 of Serbia's Constitution define public and natural resources as state property. This property, from case to case, is managed by different state companies and falls under different ministries, creating a fragmented framework in which it is not possible to achieve optimal management.

⁷⁵ In a way, Serbia already is one. The leading exporting industries already use electricity as a major input, and the relatively low prices of electricity contribute to the competitiveness of such industries.

⁷⁶ For example, in Italy in 2000, residential and commercial sectors accounted for 35 percent of the gas market, the industrial sector for 30 percent, and electricity generation for 32 percent. It is estimated that by 2010, 48 percent of electricity in Italy will be generated by natural gas.

⁷⁷ Currently, the only supply route is through Hungary, but there are plans to build a primary pipeline (Dimitrovgrad/Niš) and a connection to the Bulgarian gas pipeline. Both routes are used for Russian gas.

The Energy Community Treaty does not cover the oil sector, but this sector could also benefit significantly from regional linkages. One of the major planned infrastructure projects in the oil (and gas) sector is the construction of the Pan-European Oil Pipeline. If these plans materialize, Serbia could, as with the gas transit infrastructure, generate revenues from transit taxes, and increase employment during the construction and maintenance of this infrastructure. Nevertheless, for the refineries currently owned by NIS to be competitive, they need modernization, which requires substantive investments. The competitiveness of the Serbian oil industry must not threaten human development through a negative impact on budget revenues or a healthy environment.

The Energy Community Treaty gives Serbia a modern legal framework enabling optimal management of public resources in the electricity and gas sectors. Adoption and implementation would reduce the environmental expenditures of providing energy services. In addition, the liberalization of energy markets would enable a reduction of the social cost by abolishing explicit subsidies, which currently distort the market and send messages to consumers stimulating the irrational use of energy services. Price signals that fully reflect all the costs of energy services and external effects (especially the environmental ones, both in terms of local pollution and impacts on global warming) are the key prerequisite for investment decisions that would in the long-term support human development, or contribute to choosing options that have the lowest long-term social costs. If environmental impacts accumulate, the investment would prove unsustainable. The need to pay for the rehabilitation of environmental damages may have a strong impact on the macroeconomic situation in the country, and particularly on vulnerable groups, who have the most limited capacity to deal with environmental problems.

The energy sector is vital to the Serbian economy nonetheless, and with improved efficiency could have a beneficial role in the regional energy market. New investments in generating plants could increase available electricity. Already, a significant share of the total transmitted energy in the EMS system is energy in transit (EMS, EMS Bulletin 2007)).

By developing distributed electricity generation (for instance, by co-generation of electricity and heat, both in industry and district heating systems), it would be possible to create available transmission capacities for transit needs and to increase revenues on this basis. Full implementation of the Energy Community Treaty, including in abolishing subsidies, will very likely promote investments in distributed generation.

The implementation of treaty provisions will be accompanied by a gradual liberalization of the electricity market. An expected increase in electricity prices will affect both the industry and households. With the present level of energy intensity, the competitiveness of the Serbian economy will continue to weaken. Policies promoting energy efficiency are therefore of key importance for human development. They need to be crafted to support those affected by electricity market liberalization. The creation of a regional market and its liberalization will promote competition, which will impose the need to reduce operating costs. This, in turn, will likely diminish the need to reduce labour in the power industry.

Elimination of subsidies will further increase prices, with a high percentage of the population unable to afford sufficient energy for heating their housing units. Since 24 percent of the overall population (UNDP 2004) is already heating less than eight square metres per member of a household, which is the minimum recommended by the World Health Organization, the human development of a significant portion of the Serbian population may be at risk. It is likely that social expenditures currently dealt with through electricity prices exceed the expenditures that will be needed to implement interventions to assist the population at risk.

It is worthwhile to bear in mind the fact that budget revenues will increase after price increases, and that it will be necessary to identify households that require assistance with their energy

needs. Current income criteria are not sufficient indicators of household vulnerability to market liberalization. Regional cooperation could considerably reduce the expenditures related to such interventions, since the causes of energy poverty are similar in several countries. These include inefficient devices for use of solid fuels, lack of adequate alternatives and housing units with inadequate heat efficiency. Regional cooperation could facilitate economies of scale in interventions (for instance, the production of devices for burning solid fuels in households with increased energy efficiency). The benefits of increased energy efficiency would in turn spread outside the energy sector, because more efficient use of solid fuels would free up raw materials and encourage greater price stability for the Serbian wood industry.

Transport

When economic growth increases activities, the use of transport networks rises as well. One of the key tasks of a state is to harmonize the transport system within the country, and develop it to enable local movement, and access and links across the country, thus fostering balanced growth. Traffic depends on economic integration and infrastructure, among other factors. Local movement is linked to the size of the territory, relying predominantly on road and railroad infrastructure. Movement abroad often entails air systems, especially for passengers. The transport of goods increasingly relies on inter-modal transport.

The interconnection of local and international transport is fundamental for regional economic integration and has a direct impact on human development. Developing transport networks can generate job opportunities, and facilitate mobility within the country and abroad, with a potential impact on employment, social habits and the environment. But the restructuring of the transport sector can also cause adverse consequences, such as job losses, radical transformation of the landscape and environmental damages. These cannot be neglected.

Current state of the Serbian transport and traffic system

Roads are the principal transport routes in Serbia. Road traffic infrastructure consists of a network of developed intercity roads that, in terms of road density and construction, is comparable to the developed countries of Central and Eastern Europe. The total length of the road network is 42,692 kilometres, of which 24,860 kilometres are asphalt roads. Only 62.5 percent of roads have a modern carriageway.

The Morava River valley has always played the central role in making Serbia the crossroads between the north and south, east and west. It houses the major roads in the country—the trans-Europe highway E-75, known as Corridor 10, that starts in Norway and ends in Greece, and the E-70 international highway that starts in Spain and, via Romania, ends in Turkey. Another important road links Niš to Sofia, the Bulgarian capital. A branch of Corridor 10 links to Corridor 4, which bypasses Serbia (it starts in Germany, goes through Hungary, Romania and Bulgaria, and ends in Greece and Turkey). The E-763, a category B road linking Serbia with Montenegro, is currently undergoing reconstruction (Travica et al. 2007, pp. 34-56). The integration of the national road network in strategic EU transport corridors could be a favourable basis for the development of commercial traffic in Serbia.

The state of the road network is poor, however, due to low investment in road maintenance during the 1990s, insufficient toll collection policies and inadequate management of funds. Serbia invests only US \$570 per kilometre in road maintenance, which is 16 times less than in EU countries (based on 2002 figures).

The Serbian railroad infrastructure comprises over 3,808 kilometres of railroads (one-third are electrified). Forty percent of the railroads are part of Corridor 10, linking Serbia with its neighbours and the Black, Adriatic and Ionian seas, and a railroad connects Belgrade with Bar, the biggest port in Montenegro. The state-owned enterprise Serbian Rail is the key player in this

sector with 158 passenger wagons and 4,800 cargo wagons. In 2000, the number of functional rail lines was 4,000, which is a moderate level of rail transport relative to the neighbouring countries. In 2001, Serbia ranked at the bottom of the list of neighbouring countries in cargo rail transport, superior only to Bosnia and Herzegovina.

Serbia's inland waterways are also of international character. The five major rivers are the Danube, Sava, Morava, Tisa and Tamiš. Except the Morava River, they all run across Serbian borders. The most important one is the 2,850 kilometre Danube, which runs through 10 European countries and has major economic potential. The Danube links Western and Eastern Europe, and the North and Black seas. Twenty percent of the total Danube length runs through Serbia; the major ports include Novi Sad, Belgrade and Smederevo. The Novi Sad port is an important entry point for pan-European traffic. Belgrade is important not only as a Danube port, but also as a port at the confluence of the Sava and the Danube, and at the point of intersection between Corridor 7 (Danube) and Corridor 10. There are studies demonstrating the significant economic advantages of the Danube for Serbia that need to be utilized adequately. Since Serbia is landlocked, it uses the maritime ports of Bulgaria, Greece, Montenegro and Slovenia.

Prospects for intensified international transport along the Danube increased after the construction of the new bridge in Novi Sad in October 2005. It replaced the pontoon bridge, a temporary replacement for the bridge destroyed during the NATO bombing in 1999, which had for six years blocked international transport along the Danube. Since Novi Sad is located on a branch of Corridor 10 (road and rail), navigation through Novi Sad opens up another link between corridors 10 and 7 (the first link is in Belgrade).

The Smederevo port on the Danube supports the major metal complex recently acquired by US Steel. The products of this factory are transported from Smederevo along the Danube to the Black Sea ports in Romania and Bulgaria. In contrast with the revitalized inland waterways transport along the Danube, the traffic along the Sava river is much lower, although the countries of the former Yugoslavia are making efforts to transform it into an international waterway.

Cargo transport on waterways is more environmentally friendly and cheaper than other forms of transport, but Serbia has not sufficiently exploited the potentials and advantages of waterways traffic.

Air traffic is another challenge. Air traffic infrastructure consists of 36 airports (asphalt and non-asphalt) and a number of heliostromes. The major airports, both international, are in Belgrade (now called the Nikola Tesla airport) and Niš. The Belgrade airport has lost the strong international position that it enjoyed before the 1990s, resulting in decreased revenues, and reduced potential for maintenance and renewal, both of the airport and the fleet. Recent investments may enhance its chances to become a transport node in South Eastern Europe. This airport has been selected as the starting port of all flights connecting Europe and Cuba.

The national air carrier, Jat Airways (formerly JAT-Yugoslav Air Transport), provides air carriage of passengers and goods. Jat has lost much of its market position due to the conflicts and sanctions in the 1990s. It is currently attempting to regain its lost position in numerous sections of the international market with about 20 medium-class passenger aircraft. Its major competitors are the international air carriers, which have taken over some key international routes, charter air carriers such as Aviogeneks and a number of independent operators. Jat is not a member of international alliances of air carriers and remains focused on passenger traffic, in contrast to global trends.

Challenges to the development of the Serbian transport and traffic systems stem from major differences in the level of development and a great dispersion in population density;

a low share of inter-modal transport in the overall transport load; a very old fleet of planes (an average age of 11 years) and an underdeveloped network of regional airports (only four, including Priština);⁷⁸ and weak development of the road network, which is not fully in compliance with European standards. Construction of secondary roads (linking towns within districts and local centres) is at a very low level. Additionally, the rail network, for the most part, is not in compliance with EU standards.

The districts with underdeveloped traffic infrastructure are those with the lowest per capita GDP, such as Toplički, Jablanički and Pčinjski in southern Serbia, despite the fact that they are on Corridor 10 and border the Borski (eastern Serbia) districts. But there are exceptions: The Raški district has a medium level of traffic and low development in terms of GDP, while the Pirotski and Banatski districts (northern and middle) have a medium level of GDP but are poorly developed in terms of traffic. More modern traffic infrastructure could be an engine for development. Districts along Corridor 10 will probably improve in terms of traffic development with its completion, and this could contribute to accelerated economic development and the reduction of regional inequalities.

Traffic infrastructure in South Eastern Europe

The quality and potential of Serbia's transport infrastructure does not differ significantly from those of neighbouring countries (see Table 4.1). Most countries in South Eastern Europe rely on one quality road and rail link, which often have parallel routes with the neighbouring country, and seldom an air link. The density of the road network is comparable in all countries, but the total length of the road network has not changed in recent years in Serbia or any of its neighbouring countries, except in Bulgaria as the result of a changed classification of the road network. The share of road traffic in overall passenger traffic is dominant in all countries of the region.

Serbia ranks right after Romania in terms of the density of its rail network, and after Bulgaria and Croatia, it has the highest degree of motorization. In Serbia, the share of roads in the total transport network exceeds that of its neighbours. In terms of transport expressed in passengers per kilometre, Serbia surpasses the regional average, but it lags behind its neighbours in developed regional air traffic.

Regarding the number of air passengers per year, Croatia and Serbia record the highest numbers, but Croatia is serviced by three airports, while Serbia is serviced predominantly by the Belgrade airport alone.

Inland waterways traffic, not including tourism, is not developed in the countries of the region. Serbia hosts the highest number of international waterways cargo ports.

⁷⁸ There are 84 registered ports, airports, runways and heliostromes in Serbia. Those used for civilian purposes are Belgrade, Niš, Priština and Vršac.

Box 4.2: Border traffic between Serbia and neighbouring countries: passengers and vehicles

During 2005, the number of road cargo vehicles that left Serbia through its border crossings was 287,855, providing transport for 4,368 thousand tons of goods. Vehicles with registration plates of Serbia and Montenegro carried 68.3 percent of the total quantity of export goods. During the same period, the number of road cargo vehicles that entered Serbia was 197,541, carrying 3,178 thousand tons of goods. The share of national vehicles in the total entry was 57.4 percent. A total of 469,243 vehicles carried 6,886 thousand tons of goods in transit through Serbian territory.

In terms of the exit of goods, it is only in bilateral trade with Slovenia, and Bosnia and Herzegovina that the share of vehicles with registration plates from those countries is higher than the share with registration plates from Serbia and Montenegro.

Cross-border traffic by road passenger vehicles entering Serbia in 2005 compared to 2004 increased by 11.4 percent. The number of vehicles registered in Serbia and Montenegro increased by 16.3 percent, compared with an increase of 9.2 percent in those with foreign registration. Of the total number of vehicles with foreign registration that entered Serbia, the greatest number, almost one-third, were registered in Bosnia and Herzegovina, followed by Hungary, Bulgaria and Austria.

Table 4.1: Statistics for neighbouring countries

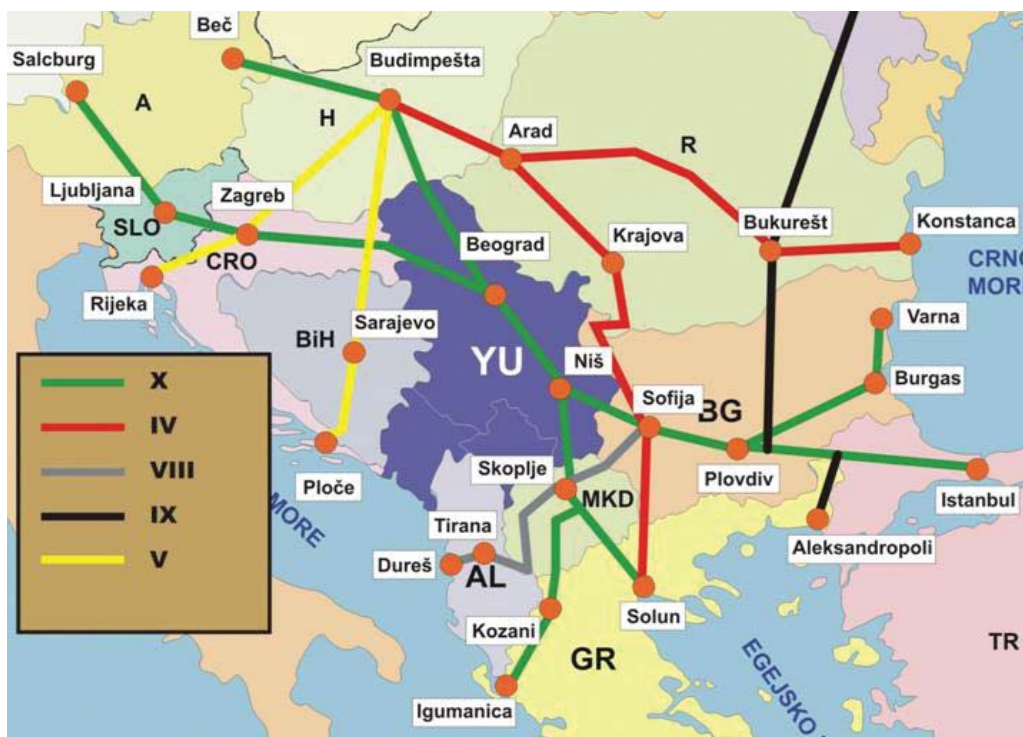
Traffic infrastructure					
Road network in 000 kilometres	2000	2001	2002	2003	2004
Bulgaria ⁽¹⁾	37	37	19	18.9	18.9
Croatia	27.6	27.7	27.8	27.8	27.6
Macedonia	12.5	12.9	13	13	13.1
Romania	78	78	79	79	79
Serbia and Montenegro	44.4	44.6	44.9	44.5	44.5
Rail network	2000	2001	2002	2003	2004
EU 15	206	204.2	203.9		
Albania	0.4	0.4	0.4	0.4	0.4
Bosnia and Herzegovina					0.9
Bulgaria	4.3	4.3	4.3	4.3	4.3
Croatia	2.7	2.7	2.7	2.7	2.7
Macedonia	0.7	0.7	0.7	0.7	0.7
Romania	11	11	11	11	11
Serbia and Montenegro	4.1	4.1	4.1	4.1	4.1
⁽¹⁾ Beginning in 2002, IV-category roads were excluded from the national road network. Source: EUROSTAT 2006.					
Passenger vehicles in thousands	2000	2001	2002	2003	2004
EU 15 ⁽¹⁾	177,377				
Albania	115	134	149	175	190
Bosnia and Herzegovina					
Bulgaria	1,993	2,086	2,174	2,309	2,438
Croatia	1,144	1,196	1,244	1,293	1,338
Macedonia	299	309	308	300	
Romania	2,778	2,881	2,973	3,088	3,225
Serbia and Montenegro*	1,393	1,481	1,344	1,388	
⁽¹⁾ EU 15 *Data for 2002 and 2003, excluding Montenegro. Source: EUROSTAT 2006.					

Analysis of traffic between Serbia and its neighbours indicates that over the past five years it has increased, with road and air being the dominant forms, as railroad passenger traffic is losing its importance. Road traffic (see Box 4.2) is gradually being redistributed over the border crossings with Hungary and Croatia, while the share of foreign air carriers in air traffic is increasingly significant. The lowest level of traffic communication is with Romania.

Regional transport cooperation

Projects related to the development of the 10 pan-European traffic corridors identified at the conference in Crete in March 1994 provide incentives and best practices useful in regional and cross-border cooperation in the field of traffic. Four of the 10 are of special significance for the Western Balkans: Corridor 5 and Corridor 7, coinciding with the Danube, and corridors 8 and 10, proposed after the end of hostilities in the former Yugoslavia (see Figure 4.2).

Figure 4.2: Map of Pan-European corridors and core networks



The Memorandum of Understanding to establish the Core Traffic Network in South Eastern Europe, signed in June 2004 by the Western Balkan countries, identified a list of requirements related to cooperation, exchange of information, improved network operations, investments and institutional support. In April 2005, the Regional Steering Committee was established and the South Eastern Europe Transport Observatory located in Belgrade. In November 2005, the Master Plan for the development of the traffic network was adopted. The Memorandum of Understanding identified the need to develop the Multi-Annual Plan (see Box 4.3), which was adopted for a period of five years and sets out details regarding implementation (Minić and Kronja 2007).

The plan's overriding objective is to offer transport users within and beyond South Eastern Europe improved efficiency, lower costs and better quality of services. Specific goals include providing focus for international cooperation, essential for European integration; creating a base of information on the operation of the core network and developing a programme to improve its management; and identifying key priority investment projects to remove bottlenecks.

The underlying strategy of the Multi-Annual Plan comprises the following issues: enhancing regional interests; stimulating economic development through better balance among different modes of traffic; and improving traffic sector management to ensure financial sustainability, social cohesiveness, and transport efficiency and safety. It underlines the need to adopt measures that move the region towards the integrated European Traffic Market, in particular for the road and railway sub-sectors.

In March 2008, the European Commission reported on progress in exploratory talks on cooperation in the field of transport with its neighbours. It will submit to the Council a proposal for negotiating directives for a Transport Community Treaty with the Western Balkans. The purpose of the treaty will be to work towards an integrated market for road,

The greatest number of vehicles entered Serbia through border crossings with Bosnia and Herzegovina (36.2 percent), followed by border crossings with Hungary (23.4 percent), and border crossings at Batrovci (17.6 percent) and Gradina (8.1 percent).

The number of vehicles leaving Serbia increased by 5.9 percent. Those registered in Serbia and Montenegro increased by 10.6 percent, and those with other registration plates increased by 3.6 percent. Most of the passenger vehicles with foreign registration exiting Serbia (28.7 percent) had Bosnia and Herzegovina registration, followed by vehicles registered in Hungary with 6.5 percent and Bulgaria with 4.9 percent.

The greatest number of vehicles left Serbia through border crossings with Bosnia and Herzegovina (36 percent) and Hungary (25.1 percent). The three border crossings with the highest turnover of passenger vehicles leaving Serbia were Batrovci (15.8 percent), Preševo (8.1 percent) and Gradina (6.8 percent).

Statistical Office of Republic of Serbia, Statistical Year book 2007, Belgrade

Box 4.3: Multi-Annual Plan for the Core Traffic Network

The Multi-Annual Plan for the development of the Core Traffic Network in South Eastern Europe for the period 2007-2011 is an updated version of the plan approved by the Regional Steering Committee in April 2006. An overview of the performance of the network, specific institutional initiatives to improve efficiency and highly ranked investment projects that are in the preparatory stage have been added. Numerous consultations at the Steering Committee meetings, different workshops and working groups, and the first annual meeting of ministers in November 2005 in Skopje, contributed to the better provision of data and exchange of information.

Under the first plan, 276 projects were processed for the second plan, of which 220 were selected. Investment requirements for priority projects amount to approximately 1.9 billion euros over the next five years, representing about 21 percent of the total estimated costs for all submitted regional projects. The identified project priorities are the bottlenecks of regional significance (roads and border crossings). They refer to the modernization of the railway and road traffic, and introduce the need to open up the market of transit services.

rail, inland waterways and maritime transport. The proposal is based on EU legislation on transport related to infrastructure development, opening markets, technical interoperability, safety, security, the environment and social legislation.

The Agreement on the European Common Aviation Area was signed in June 2006. To date, 11 EU Member States, Iceland, Norway, Albania, Bosnia and Herzegovina, Macedonia, Montenegro and UNMIK have ratified it. Ratification by Croatia, Serbia and the remaining Member States is scheduled for 2008. Meanwhile, all parties provisionally apply the agreement at the administrative level. Under it, Western Balkan countries will fully implement EC aviation law, including high standards of safety and security, while their airlines will have open access to the enlarged European single market in aviation. Starting in 2008, the EC will provide technical assistance for implementation of the agreement.

Regional cooperation will be more successful if related laws are brought in line with EU directives and rules. For instance, the laws on passenger and cargo transport in road traffic need amendments to address weaknesses relevant to separate treatment of internal and international traffic. The law on road traffic safety needs to be systemic to enable management of traffic safety. The water traffic law should be brought in line with EU regulations for tankers transporting oil and naphtha.

In addition, aviation law needs to be harmonized with the EU regulation that allows a country to control prices, while the law on contract obligations and property relations in air traffic should be brought in line with the EU regulation on obligations of the air carrier for liability in case of accidents.

Telecommunications

National information and telecommunications infrastructure includes fixed, wireless and satellite telecommunications; computer networks; transmission and distribution systems; digital television; a wide scope of terminal equipment; software services and applications; databases; and electronic and digital archives (libraries). A well-developed telecommunications infrastructure is the backbone of a modern information society and a key pre-condition for utilization of information technology (IT). The development of infrastructure needs to be accompanied by the reform of telecommunications policies and the regulatory framework in order to maximize the potential of IT for development. Supporting the liberalization of the telecommunications sector, Internet, and e-commerce regulations and policies requires the promotion of competition, private investments, the establishment of an independent regulatory body, innovations and universal access. There is also a need to adopt and implement international agreements on basic telecommunications services, information technology, protection of property rights, abolishment of customs duties in electronic transactions and cyber crime.

By developing an IT society based on a developed telecommunications infrastructure, Serbia could significantly improve its economy and other social sectors, and support democratic and social development. For businesses, communication networks and new technologies are key to modernization and improved competitiveness. For citizens, they are instruments to achieve better access to information and improved quality of life. For society, they offer new options for dialogue, enhanced democracy, and the elimination of social and demographic discrimination. For the country as a whole, they promote and disseminate opinions and interests, preserve cultural heritage and identity, and maintain closer links with the diaspora.

Serbia seeks to reduce the digital divide with the developed European countries and regions, and at the same time create conditions necessary for the Stabilization and Association Process (SAP) and full EU membership. The National Strategy of Serbia for the Accession of Serbia and Montenegro to the EU, adopted in July 2005, identifies the tasks in this area as follows:

Active participation of all responsible institutions in the creation of an open and competitive telecommunication market, privatization of state monopolies and creation of accessible infrastructure for electronic communication networks. The responsibility of state bodies is to ensure the conditions for free competition and promotion of investment; most infrastructure would be created by the private sector. When this is not profitable for the private sector (e.g., in distant and poor areas), the state should intervene by creating infrastructure or subsidizing the private sector. In areas where easy and cheap access to electronic communication networks is not possible, the state should open free points of access within public institutions (libraries, post offices, hospitals, schools, municipality buildings, etc.).

Digital technology enables, over the same network, the provision of conventional and new services with greater added value, and allows terminals to be used as special purpose devices. Promotion and protection of competition are crucial for the development of infrastructure. Market liberalization coupled with convergence will allow users to choose their provider and preferred mode of payment.

Developments in Serbia

The development of the telecommunications sector in Serbia over the past decade was significantly slower compared to other countries in the region, and much slower than the standards prevailing in the EU. There are two major reasons for this. First, the disintegration of the former Yugoslavia resulted in the break up of the telecommunications sector management system, which consisted of the Federal Ministry of Traffic and Communications, the Federal Directorate for Radio Communications and the public company Yugoslav Post. The second reason lies in the consequences of sanctions and the destruction caused during the NATO bombing. The broadcasting system was destroyed (radio-relay telephone stations, state authorities, Mobtel, satellite stations and other elements). A decade of isolation left a strong mark on the state of the equipment and the development of the system.

Since 2000, Serbia has emerged from international isolation, opening its market to enable greater progress. The current goal is to achieve the level of telecommunication development prevailing in EU countries. The legislative and institutional prerequisites for this goal include the Law on Telecommunications, which came into force in the second half of 2005. Its main aims are to provide the conditions needed for the development of the telecommunications sector in Serbia; protect the interests of users and provide maximum quality with respect to telecommunications services; promote competition, cost-effectiveness and efficiency in all sector activities; and bring legislation in line with international standards, practices and technical norms. In compliance with this law, and on the basis of the proposal put forward by the Government, the National Assembly in May 2005 appointed the chairman and members of the Management Board of the Republic Telecommunications Agency (RATEL). Its principal goal is the regulation of the telecommunications sector in line with EU best practices, and it has a key role in the legislative, economic, and technical aspects of the sector.

Formal conditions exist to abolish the monopoly in telecommunications, and to encourage market liberalization and competition in services. The law does not oblige operators of public fixed telecommunications networks to enable local loop access, however. Currently, under the conditions of an unbalanced tariff system, Telekom Serbia is the only provider of fixed telephony services.

Although major structural reforms have been initiated in the telecommunications sector in recent years, they have not been implemented with adequate speed and consistency. Legislative, regulatory and institutional reforms are still in their initial stage, and due to insufficient competition and the unbalanced tariff system, the scope of the telecommunications market is far below its potential. Major progress has been made in privatizing one of the two public mobile network operators, and by introducing a third operator. Competition exists in

By 2011, the priority list of projects should improve a further 506 kilometres of roads and 834 kilometres of railways and signal systems, remove bottlenecks for navigation on the Danube, and improve the capacities of maritime ports and airports in order to meet increasing demand. Border crossings are to become almost defunct due to passenger checking on moving trains and electronic interchange of trains moving cargo. All countries of the Balkans will be integrated in the European Common Aviation Area, and air traffic is expected to expand thanks to increased competition and lower fares.

*Widespread legal and regulatory reform is also predicted through implementation of the *acquis communautaire*, which will enhance integration in the EU traffic network and reintegration of the transport market in the region.*

The total estimated investments needed for the Western Balkans transport infrastructure for the period 2005-2015 amount to 16 billion euros for 6,000 kilometres of roads and 14,300 kilometres of railroads, with additional investments in ports and waterways (the Danube and the Sava). If these investments are implemented, they will open up major business opportunities and will be a factor of integration across the region.

cable distribution system services and Internet access, but access capacity is mostly of low speed. Although the technological gap in building the telecommunications infrastructure has been reduced significantly, the current level of development is still insufficient to meet market demand and provide universal services. See Table 4.2 for an overview of the telecommunications market across different sectors.

Table 4.2: A profile of the Serbian telecommunications market

	2005		2006		Percentage increase of number of users, %	Absolute increase of number of users, thousands
	Number of users, thousands	Penetration %	Number of users, thousands	Penetration %		
Fixed	2,527.3	33.7	2,719.4	36.3	7.6	192.1
Mobile	5,510.7	73.5	6,643.7	88.6	20.6	1,133
Internet	756.7	10	1,005	13.4	32.8	248.3
CDS	530.5	7	541.9	7.2	2.15	11.4
Broadband	40.5	0.54	121.6	1.62	200.2	81.1

Source: www.ratel.co.yu.

Fixed (land) telecommunications infrastructure

Apart from providing all fixed telephony services,⁷⁹ Telekom Serbia⁸⁰ has the exclusive right to build fixed infrastructure, but this does not include provision of Internet services, multimedia services, or cable TV services. Telekom Serbia is also one of the major telecom investors in the region. It owns 65 percent of the shares in Telekom Srpska, and in March 2007 joined the Dutch company Ogalar V.B. to acquire the license for the third mobile operator in Montenegro for 16 million euros.

According to the most recent version of the National Strategy for the Development of the Telecommunications Sector in Serbia in the period 2006 up to 2010, in 2006 Telekom Serbia had about 2.7 million fixed subscribers, of which 290,000 had party lines, and 350,000 subscribers were connected to analogue telephone commutation centres. There were 37 telephones per 100 inhabitants, which is considerably lower than in the EU (50.61 percent). The degree of digitalization of the public fixed telephony is about 90 percent. In achieving the level of development in the EU, the following parameters will need to be achieved: an average degree of digitalization of almost 100 percent; the spread of the fixed network to

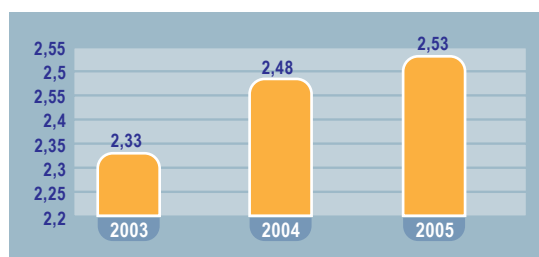
⁷⁹ The term «fixed telephony» means the public fixed telecommunications network. It is a telecommunications network that is fully or partially used for the provision of different public telecommunications services between stationary terminal network nodes, including the access infrastructure, and infrastructure linking public telecommunications networks within and outside a given territory. The public fixed telephony network provides users in fixed locations with public voice and data transfer services in local, intercity and international telephone traffic.

⁸⁰ The ownership structure of this company has changed, but the dominant part was always owned by the state. Since June 1997, 49 percent has been owned by Telecom Italia (29 percent) and the Greek company OTE. However, in December 2002, the public enterprise PTT Srbija (JP-PTT), acquired from Telecom Italia the 29 percent that it had in Telekom Srbija for a sum of 195 million euros, whereby Serbian Post became the owner of 80 percent of the shares of Telekom. JP-PTT Srbija now owns 80 percent of the shares of Telekom Srbija, and OTE the remaining 20 percent. JP-PTT Srbija, founded by the Government of Serbia, is entitled to make all strategic decisions. Telekom was supposed to have the exclusive right to provide all fixed telecommunications services until 9 June 2005, but according to its strategy for the development of telecommunications, adopted in October 2006, liberalization of the telecommunications market has been delayed until 2010.

50.61 percent; the spread of the mobile network to close to 100 percent; and the spread of the Internet to 50 percent (National Strategy for the Development of the Telecommunications in the period 2006-2010, p. 9).

It is estimated that the fixed-telephony market in Serbia has the potential to reach 3.2 million subscribers (see Figure 4.3 for recent increases), and that by 2010 the number of subscribers will be increasing at an annual rate of 5 percent (ibid., p. 13).

Figure 4.3: The number of subscribers of fixed telephony (millions)



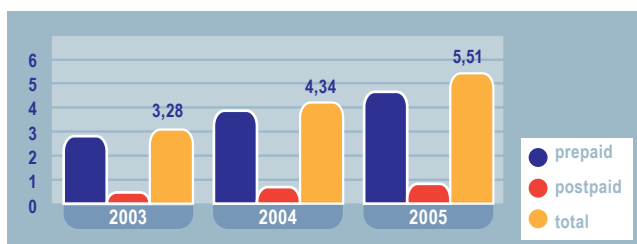
Source: www.ratel.org.yu.

Mobile telephony

In 2005, only two operators in Serbia had licenses for public mobile telecommunications networks, Mobi63 (formerly MOBTEL) and Telekom Serbia (MTS). Apart from voice services, both networks provide data transmission services in compliance with GSM (global system for mobile communications) technology. Public and private services through mobile operators in Serbia are still underdeveloped, while these are becoming the mainstream in most emerging economies.

In 2006, RATEL issued three 10-year licenses for public mobile telecommunications networks and relevant services to Telekom Serbia, Telenor ASA and Mobilkom Austria AG. From the point of view of the users, the entry of the third operator will contribute to an increase in the number of subscribers, improve the quality of mobile telephony services, and lower prices. Experiences from the region, where most countries have at least three mobile operators, support such expectations.

Figure 4.4. The number of subscribers of mobile telephony (millions)



Source: www.ratel.org.yu.

The number of mobile telephony subscribers is over 5 million (see Figure 4.4). It is not possible to determine the exact number, as some subscribers have more than one subscriber number. Also, many subscribe to both Mobi and Mobtel Serbia. **General packet radio service**⁸¹ is used by about two percent of mobile subscribers, and this is expected to increase to seven percent by the end of 2007 (www.ratel.org.yu).

⁸¹ This is a mobile data service available to users of GSM and IS-136 mobile phones.

Further development will include increasing the percentage of the population and territory covered by mobile telecommunications services, with special emphasis on urban areas and regions of special interest in order to achieve the 97 percent spread prevailing in the EU. Increasing the quality of service in all conditions and the range of user services are other goals.

Internet

In 1996, there were 1,631 Internet hosts in Serbia and Montenegro. Since then, the Internet has become increasingly popular, and the number of hosts reached 39,731 by 2005 (Jošanov et al. 2006). Although these numbers may seem quite impressive at first sight, comparison with other countries does not leave much room for optimism.

Serbia lags significantly behind all countries presented in Figure 4.5 (except for Albania, and Bosnia and Herzegovina). If these trends were to continue over the next five years, Serbia would lag behind even more drastically—10 years behind the Czech Republic, Greece and Hungary, and five years behind Bulgaria and Croatia.

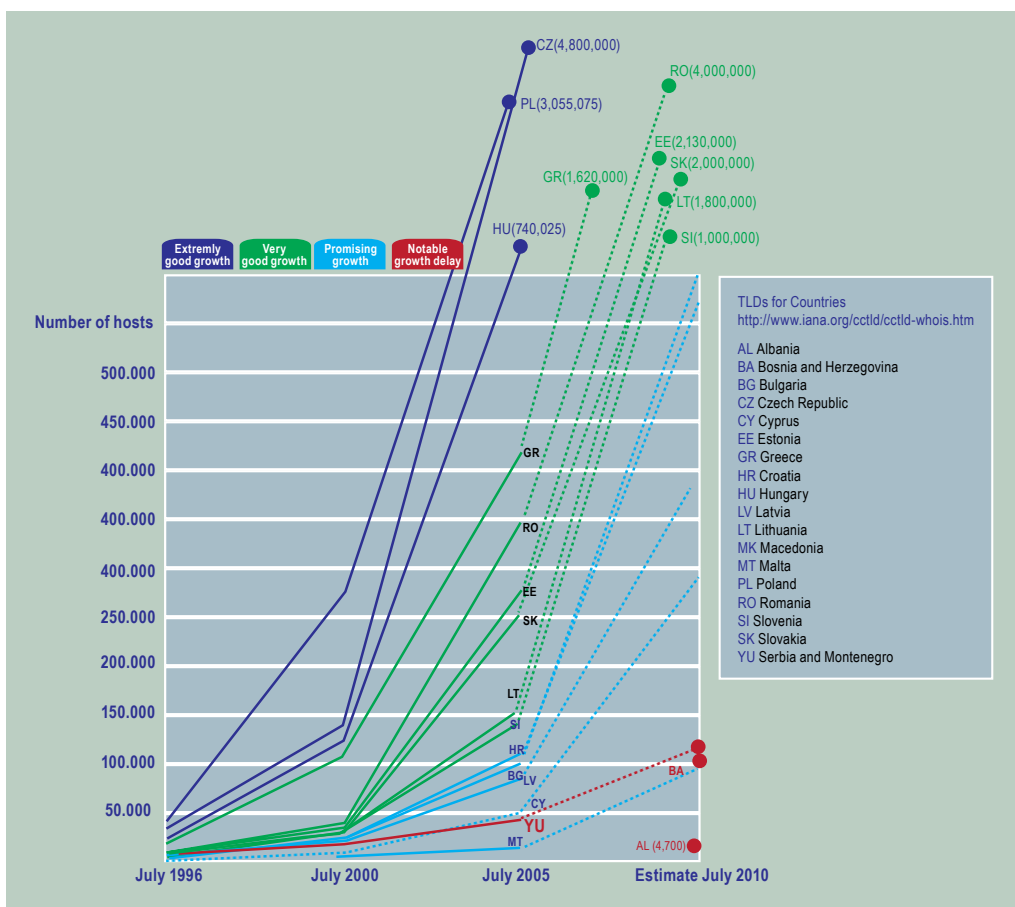
The national commercial Internet service, owned by Telekom Serbia, is called the Serbian Multi-service Internet Network (SMIN). Prior to its introduction, Internet service providers covered only parts of Serbia. It now allows Internet access via most providers for the price of a local call from any line within the public telephone network. Most companies, especially small and medium enterprises, cannot afford the best quality SMIN service. This is confirmed by recent Telekom reports⁸² indicating that there are 77,401 ISDN 2 (integrated services digital network) networks, 2,945 ISDN 30 networks and only 356 users with direct access.

Data about the number of Internet users in Serbia vary. RATEL (2006) puts it at over 720,000, while the 2006 National Strategy states there are 780,000 users (National Strategy for the Development of the Telecommunications in the period 2006-2010, p.14). On the other hand, Cepit (2006) in its most recent study estimates the number at over 1.5 million, meaning that the Internet penetration rate is 24 percent (*ibid.*, p. 33).

The personal computer spread was 41 percent in 2006, or 13.67 computers per 100 inhabitants (*ibid.*, p. 29). A study by the Republic Statistical Office about IT use in Serbia (2006) found that among households and individuals, 26.5 percent have a computer, with variations among regions, and between urban and rural areas. About 18.5 percent have an Internet connection. More than 1.3 million people use a computer on a more or less daily basis, and more than 700,000 use the Internet on a daily basis. The Internet is most often used at home (70 percent), at work (33.7 percent), in an educational institution (31 percent) and at someone else's home (15.2 percent). More than 190,000 persons use e-government services, and more than 100,000 persons have purchased or ordered goods or services via the Internet during the three months before the survey.

⁸² See www.telekom.yu/SiteTelekom/Firma/Uvodna_rec.htm.

Figure 4.5: The growth of the Internet



Source: Jošanov et al. 2006.

Over 97.3 percent of companies use computers in their business, including 100 percent of big companies (more than 250 employees), 98.7 percent of medium-size enterprises (50-249 employees) and 96.7 percent of small enterprises (10-49 employees). About 90.2 percent of enterprises have an Internet connection, mainly used for banking and financial services (65.98 percent), monitoring the market (61 percent), education and training (21.7 percent), and receipt of digital goods and services (15.3 percent). Around 48.6 percent use electronic government services. Just over half of companies have their own Web page.

Cable systems

In 2006, RATEL initiated the issuance of permits for distributing radio and TV programmes via cable distribution networks.⁸³ It has received applications from 29 operators, the major one being SBB.⁸⁴

⁸³ RATEL initiated the issuance of permits for distributing radio and TV programmes via cable distribution networks in line with the Law on Telecommunications and the Rule Book on conditions for the provision of services for the distribution of radio and TV programmes via cable distribution networks.

⁸⁴ Currently, the major cable operators SBB (private consortium including a share by SEEF) and PTT-CDS (under the state-owned company JP-PTT) provide cable Internet services, and it is expected that they will use their networks for voice-over Internet protocol networks.

Broadcasting networks

The use of broadcasting space is regulated by international rules, technical standards and national legislation. Two important documents have been adopted in Serbia: the plan of application of the broadcasting frequency range⁸⁵ and the plan of allocation of frequencies/locations for terrestrial analogue FM and TV broadcasting stations in the territory of the Republic of Serbia.⁸⁶

The Strategy of Broadcasting Development by 2013 includes relevant guidelines for the development of both analogue and digital broadcasting. Following the war, reconstruction and development of broadcasting infrastructure has been necessary to enable, with minimum investments, a move to digital technologies.

Regional cooperation for electronic communications

The average expenditure for the telecommunications sector in South Eastern Europe is 4 percent of GDP, compared to 2.6 percent in the EU. Liberalization is underway in mobile telephony, data transmission and Internet services, cable TV and satellite networks. The countries of the region have adopted their respective telecommunications laws towards full liberalization, but not all of these are in line with the most recent EU legislation.

An integral part of liberalization has been the establishment of independent regulatory bodies. By 2007, all South Eastern Europe countries had created these. The accession to the World Trade Organization's (WTO) Basic Agreement on Telecommunications Services will reduce trade barriers and contribute to the opening of the telecommunications markets.⁸⁷

Liberalization has moved forward despite financial, regulatory and political barriers, and telecom operators are, to a certain degree, already privatized. An integral part of privatization or license agreements for new operators is the condition that they increase the quality of services and coverage, particularly in underdeveloped areas. This refers to territories where it would otherwise be difficult to attract investments due to the high expenditures needed to develop the services and the low rates of return. These activities contribute to human development, however, and support the process of bridging the digital divide within each country.

Besides inadequately developed infrastructure, other factors limit the use of added-value telecommunications services such as e-business and the Internet. Alternative operators entering the market are faced with a long and demanding process of negotiations regarding fair and competitive interconnection with the incumbent operator, and with a lack of activities relevant to local loop unbundling. Rebalancing of tariffs is at the initial stage, and the costs of local calls are extremely high, while international calls are disproportionately cheap. There is also scepticism concerning the independence of newly established telecom operators in the region. Moreover, the current telecommunications markets do not favour attempts by South Eastern Europe to sell the stakes of incumbent operators, due to decreasing market trends reducing the revenues of telecom operators. Many telecom companies are faced with the need to maintain their revenues and the high fees for universal mobile telecommunication service licences.

⁸⁵ Official Gazette of RS, no. 112/04.

⁸⁶ Official Gazette of RS, no. 6/06.

⁸⁷ Bulgaria, Croatia, Macedonia and Romania are members of the WTO, while Bosnia and Herzegovina, Montenegro and Serbia have filed their applications for membership.

The e-SEE Initiative

The aim of the e-SEE Initiative is to better integrate South Eastern European countries into the global, knowledge-based economy. The programme includes systematic monitoring of progress, exchanges of experiences and transfer of knowledge. One of the objectives is to promote an adequate institutional framework in line with EU policies, focusing on coordination and assistance in implementing projects for the application of IT in business, government and education. The concept of an "information society for all" supports social inclusion and human development.

At the October 2002 conference "Telecommunications for Development" in Belgrade, countries signed and adopted the Agenda on the Development of an Information Society in South Eastern Europe.⁸⁸ It is in line with e-Europe 2002, the Action Plan of e-Europe 2005 and the e-Europe+ plan of EU candidate countries. It was endorsed at the South Eastern Europe Cooperation Process meeting in March 2003.

Through the e-SEE Agenda, the countries of South Eastern Europe have agreed to adopt information society policies and strategies; adopt and implement laws in accordance with the *acquis communautaire*; establish regional cooperation and national implementation mechanisms; and promote an information society for development.

Emphasizing the need to harmonize the e-SEE Agenda with the new objectives set out in the EC information society strategy "i2010," and the conclusions of the World Summit on Information Society, and taking into account the current status and priorities at regional and national level, the South Eastern European countries established a Working Group within the e-SEE Initiative to draft the proposed e-SEE Agenda+ and submit it for adoption at the South Eastern Europe Ministerial Conference on the Information Society held in October 2007.

Within the e-SEE Agenda+, the priorities identified in the "i2010" strategy have been redefined in line with the specific features of the region. They include: further development of a common regional information space promoting an open and competitive market for an information society and media, in keeping with the European Information Space; enhanced innovation and investments in IT development and education in parallel with the development of the private sector in order to promote economic growth and generate employment; promotion of an inclusive information society, open to all, enhancing growth and employment in line with the principles of sustainable development; and improvements in public services and standards of living.

Apart from the e-SEE Agenda+ and the organization of the second Ministerial Conference in Sarajevo in the autumn of 2007, another priority of the e-SEE Initiative for 2007 was the ICT Private Sector Forum (active within the Private Sector Forum of the Stability Pact). The forum brings together leading entrepreneurs in the region and from the key investor countries to promote cooperation between governments and the private sector in the area of IT. The e-Government Centre is also a priority. It is a partnership between the public and private sectors in building an effective platform to support the development and implementation of national (and regional) e-government projects that would facilitate the transfer of knowledge and best practices from the EU to the countries of the region.

The b-SEE Initiative

The Memorandum of Understanding to launch the b-SEE Initiative, or Broadband e-SEE Initiative, was adopted at the Regional Ministerial Conference on Information Society held in Thessalonica from 30 June to 1 July 2005. Members of the e-SEE Initiative (Albania, Bosnia

⁸⁸ Countries that signed the e-SEE Agenda are: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro and Serbia.

and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and UNMIK/Kosovo) and Greece and Romania signed on. The b-SEE Initiative was motivated by the fact that the adoption of broadband technology is among the top priorities of e-Europe 2005, with EU member countries framing their national strategies around it. Underlying the initiative is the need to promote integral IT links between South Eastern European countries in order to leverage the capabilities and opportunities of all concerned, and shared interests in promoting investments, joint ventures and technology development.

The main goal is the development of a common broadband market in South Eastern Europe fully integrated in the European and global networks, and the implementation of programmes of technological and industrial cooperation to foster partnerships among countries. The initiative aims to prevent new digital divides in Europe, support the development of fast broadband networks and services at a level comparable to the EU by 2010, and integrate the information space of South Eastern Europe towards EU integration.

The region also needs to engage in cooperation with international organizations, such as the International Telecommunication Union, the OECD, the World Intellectual Property Organization and EUTELSAT⁸⁹, paying special attention to cooperation with the Conference of European Countries for Post and Telecommunications and the European Telecommunications Standards Institute. Monitoring strategic activities implies the availability of measuring mechanisms based on European norms and standards. Introducing European benchmarking procedures is among the priorities of national statistics agencies.

Environment

Human development is centred around sustainable development, which must incorporate social and environmental considerations, respecting human and natural resources along with economic factors (UNDP 1990, pp. 9-10). Sustainable development implies considering the desired quality of life and the attainable speed of social development, as well as the need to balance different social values. It is widely accepted that sustainable development rests on three pillars: the economy and improved standards of living; social equity through the eradication of poverty and enhanced quality of life; and environmental management enabling the preservation of natural resources for future generations. Policy makers play critical roles in establishing synergies and complementarities among the three pillars.

The Serbian Sustainable Development Strategy was adopted in 2008. The Local Sustainable Development Strategy, as a framework document, was adopted through the process coordinated by the Standing Conference of Towns and Municipalities in 2005. It introduces economic instruments as incentives for rational resources management, the promotion of rational consumption (stimulating the use of renewable resources), the protection and use of natural resources in line with the principles of sustainable development, and support to the sustainable use of resources.⁹⁰

One approach to achieving sustainable development is the efficient integration of environmental considerations into sectoral policies. Serbia has undertaken steps to implement the Convention on Access to Information, Public Participation in Decision-Making and Access

⁸⁹ EUTELSAT is a leading provider of satellite telecommunications for TV, radio, VSAT services, broadband services, corporate networks, and IP and non-IP business applications, with 24 satellites providing coverage for more than 150 countries.

⁹⁰ According to the first report on the implementation of the Poverty Reduction Strategy, local strategies for sustainable development are the basis for planning the development of local communities. About 10 municipalities in Serbia have by now adopted local strategies for sustainable development.

to Justice Related to the Environment (the Aarhus Convention).⁹¹ The Law on Access to Information of Public Interest was adopted in 2004, obliging public administration authorities, authorities of the autonomous province and local self-governments, and authorities with environmental protection responsibilities to provide regular, prompt, full and objective information to the public on the environment. A good example of public participation in decision-making was seen during the drafting of the Environmental Protection Law in 2002, including a comprehensive discussion in some 40 towns. This example was highlighted at the first meeting of the members of the Aarhus Convention.

An obstacle to the implementation of the environmental laws (Environmental Protection Law, Environmental Impact Assessment Law, Strategic Environmental Assessment Law, Integral Pollution and Prevention Control Law) has been a delay in establishing a register of polluters and an information system. Environmental data are abundant but often scattered, partial, incompatible and not easily accessible, weakening institutional capacities for environmental monitoring. The Law on Access to Information and the Environmental Protection Law are not fully harmonized.

State of the environment in Serbia

Overall, the state of the environment in Serbia is unsatisfactory (National Environmental Programme of the Republic of Serbia 2005). This applies equally to the state of water and water resources, air, biodiversity, forests and soil (see Table 4.3). Serbia has an abundance of exceptionally "green" and exceptionally "black" (or "hot") spots. All of the environmental hot spots, whether in reference to air pollution (Bor and Pančevo), water (Kraljevo, Vrbas and Pančevo), or soil (Kragujevac, Obrenovac and Pančevo) are the consequences of a negative legacy of industrial activities, energy and mining, and the 1999 NATO bombing. The approach to waste and chemicals management is inadequate; there is a high risk of chemical accidents. High degrees of noise and pollution come from ionizing and non-ionizing radiation.

Table 4.3: Statistical data on the state of Serbia's environment

Poverty Population having access to clean and healthy drinking water	93% (2004) *
Health Population connected to sewerage or septic tanks Population connected to public water supply Population connected to local water supply	- 88% (2000) - 62.8% (2005) ** - 13.9% (2005)
Energy and the environment Carbon dioxide emissions	-4.49 metric tons per capita (2002)
Ensuring environmental sustainability Land covered by forests Area under regime of protection Energy consumption per unit of national product	-25.6% (2005) - 6.5% (2006) - 0.79 tons of oil equivalent per 1,000 USD measured at purchasing power parity (2004); 1.65 tons of oil equivalent per 1,000 USD (2004)
Use of ozone-depleting substances	- 297,378 metric tons (2004)

Source: Official data of the Republican Statistical Bureau.

Note: * means the data apply to Serbia and Montenegro; ** indicates data for Serbia.

One of the most obvious inter-linkages between human development and the environment is that the poor are most exposed to negative environmental impacts. The definition of poverty used in Serbia's 2003 Poverty Reduction Strategy includes the right to a healthy environment

⁹¹ Serbia has not yet ratified the Aarhus Convention.

Box 4.4: A look at environmental laws

Environmental legislation in Serbia consists of strategies, laws and by-laws, as well as technical standards. The main strategies include: the National Strategy of Accession of Serbia to the EU (2005), the Feasibility Study of Priorities of the European Partnership, the Poverty Reduction Strategy (2003), the Waste Management Strategy (2003), the National Water Management Plan, the proposed National Environmental Programme, the Plan of the Government of the Republic of Serbia for Implementation of the European Partnership Priorities, the Strategy of Forestry Development (2006), and the draft National Profile for Assessment of Capacity for the Implementation of the Aarhus Convention (2007).*

Relevant laws and regulations cover planning and construction, mining, geological surveying, water, soil, forests, flora and fauna, national parks, fishing, hunting, waste management, production and trading of poisons, trade and transport of explosives and hazardous substances, protection against ionizing radiation and nuclear safety, etc. Provisions are in place regarding the granting and denial of environmental labels for products, processes and services, which to a lesser or greater degree have environmental consequences. Set of four environmental laws

**It has been before the National Assembly, but according to the law was to be adopted by December 2005.*

and use of natural resources, and, primarily, the right to clean water and air. Vulnerable groups such as slum residents (mostly Roma), refugees and displaced persons living in collective centres, and poor people without safe housing are the most exposed to environmental risks. Additionally, poverty often leads to behaviour patterns resulting in the unsustainable use of natural resources, such as through excessive pasture exploitation, fishing or use of forests. When prices of electricity increase, the poor rural population relies mostly on wood for heating.

The Serbian environmental sector framework is not well connected with the competencies of the Ministry for Environmental Protection, although the key institutional responsibility rests with this ministry. Institutional configurations to support sustainable development are inadequate, with a lack of horizontal and institutional coordination and gaps in environmental monitoring activities. Monitoring weaknesses include the insufficient number of accredited environmental laboratories and lack of stringent quality standards for data collection, processing and reporting. Environmental quality monitoring is rather well covered, however, in contrast to the monitoring of internal polluters. The Serbian Environmental Agency has greatly improved environment reporting since 2003, when it requested inclusion in the European Environmental Agency.

Legal compliance in Serbia is inefficient, which is a consequence of legislative weaknesses and lack of consistency, insufficient and inadequate institutional capacities, lack of inspection oversight, low fines and lengthy litigation. The National Strategy of Serbia for the Accession to the EU clearly states that harmonization of legislation should proceed, taking a realistic approach to the potential for implementing the new laws. This is the main challenge, because adequate institutions and systems for implementation have not been built. It is also necessary to adopt a number of by-laws, which need to be drafted over a short time period (apart from new laws required for EU harmonization). This exceeds the capacities of the Ministry for Environmental Protection and the limited number of staff involved in drafting legislation (see Box 4.4).

The quality of relations between citizens and authorities can be expected to gain in significance, as can the degree of public participation in decision-making on issues relevant to the environment and sustainable development. Much remains to be done to build partnerships between government and civil society organizations. Strengthening participation in the political culture and awareness of civil society activism requires cooperation between local governments and civil society.

The system of economic incentives is still underdeveloped and does not provide sufficient incentives to reduce pollution. Weaknesses in the environmental financing system result from the limited implementation of fees for pollution and the use of resources, high dependence on the central budget, legal limitations and limited use of incentive instruments.⁹² Investments by

⁹² The Law on Environmental Protection provides the basis for implementation of effective economic instruments: fees for the use of natural resources, fees for pollution, and a mechanism for reducing or renouncing the pollution charges and fees paid to local self-government. In line with the "polluter pays" principle, decrees have been adopted, specifically a decree on types of pollution, criteria for calculation of fees/charges and payers thereof, and the amount and manner of calculation and payment of fees. Another decree defines criteria for refunds, and renouncing and reducing pollution charges. Pollution charges are set depending on the type of pollution: for example, emissions from individual sources and from generated or disposed waste (for plants with integrated permits); ozone-depleting substances; and motor vehicle emissions. In the water sector, there is a legal basis for water protection fees not linked to waste water standards. The lack of incentives for industry and the energy sector to reduce pollution (fines and fees are very low, and enforcement is very weak), high taxation and the poor financial situation of many companies make the growth of environmental investments very difficult.

economic sectors in reducing pollution and introducing cleaner technologies are insufficient, although the EU accession strategy states clearly that investments in modernizing equipment and production processes is a precondition for increasing competitiveness and achieving higher exports.

Serbia has not yet introduced an instrument of compensation for environmental damages, or imposed obligations to pay damages on operations that threaten public health or the environment through accidents. Environmental financing at the local level is affected by lack of funds. Only a few local governments have revenues prescribed in local by-laws, such as taxes and the implementation of the “polluter pays” principle. There is no evaluation of their experiences or efficiency.

Despite these challenges, Serbia is making slow but steady progress on the environment, especially in areas where international technical assistance has been approved.

Regional environmental cooperation

Environmental sustainability cannot be achieved without regional cooperation. Environmental issues are increasingly perceived in the context of strategies to develop regional infrastructure, often with the support of the European Commission and the World Bank (^MMinić and ^KKronja 2007). The Regional Environmental Reconstruction Programme (REReP) has a focus on cross-border issues, such as water management. Members are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania and Serbia, as well as Kosovo, with observers from donor countries, international organizations and non-governmental organizations (NGOs). The Secretariat is situated within the Regional Environmental Centre for Central and Eastern Europe.

The main objectives of regional cooperation within the programme include: building functional institutions for environmental protection and development of a stable and efficient framework for policy management; bringing legislation in line with EU standards and values; and strengthening the role of civil society organizations in facilitating access to information, the decision-making process and public environmental awareness. It aims for a tangible decrease in pollution and compliance with obligations under the SAP.

More than 100 projects have been implemented (see Figure 4.6). A project database has been established to improve access to information on implementation, thereby increasing transparency and facilitating regional networking and cooperation.

The European Commission has initiated the Priority Environmental Investment Programme as a framework for investments targeting key environmental threats. A single regional methodology was developed to identify locations facing critical environmental problems. The commission proposes to continue regional cooperation on environmental issues with candidate and potential candidate countries within the Regional Environmental (Compliance and Enforcement) Network for Accession. This follow-up network is expected to become fully operational by the expiry of REReP in 2009.

The NALAS (Network of Associations of Local Authorities in South-East Europe) contributes to regional cooperation, for example, in waste management. The Environmental Compliance and Enforcement Network for Accession, established in March 2005, is an informal network of environmental authorities from EU candidate and potential candidate countries (plus Bulgaria and Romania) responsible for enforcement of environmental legislation (mainly inspections). Its Multi-Annual Work Programme for 2007-2010 focuses on training and exchanges of best practices on the IPPC (Integral Pollution and Prevention Control), landfills, Seveso II and large combustion plants directives; development and maintenance of the European Pollutant Emissions Register (including training for environmental inspectors and agency staff); and

were adopted in 2004.

Some progress has been made in achieving EU environmental standards. Product quality standards have been adopted, although many are not compliant with EU laws (sulphur content in gasoline, fuel and diesel quality, content of hazardous substances in packaging, etc.).

In 2002, certain environmental functions were transferred to the level of the Autonomous Province of Vojvodina. Municipalities/cities have responsibility for urban planning, protecting and enhancing the environment, and utility services, including strategic assessments of plans and programmes, environmental impact assessments and integrated permits within their jurisdictions.

Box 4.5: NGOs declare support for sustainable development

In 2006, NGOs from South Eastern Europe (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and UNMIK/Kosovo) signed a declaration for regional environmental cohesion to achieve sustainable development and accelerated association with the EU. The process was promoted by a Belgrade NGO, Environmental Ambassadors.** It is currently coordinated by NGOs from the region: Biosfera (Macedonia), Most (Montenegro), Centar bez granica (Sarajevo, Bosnia and Herzegovina), Sun of Liqueas (Albania) and Konak (Kosovo/UNMIK).*

The declaration affirms the shared goals of peace, stability, security and prosperity for citizens in the region. It emphasizes that regional environmental cohesion is important in achieving sustainable development and security; that the environment is an important segment of foreign policy; that the environment and sustainable development have no price tags and no borders; and that the

** The initiative was presented in 2007 at a side-event at the Sixth Ministerial Conference, "Environment for Europe." Specific activities have been undertaken, such as a project initially supported by the Swedish International Development Agency: «Regional Environmental Cohesion, Towards a Sustainable Development Strategy for South Eastern Europe.»*

*** See www.ambassadors-env.org.*

protection of the environment by enforcement of criminal laws (with training organized with Interpol).

The DABLAS Task Force⁹³ was set up in November 2001 to provide a platform for cooperation on protecting water and water-related ecosystems in the Danube and Black Sea region. Its activities include drawing up a shortlist of prioritized projects for rehabilitation of the waters of the region; supporting project preparation; and facilitating cooperation between beneficiaries, international financial institutions, other banks and donors for the implementation of priority projects.

Implementation of the Energy Community Treaty will be an indicator of environmental and energy security. Although the treaty is an international binding legal instrument contributing to regional development planning, analysis of implementation so far shows serious institutional and capacity gaps, including in the environmental sector. Regional implementation appears to be slow and inefficient, with an underutilized potential for cooperation.

Serbia has ratified several important multilateral environmental agreements, including the Convention on the Protection and Sustainable Use of the Danube River; the Framework UN Convention on Climate Change; the Convention Prohibiting the Development, Production, Storage and Use of Chemical Weapons and Destruction of Chemical Weapons; the Basel Convention on Control of the Transboundary Movement of Hazardous and other Wastes and their Disposal; and the Convention on Long-Range Cross-Border Air Pollution. These have become an integral part of Serbia's national legislation, evidence of considerable progress (UNECE 2007) that has been achieved in part despite the sanctions and conflicts of the 1990s. All countries in the region need to follow suit, but governments are often slow in doing so.

To fulfil the environmental sector's great potential to enhance regional cohesion and cooperation, countries must prioritize the environmental sector and harmonize protection mechanisms with those operating in the EU. One advantage of regional initiatives is that they have the potential to attract more investments compared to individual country initiatives (for example, ensuring a bigger recycling market). Moreover, strengthening regional and national institutions, as well as partnerships with different stakeholders (see Box 4.5), are prerequisites for sustainable development.

Conclusions and recommendations

To reap the benefits of regional infrastructure for regional cooperation, governments and parliaments need to build legal and institutional frameworks for convergence within the region and with the EU. Relevant ministries need to be established for specific sectors, and adequate human resources and technical conditions provided to orchestrate cooperation for projects and coordination at national levels.

Building harmonized regional markets in different areas of infrastructure would attract foreign investments and spur higher levels of development and employment, as prerequisites for active implementation of the *acquis communautaire*. Making prompt and accurate information available on all areas of infrastructure would support this process.

All countries need to pursue specific activities and support strengthened partnerships between stakeholders (governments and NGOs, industry, trade unions, universities, etc.), using the public-private partnership model of cooperation where appropriate. These partnerships should be geared towards achieving synergies and making optimal use of resources in a viable, competitive environment.

The following recommendations relate to individual infrastructure sectors.

⁹³ http://ec.europa.eu/environment/enlarg/dablas/index_en.htm

Energy

The energy sector in Serbia and other countries of South Eastern Europe is characterized by outdated power plants and industrial facilities, resulting in high-energy intensity and significant pollution of air and water (Altman 2007). Carbon dioxide emissions per unit of GDP are more than twice the world average (UNDP 2004).

In households, average energy consumption per square metre of housing area is two-and-a-half times higher than the average in north Europe. Despite this, depending on the country, between one-quarter and one-third of households, mainly the poorer ones, do not reach the minimum requirements for heat (UNDP 2004). More than one-half of households use charcoal, lignite or wood for heating and cooking. This results in chronic diseases and polluted air in homes.

Recommendations comprise the following.

- Modernization of existing power plants is necessary to increase their efficiency and environmental viability, as is a reduction in energy consumption in compliance with international standards. Households, in particular, need energy-saving appliances and more efficient supplies of heat.
- A regional common energy market is needed to contribute to improved supply and lower costs, and to ensure that future investments make optimum use of regional harmonization.
- International cooperation should be explored for the construction of oil and gas pipelines to provide primary energy.
- In relation to the South Eastern Europe Energy Community Treaty, the Government of Serbia should restructure and privatize the energy sector, and pursue other activities relevant to the signing and ratification of the accompanying international agreements. Members of Parliament need to be informed of these agreements in order to consider their implications and effects. The Government should consider the possibility of adopting a law on the implementation of the treaty, which would identify the competencies of individual authorities, establish cooperation between them, and map the time frame for institutional, legal and practical adjustments.
- Serbia's Energy Agency could be tasked with being a broker between the different state authorities in order to shape policies and laws to improve energy efficiency. It is also necessary to establish a judicial system with adequate funds, information and qualifications to enforce the new legislation. This requires additional training for judges.
- The legal concept of public resources needs to be modernized in terms of its implementation and practice, and primarily in terms of public participation in decision-making.
- Public debates should keep the public informed of the advantages, challenges, problems, and environmental and social limitations present in the energy sector. An active civil society, training of journalists and publications are needed to inform and mobilize the public and advocate for general progress.
- Among the first steps is the establishment of a centralized database on reforms. The level of information that is publicly available needs to improve in terms of quality, quantity and accessibility (statistics, environmental information and public balances). All public organizations, from inspection services to statistical offices and spatial planning agencies, should be enabled to collect, process and publish statistical and technical data required by Eurostat and the International Energy Agency, and environmental data according to EU standards, as well as to survey their minimum sources and sources of coal and lignite in line with the most recent guidelines by the UN Economic Commission for Europe (UNECE). Regular publishing of statistical indicators on legislation and its implementation is also useful.

region is facing numerous problems including poverty, unemployment, lack of planning in development, pollution, regional energy deficits, excessive exploitation of natural resources, extensive fishing and hunting, and neglect of animal welfare.

The declaration appeals to governments to build partnerships with NGOs in order to: overcome the differences in the region; contribute to human and environmental security by reducing cross-border risks, and increasing regional and cross-border cooperation, with EU integration as a shared interest; ensure sustainable development through strategies and actions; monitor the implementation of the declaration; and ensure that the EU and the international community and institutions provide financial support for the achievement of these goals.

Transport

The countries of South Eastern Europe are facing similar problems in the development of transport infrastructure: inadequate institutional capacities, lack of planning and maintenance of roads, limited funding, high indebtedness, issues relevant to border crossings and inadequate inter-modal transport. Given the importance of transport infrastructure to promote economic development, improve the mobility of goods and people, and enhance human development, it is essential to overcome these problems. Through regional cooperation, the Western Balkans could boost transport connections in all sectors (roads, railroads, inland waterways and air traffic) and maximize the advantages for individual countries. Regional projects are more attractive to foreign investors, and contribute to joint networks in the region and Europe.

Serbia should take the following actions.

- The Government should develop a Transport Master Plan for Serbia. The current plans are mostly focused on the regional core network without looking in detail at local intra-state needs. The plan should be the basis for management, maintenance, planning, financing and construction of transport infrastructure. It should also be institutionally integrated in national development plans through the relevant procedures.
- Work should begin on establishing a joint database on traffic and traffic infrastructure; implementing the relevant by-laws derived from the new Law on Roads (categorization of the road network, technical instructions, traffic signalization, etc.); and accelerating the adoption of laws relevant to traffic and transport.
- Incentives should be provided to encourage the replacement of the existing pool of motor vehicles with new vehicles of higher quality.

Telecommunications

Developing a safe, reliable and flexible telecommunications infrastructure of adequate capacity, first at national and then at regional level, will be among the key pre-conditions for EU candidacy. Countries should support cooperation, promote new initiatives, further harmonize national legislation with EU directives, and foster the widespread use of new services such as e-learning and e-government. Cooperation will depend on the liberalization of telecommunications.

When liberalizing telecommunications, mid-term functioning of alternative networks is of special importance. This should take place without the use of further public funds, based on relevant business plans and criteria for ensuring profitability. Countries will also need to correct inherited imbalances in telecommunications tariffs and enhance transparency in the collection of bills. Tariff policy should be based on cost-recovery principles.

Expert analyses and international and European practices suggest that the effects of full liberalization of telecommunications services in Serbia and other South Eastern Europe countries will broaden the services offered to business and private users, especially in terms of integrated broadband services; higher quality services at lower prices due to competition; and promotion of the telecommunications market as an instrument of development of other sectors of the economy and society in general. It should serve as an incentive for investments, productivity and employment.

Full liberalization is also expected to increase employment in the telecommunications and IT sector; provide greater choice of content and services for the user; and facilitate the entry of new telecommunications actors in the market along with new providers of additional services, with increased investments and inflow of foreign capital. It should also ensure more rapid acceptance of new technology and services; and prompt changes in the structure of the telecommunications and information services markets through new models of operation that

stem from national and international alliances between telecom companies and companies from other sectors.

In Serbia, the proposed new strategy of leaving the liberalization of the fixed telephony market for the period after 2010 is not in line with EU regulations, and it raises significant concerns about the price that national consumers will have to pay. According to some interpretations, the delay is closely linked to the efforts by the state to privatize Telekom Srbija and secure a good price. How this process will be reflected in future development of the national telecommunications infrastructure remains to be seen, as well as what the users of telecommunications services can expect in terms of new services, technology and prices.

The Government of Serbia should take the following actions.

- Telecommunications policy should be set to identify crosscutting priorities. These include liberalization of the telecommunications sector; provision of universal services and support for the development of new, integrated services; and further development of the telecommunication infrastructure, with an emphasis on broadband services, especially in remote areas and underdeveloped regions of the country.
- Efforts should also be made to use the dynamic features of new technologies in order to bridge the gap with developed countries, and to ensure participation in the new economy of global information.
- In liberalizing telecommunications, Serbia needs to finalize the institutional and regulatory framework, and promote and supervise a competitive market environment. The development of the institutional framework needs to be designed to lead to the convergence of Serbia with the EU. This implies supervision of network access based on the principle of open network access, harmonized to the gradual liberalization of telecommunications, in order to prevent monopolistic abuse by the incumbent operator.
- Equal treatment of all providers of telecommunications services by public administrations and enterprises should be ensured. Inter-linkages should be based on transparency, objectivity, non-discrimination and the creation of multiple nodes across the country. Payment for interconnection should be set to cover actual costs and be based on international practices.
- Other important steps include implementing the national plan for number assignation and new frameworks relevant to domain names, and clarification of terms and conditions for the introduction of public data services (Internet) and installation of public terminals.
- Public-private partnerships are a successful instrument for the development of telecommunications infrastructure in Serbia and other countries of the region, and an important building block for successful regional cooperation. But this model is successful only if there is a regulatory framework stimulating free competition and providing incentives for better services at lower prices. The achievement of full liberalization will require an independent and strong regulatory authority overseeing the Ministry of Telecommunications and information society policies. The Government of Serbia needs to support the establishment of this type of mechanism.

Regional cooperation projects that are resource efficient and enable the exchange of experiences and best practices will encourage the achievement of these results with minimum costs and in the shortest time.

Environment

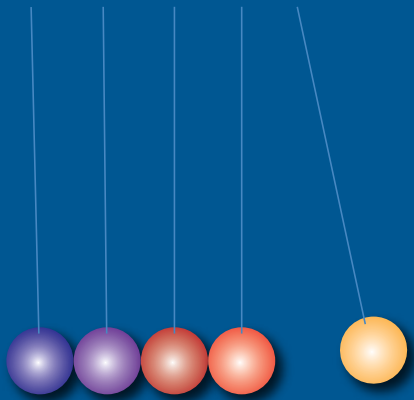
For Serbia to benefit from regional cooperation around the environment, the following initiatives will be necessary.

- The Government will need to ratify the international agreements specified by the National Strategy of EU Integration.⁹⁴
- It should simplify the current institutional framework by establishing a ministry in charge of environment, water management and forests.
- The capacity and quality of environmental services at the local level should be increased.
- The Environmental Protection Agency should be established as an independent professional body and an intersectoral service.⁹⁵
- There should be increases in the capacity and operational efficiency of the Sustainable Development Council and the office providing administrative support to the council.
- Partnerships between governments (national, provincial and local), NGOs and business should be strengthened, and support given to increase the capacities of NGOs working on sustainable development and the environment.

The major challenge in the future will be the integration of environmental considerations in other sectoral policies. Ongoing and intensified international assistance will be necessary to deal with this and other obstacles. Resolving environmental issues in individual countries and in the region as a whole, however, will contribute directly to sustainable development and improved quality of life in terms of rural and urban development, environmentally sound industrial production, food safety, the sustainable use of natural resources, and reduced levels of poverty.

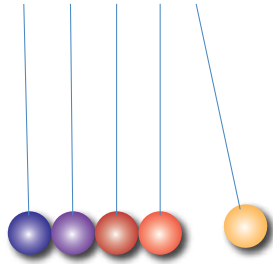
⁹⁴ These are the major pillars of the Aarhus Convention, which at the time of writing, Serbia has not yet ratified.

⁹⁵ This was emphasized in the report on implementation of the Serbian Poverty Reduction Strategy, adopted by the Government in 2005, and in the 2005 National Strategy of EU Integration.



CHAPTER 5

SOCIAL DEVELOPMENT



CHAPTER 5 SOCIAL DEVELOPMENT

Introduction

Different forms of education, quality health care, and housing and employment opportunities are key preconditions for human development. This chapter will focus on education and health care as well as social inclusion, especially for vulnerable social groups such as women, the Roma, refugees and displaced persons, and persons with disabilities. Regional cooperation in these areas is crucial for the development of human capital in the region; bilateral cooperation can contribute to enhanced social services in Serbia.

The ability of a society to produce, adjust, market and use knowledge is critical for sustainable economic development and improved quality of living. It is of vital importance that all countries, especially the less-developed ones, integrate the development of human capital into their reform programmes from the very beginning. The human development approach has advocated that a narrow focus on economic growth, while neglecting necessary investments in education, health care and the empowerment of marginalized groups, is not conducive to the enlargement of people's choices. There is no one prescribed method of promoting human development, however; it can be achieved in different ways.

The topics dealt with in this chapter relate to the Millennium Development Goals (MDGs) resulting from the Millennium Declaration adopted by the UN General Assembly in New York in 2000. As quantified and time-bound goals and critical indicators of progress, the MDGs are tools for achieving poverty eradication and human development.⁹⁶

The Government of Serbia has adopted the Review of Implementation of the MDGs for the 2000-2005 period, and in 2006 it adopted the MDG Monitoring Framework for the Republic of Serbia. Among the targets related to poverty reduction in this document, there is a special emphasis on the employment of young people, persons with disabilities, the Roma, refugees and internally displaced persons (IDPs); increased coverage of children and students by primary and secondary education; reduced child mortality; empowerment of women; and so on (Government of the Republic of Serbia 2006).

The EU, which offers the main development benchmark for Serbia, recognizes the crucial role of education as an integral part of economic and social policies, and an instrument to strengthen European competitiveness globally. In 1999, 29 European countries signed the Bologna Declaration.⁹⁷ They pledged to reform their education systems by 2010 based on shared standards, and to create a joint European Higher Education Area aimed at correcting weaknesses in existing higher education systems, and bringing them in line with the new standards and values.

⁹⁶ The MDGs are: 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equity and empower women; 4) reduce child mortality; 5) improve maternal health; 6) combat HIV/AIDS, malaria and other diseases; 7) ensure environmental sustainability; and 8) develop a global partnership for development. See www.un.org/millenniumgoals.

⁹⁷ For more on the Bologna Declaration, see www.dfes.gov.uk/bologna.

During the meeting of the European Council in Lisbon in March 2000, the EU adopted a new strategic goal of becoming by 2010 the most competitive and dynamic knowledge-driven economy of the world, capable of achieving sustainable economic growth with more and better jobs, and greater social cohesion.⁹⁸ A comprehensive reform agenda was adopted, which is known as the Lisbon Strategy. It is titled “Employment, Economic Reforms, and Social Cohesion—the road to information and knowledge-based Europe.”

The essence of the Lisbon Strategy is the development and enhancement of knowledge, including through research and development, innovation, education and professional development. The strategy has plans of action in three main directions: preparations to move to a knowledge-based economy and society; modernization of the European social model and completion of the internal market; and the creation of conditions for economic growth through adequate macroeconomic policy. Although the ambitious objectives⁹⁹ set in Lisbon will not be achieved by 2010, some significant steps have been taken, including: opening the electricity and telecommunications markets in 2000; increasing the number of Internet users at schools, universities and in the public administration; and creating some 500,000 new jobs in 2002 alone.

In March 2005, the European Council redefined the strategy’s rather broad goals and adopted the revised Lisbon Agenda, titled “Economic Growth and Jobs,” which has three main priorities: boosting knowledge and innovation as engines of sustainable development; creating better conditions for investments and work in Europe; and ensuring more jobs and greater social cohesion. The EU candidate and potential candidate countries are expected to adhere to EU policies in these areas, monitored through the South Eastern Europe Stability Pact.

The Thessalonica Agenda for the Western Balkans¹⁰⁰ has resulted in many regional initiatives concerning higher education, especially through the Stability Pact. It is a roadmap for future progress in building regional networks and different forms of regional cooperation, including the engagement of the wider international community, primarily the EU. Priorities are in line with broader European aims, and thus indirectly with the main concerns of the Lisbon Agenda. They can also be adjusted to meet the specific requirements of the region to build its capacities and implement reforms to meet the requirements for EU integration.

In many areas of regional cooperation, especially those not subject to international treaties—as in the case of the development of human capital—countries use a method similar to the EU’s open coordination approach. An agreement on goals and guidelines is reached at the regional level, which individual countries then incorporate in their national and regional policies with specific targets or tasks. Progress is assessed using the agreed targets and time frames. One benefit of regional cooperation is the exchange of experiences and practices not only among the countries of the region, but also with other countries, notably those of the EU.

⁹⁸ European Council, Presidency Conclusions, Lisbon, 23-24 March 2000. The conclusions from all the meetings of the European Council are available on-line at: http://ec.europa.eu/growthandjobs/councils_en.htm. Detailed information about the overall Lisbon process is available at www.ec.europa.eu/growthandjobs.

⁹⁹ Among the quantitative objectives to be met by 2010 are: average annual growth rate of about 3 percent; employment rate of 70 percent, with a greater share of employed women; a 50 percent employment rate in the section of the labour force aged 55 to 64 and an increase in the working age by five years; and research and development investments at 3 percent of GDP, with two-thirds coming from the private sector.

¹⁰⁰ See http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/thessaloniki_agenda_en.htm.

In the field of health, there has been a shift from perceiving health as an objective target that spontaneously accompanies socioeconomic development, towards health as a basic resource and factor of development. Special attention is being paid to investing in health and reducing health differences resulting from socioeconomic determinants, especially those that are poverty-related. Health is of crucial importance for sustainable economic development and greater social cohesion, the two leading political objectives on the EU agenda and the central features of the Lisbon Agenda. Therefore, they are also among the leading objectives in regional cooperation on health care.

Gender equality is guided by a set of international conventions and treaties as a key development issue demanding the participation of national and international political, economic and financial actors. Efforts to achieve women's rights in the region go hand in hand with initiatives for civil rights and reconciliation. Building on the legacy of the peace movement, women's and gender equity networks today form one of the most vital parts of civil society and political cooperation in the region. At the same time, regional cooperation in the area of gender equity is giving strong impetus to the development of civil society, democratization and implementation of European standards.

The Roma population makes up a significant share of the total population in the region and is represented in each country. The overall number of Roma in the Western Balkans and other South Eastern Europe countries is estimated to be about 3.6 million. There are about 1.3 million Roma in Central Europe. No other ethnic group is present in so many countries, but in most of them, the Roma are socially excluded. This is an argument in favour of prioritizing efforts to resolve the issues relevant to the Roma, as confirmed through the Decade for Roma Inclusion initiative.

This stemmed from observations by international governments and institutions—including the World Bank, EU, UN Development Programme (UNDP), Council of Europe and Organisation for Security and Cooperation in Europe (OSCE)—that there is need to support the efforts of states attempting to improve the quality of life of the Roma population.¹⁰¹ This programme, which governments signed on 2 February 2005, is to be implemented over the next decade. Its purpose is to narrow the social and economic gaps between the Roma and the rest of the population in the signatory countries.¹⁰² After the EU enlargement in May 2004 and January 2007, the Roma population swelled to 12 million, about 2 percent of the total population of the EU. It is expected that after the integration of the Western Balkans, Roma issues will assume a different dimension, given the number of refugees and displaced persons within the Roma population there.¹⁰³

¹⁰¹ Reports and documents by international organizations dealing with the position of the Roma in Central Europe and South Eastern Europe provide comparative data on different aspects, which are used as the basis for designing measures and activities. For example, a report by the World Bank (2000) was used in designing the Decade for Roma Inclusion strategy, which only occasionally mentions the possibilities of cross-border and regional cooperation related to improving the position of the Roma. See also UNDP 2006.

¹⁰² Bulgaria, Croatia, the Czech Republic, Hungary, Macedonia, Romania, Slovakia, and Serbia and Montenegro.

¹⁰³ According to an OSCE report (1999), before the 1999 Kosovo conflict, there were between 120,000 and 150,000 Roma, Aschalis and Egyptians living in Kosovo, while reports by the United Nations High Commissioner for Refugees (UNHCR) and OSCE (UNHCR and OSCE 2000, 2001) indicate that in the camps for displaced persons there were about 35,000 Roma—Priština and Kosovska Mitrovica had about 10,000 each. UNHCR (2000) data on Serbia state that there are 27,419 registered displaced persons of Roma nationality. Unofficial data for camps in Macedonia and Montenegro indicate they house another 14,000 people. Research by the Centre for Ethnicity Research indicates that the number of Roma living in 593 Roma settlements includes 46,238 displaced from Kosovo.

Since the conflicts in the 1990s, the Yugoslav successor states have faced a number of challenges related to the high number of refugees and IDPs, many of whom confront severe deprivations. It will only be through active cooperation across the region that some of the vital issues for this population group can gradually be resolved. Persons with disabilities are another marginalized population group. Serbia has between 800,000 and 1 million people in this category.¹⁰⁴

This chapter will address all the topics mentioned above, with the aim of identifying how regional cooperation can help move the social agenda forward in Serbia.

Education

The situation in Serbia

One of the major tasks of the new Serbian Government after the democratic changes in October 2000 was the reform of education at all levels and its harmonization with EU standards. It was necessary to create an institutional framework to accelerate reform of both the character and the system of education after decades of lagging behind. There was also a need to create conditions for continued improvements, so that modernization of the education sector could contribute to economic recovery and development, democratization and international integration.

In 2001, Serbia became an observer in the Bologna process, and in 2003, after adopting its "Report on Higher Education and Education Development Strategy," it became a full member. This implies representation in the Bologna Follow-Up Group and other bodies established within the Bologna process, and the opportunity to participate in further development of the European Higher Education Area.

In June 2003, Serbia adopted the Law on Principles of Education, which, after being amended by the new Government, was adopted by the National Assembly in May 2004. The amendments included the following: an additional goal of "openness to the cultures of traditional churches and religious communities";¹⁰⁵ an emphasis on basing education on curricula and programmes, not outcomes; and a central orientation of the institutional framework.

Another round of amendments now before Parliament will bring back certain concepts that were abolished in the previous round, such as outcomes. The whole system is even more centralized, although it preserves a substantial level of university autonomy. The Education Ministry has new powers in exercising control over the work of schools and institutions, and the Education Council, seen as an independent body that sets standards and adopts education programmes, has been transformed into an advisory ministerial body.¹⁰⁶

According to the 2002 Census, 41 percent of Serbians completed secondary school, making this the dominant level of education for both genders over age 15, followed by primary education (24 percent, mostly among the older population). The share of the young population (aged 18 to 24) with only primary school is 17 percent. The share of the illiterate in the total Serbian population above the age of 10 is 3.45 percent (the share of illiterate women is 5.7 percent, and men 1.1 percent).¹⁰⁷

¹⁰⁴ For issues related to disabilities, see the web site of the European Disability Forum at www.edf-feph.org.

¹⁰⁵ This is a controversial statement, since it could open the way to discrimination against churches and religious communities that are not considered traditional.

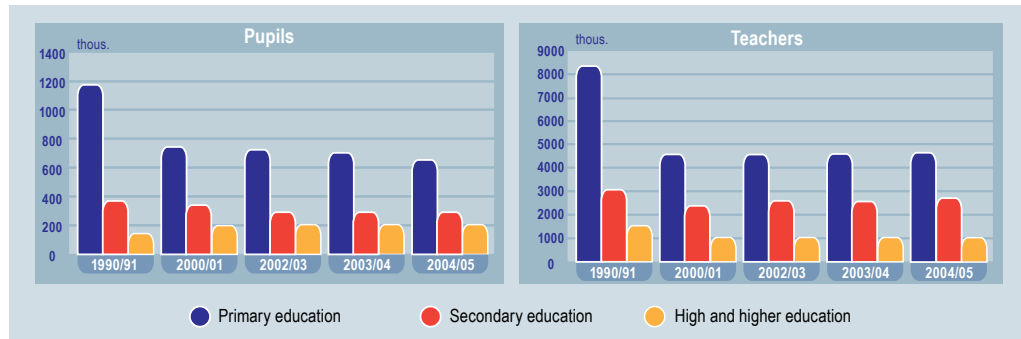
¹⁰⁶ See the Alternative Academic Network analysis at www.aaen.edu.yu.

¹⁰⁷ Ibid.

Of the total population, 6 percent have completed university education and 4 percent have completed higher college education. Among the approximately 20,000 students who graduate each year, about 15 percent graduate from technical faculties. The brain drain, which has existed for years, has made it impossible to use this potential for the country's development and applying new technologies.

It is interesting to note the trends in the total number of pupils and students in the period from 1990 to 2005. Between 1990 and 2000, there was a significant drop in the number of pupils in primary and secondary schools, as seen in Figure 5.1.

Figure 5.1. Primary, secondary and higher education in Serbia (1990/1991-2004/2005)



Source: Serbian Statistical Office 2006, p. 345.

This is attributed primarily to the so-called “white plague”—the continued drop in birth rates in Serbia. The number of students, however, shows a small increase up until 2000, with a minor drop in 2001, after which it stabilized. The opening of new private faculties and universities did not contribute to increasing the overall number of students. About one-half students study with the support of public funds, and the other half is self-financed. The overall number of teachers in all subjects shows a moderate increase. To respond to the multicultural needs of the Serbian population, primary and secondary schools teach minority languages. Since 2002 in Vojvodina, along with the languages used previously (Hungarian, Romanian, Ruthenian and Slovak), teaching is also provided in Croatian. In Southern Serbia and in Sandžak, teaching is delivered in Albanian, Bulgarian and Turkish (see Box 5.1 on the university level).

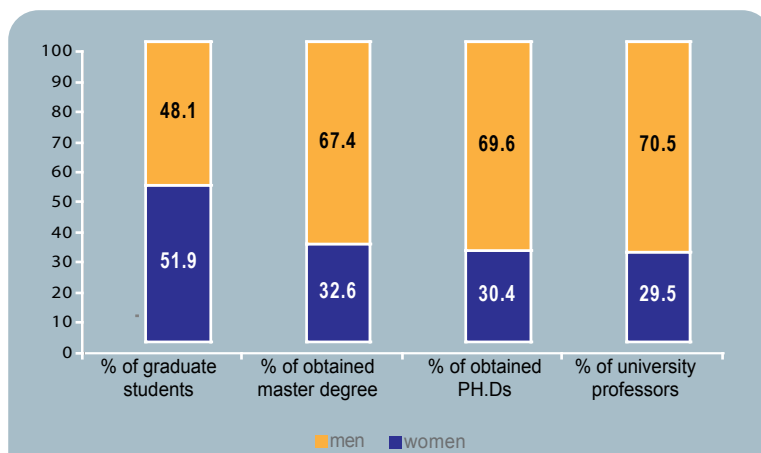
Educational institutions in Serbia are slow in accepting gender-mainstreaming practices. Most of the forms required by educational institutions and social services demand information on fathers only, ignoring the fact that mothers are also parents, and that many children de facto live in single-mother households. Databases of school children still mainly refer to fathers, as is the case also with children's documents. Basic knowledge about gender has not yet entered curricula, with the exception of a few academic courses (the Faculty of Philosophy in Belgrade in 1993, the Faculty of Political Sciences in Belgrade in 1997, the Law Faculty in Niš in 2003 and the Law Faculty in Belgrade in 2006), and the establishment of postgraduate women's studies in 2003 and PhD studies in 2004 at the University of Novi Sad. Textbooks at all levels are still largely gender biased.

It is interesting to note that the gender structure of graduated students in Serbia is good. In 2002, the share of women in graduated students was 51.9 percent, which is in keeping with the proportion of women in the society (see Figure 5.2).

Box 5.1. Minority languages at the University of Novi Sad

The University of Novi Sad, within the Faculty of Philology, traditionally has departments for Hungarian, Romanian, Slovak and Russian. Some areas of education delivered in Hungarian that were abolished during the 1990s are slowly coming back. They include joint education in general subjects (sociology and psychology) for students of several faculties, and the teaching process and examinations for subjects where there are teachers fluent in minority languages. Since 2005, the University of Novi Sad has introduced a new Teacher Training Faculty in Subotica, with classes delivered completely in Hungarian. For several years now, the University of Novi Sad has had a School of Romanology. The aim is to gradually transform it into a department for the Roma language and culture.

Figure 5.2: Women and men in higher education (2002)



Source: Serbian Statistical Office and UNDP 2005.

A UNDP Serbia (2006) survey on social vulnerability indicates that the levels of education and literacy among certain socially vulnerable groups are far below the national averages. Refugees and IDPs have a higher rate of illiteracy, a lower share of them finishes school, and they have less chance of receiving external support (only 1 percent of Roma and refugee/IDP households receive support in the form of scholarships). The primary cause is poverty, which is twice as high in this population group (especially among Roma refugees and returnees, and households in remote rural areas). In the case of displaced Roma, the lack of documents is an additional problem.

A Ministry of Education and Sports programme to provide scholarships for children from poor refugee and IDP households for secondary and higher education was included in the National Employment Strategy, but never implemented in practice. The ministry holds annual competitions for student scholarships, with the major criterion being the level of achievement reached during previous education. Refugees are not mentioned separately as candidates, and all candidates must have residence in Serbia. This means that refugee students cannot participate in the competition based on their refugee status, but only as members of the Serbian minority from neighbouring countries, whose study is publicly funded. There are no additional measures to provide scholarships for children from poor refugee households, irrespective of nationality. A positive example is the Fund for Young Talents of the Republic of Serbia, which in its general conditions for financial assistance, explicitly states that refugees are eligible (UNHCR et al. 2007).

According to data of the Ministry of Education, about 39 percent of children with disabilities do not complete primary school, or complete only a number of grades. The Law Prohibiting Discrimination against Persons with Disabilities proscribes any form of discrimination in education, including in access to enrolment (Article 18). In practice, there is a selection of children at the time of enrolment in special schools and pre-school institutions, and inclusion in regular education often depends on the good will of teachers or school management. Access is easier in smaller towns where there is no parallel (special) education system.¹⁰⁸ Some

¹⁰⁸ The Law on Higher Education prohibits discrimination on the grounds of motor or sensory handicap (Article 8). The law sets out the obligation of the founder of a higher education institution to fund the upgrading of facilities to ensure that students with disabilities can study (Section 13, Article 59). The Law on Higher Education also sets out the possibility of taking examinations by alternative means that do not violate the essence of the examination itself (paragraph 10, Article 90) and providing teaching in sign language (paragraph 4 of Article 80).

data about the inclusion of children with disabilities in the educational system in Serbia can be found in the attachments to the proposed Strategy to Empower Persons with Disabilities in Serbia.¹⁰⁹

Since 2005, the Bologna Follow-Up Group has been monitoring quantitative indicators of the Bologna process.¹¹⁰ In 2005 Serbia ranked 41st out of 43 higher education systems participating in the process. The most recent report on implementation of the Bologna reforms submitted in 2007, however, ranks Serbia among the top 10 countries, with an average score of four (of a possible five). Such a good ranking is a result primarily of the adoption of the 2005 Law on Higher Education introducing the three-level Bologna structure, the mandatory European Credit Transfer System and the Diploma Supplement. Certainly, much remains to be reformed. The difficult part is the essence of the Bologna process—quality changes. In this respect, quality assurance and control in all parts of the higher education system need to be introduced. To provide for the mobility of students from Serbia and the possibility of students from Europe coming to study at universities in Serbia, it is necessary to provide the same quality of programmes, teachers, methods and grading of students, and to introduce the European Credit Transfer System.

The fact that Serbia is making progress in reaching European standards is illustrated in the recent publication of results by the European University Association, in which Serbia is the only South Eastern European country in which all graduated students receive the Diploma Supplement. It sets out the list of all subjects that students have passed, with credits earned, in English. The aim of the Diploma Supplement is to promote mobility within the European Higher Education Area. The European Credit Transfer System has also been introduced at all universities in Serbia—which is the case across Europe except for Albania and Greece (EUA 2007, pp. 37, 41).

The Law on Higher Education in Serbia assigned the majority of tasks and responsibilities for reforms to the universities themselves. This law, drafted mostly by the academic community, gives full freedom to each institution to choose the degree to which it will be reformed. With the exception of the study process, which is subject to detailed regulation, all other aspects of organization and operation of institutions of higher education are described only in very general terms. The managing bodies of higher education institutions make independent decisions regarding reorganization and integration of such decisions into their statutes. Such a concept has given a high degree of autonomy to universities to make decisions about their internal organization and to compete on the market. The responsibility for the quality of education is with them.

Despite some steps forward in higher education, the most recent draft document of the European Commission states: "(L)ittle progress has been made. The process of reforms is in line with the requirements of the Bologna Declaration, but further efforts are needed, especially in quality assurance and linking universities with the labour market and with the needs of the economy. Limited administrative capacities, inadequate definition of responsibilities, and lack

¹⁰⁹ In 2005, there were special classes for children with disabilities in 218 regular primary schools in Serbia. Of the 51 special schools in Serbia, 37 were intended for children with mild mental disabilities, 8 for children with hearing impairments, 3 for children with vision impairments, 2 for children with physical disabilities, and 2 for children with behavioural disorders. Serbia also has 25 special secondary schools for children with intellectual disabilities, 14 for young people with hearing impairments, 5 for young people with vision impairments, and 3 for young people with behavioural disorders. Within regular secondary schools, there are 11 special classes for young people with disabilities. The Ministry of Education states that the number of pupils in them varies annually from 50 to 90.

¹¹⁰ The Bologna Follow-up Group was established to monitor the implementation of the Bologna process. See more at www.dfes.gov.uk/bologna/.

of coordination between the institutions in charge are reasons for concern, as well as the lack of a clear programme by the new Ministry” (Commission of the European Communities 2007, p. 31).

The major problem in attempting to evaluate the effectiveness of general education in Serbia is the lack of clear quality standards that are measurable and comparable to EU systems. This weakness makes the decentralization and democratization of the system difficult, in terms of setting a balance between the autonomy and responsibility of teachers, and the participation of stakeholders in improving and evaluating education. Serbia is not participating in the Copenhagen process¹¹¹ of monitoring indicators of vocational training. Since these indicators are clearly defined, however, there is no obstacle to Serbia undertaking the assessment on its own, as a further contribution to harmonization with Europe.¹¹²

Regional cooperation

The establishment of the Stability Pact coincided with the Lisbon strategy, the broader European development strategy focusing on knowledge, innovations and the optimal use of human capital to achieve sustainable economic and social development. In 1998, the European Council held a conference, European Cooperation in Education for Peace, Stability and Democracy, followed by the so-called Graz Process, which focused on promoting and supporting reforms in education in South Eastern Europe through regional cooperation and capacity building.

In mid-2006, the Stability Pact introduced a new priority for regional cooperation—building human capital—because education and science could play a major role in the overall economic, political and social development of the countries in the region. Another reason for this was the fragile state of education systems and the lack of modern scientific facilities. In 1999, within the Graz Process, the Task Force for Education and Youth was established with two major goals: to continue the support to national education reforms in line with European integration, and to actively promote regional cooperation among educational systems, experts and civil society.

From June 2008, education will be among the priorities of the new Regional Cooperation Council. This marks visible progress on recognizing the significance of education and training for the Western Balkans, since education has been transformed from an instrument of post-conflict stabilization into a key element in the process of European integration.

A specific framework has been designed within the Education Reform Initiative of South Eastern Europe, initiated in 2003 by the Task Force for Education and Youth through the Stability Pact. Ministers of education from across the region signed a Memorandum of Understanding at the 7th Conference of European Ministers of Education in Nicosia in June 2003 that endorsed the initiative. Within broader European goals in the area of education, representatives of South Eastern Europe identified the following priorities for reform: legislation, decentralization (focusing on the balance between autonomy and responsibility), quality assurance, reform of educational curricula, access to quality education (for minorities, especially the Roma; children in rural areas; children with special needs; etc.), education for active democratic participation, and information and communication technologies.

¹¹¹ The Copenhagen process is an integrated part of the overall Lisbon strategy for 2000 to 2010. It covers a number of different documents, starting with «Education and Training 2010, Diverse Systems, Shared Goals—Vocational Education and Training.»

¹¹² Among the key parameters are quality assurance, three-level education based on the European Credit Transfer System, and outcomes in line with the general qualifications framework (implying the definition of the national qualifications framework and recognition of qualifications).

The Trans-European Mobility Scheme for University Studies, known as Tempus,¹¹³ is the EU programme that supports the modernization of higher education in the partner countries of the Western Balkans, Eastern Europe, Central Asia, North Africa and the Middle East. It contributes to creating an area of cooperation in the field of higher education between the EU and partner countries surrounding it. Established in 1990 after the fall of the Berlin Wall, Tempus has been renewed four times since 2000. Serbia became eligible for Tempus projects in 2001, but had already taken part in many joint projects with Western universities and those from the region. In the new phase of the Tempus programme (2007-2013), stronger emphasis will be placed on promoting reforms in convergence with the Bologna process and the Lisbon Agenda. Regional priorities will be structured around the main components of the EU higher education modernization agenda, a stronger policy dialogue with national authorities, and a new focus on partnerships between universities and enterprises. An allocation of 19.55 million euros for all the Western Balkans was adopted under the 2007 Instrument for Pre-Accession (Commission Staff Working Document 2008).

An important document for regional cooperation in the area of science and technology is the Balkans Action Plan for Science and Technology, adopted in 2003 at the ministerial meeting in Thessalonica. The key directions of regional cooperation, according to this document, should be the creation of conditions for integration in the EU in the area of research and development, and the creation of capacities for full participation in the European Research Area, Sixth Framework Programme for Research and other European programmes.

One of the resulting activities has been the European Research Area Network for South Eastern Europe. Its main goal is to integrate EU members and South Eastern European countries into the European Research Area by bringing together existing research activities within national, bilateral and regional research and development programmes.

The comprehensive Framework Programme for Research and Technological Development was adopted in January 2007. From 2007 to 2013 it will be the key EU instrument to finance research in Europe. Around mid-2007, Croatia, Macedonia, Montenegro and Serbia became associate members of this programme, meaning that all researchers, institutes, universities, and small and medium enterprises can participate equally with EU members in the projects.

The Central and Eastern European University Network was established in 2002 as a platform bringing together more than 400 representatives of faculties, researchers and international experts from 80 research institutions in 22 countries. The network publishes the Transition Studies Review. The European Academy of Sciences and Arts established the Central and Eastern European Network in 2003 as a platform for dialogue between presidents of national academies of science for the purpose of speedy integration in the European Research Area.

Universities from the region enjoy important support from the European Centre for Higher Education, an office of the UN Educational, Scientific and Cultural Organization (UNESCO), seated in Bucharest. This centre has organized a large number of projects, seminars and training programmes for university management and the staffs of ministries of education from the region. In 2003, it supported the establishment of UNESCO University management departments within the Alternative Academic Network in Belgrade¹¹⁴ and the University of Zagreb. The department within the Belgrade network was recently transformed into the Education Policy Centre. The universities in Novi Sad¹¹⁵ and Osijek have established UNESCO departments for entrepreneurship, and agreed to organize joint trainings, and teacher and student exchange programmes. They will also set up a forum for entrepreneurs from cross-

¹¹³ For further details, see http://ec.europa.eu/education/programmes/tempus/back_en.html.

¹¹⁴ See www.aaen.edu.yu.

¹¹⁵ See www.unescochair.ns.ac.yu.

border regions in Croatia and Serbia. Both departments are parts of the Southeast Network of Science Incubators.¹¹⁶

In the area of gender studies and research, possibly because some of the first regional initiatives were launched by women from non-governmental organizations (NGOs, in Belgrade, Zagreb and Ljubljana), there has been continued cooperation between feminist scholars in the forms of lectures, conferences, joint publications and exchanges of experiences. In Sarajevo, in 2004, the First Balkan Conference on Gender was organized, which brought together the most prominent feminist scholars and young researchers from the region. A second conference is in preparation for 2008. In 2007, the postgraduate gender studies initiated in Sarajevo included a strong regional emphasis, drawing both teachers and students from the region. Joint research and publication projects are also increasingly common, sometimes with external support. For example, in 2003, the EU Parliament commissioned a study on the social status of women in the Balkans, which enabled a comparative overview of the situation of women in different countries (Blagojević 2003).

After 2000, Serbian universities became equal members of the European University Association, seated in Brussels, with over 700 members. During 2002-2003, all state universities in Serbia (there were six of them at that time, and in 2007 the University of Novi Pazar became the seventh) participated in an external evaluation by the association. This was followed by a conference, which presented recommendations to universities for further reforms. An external evaluation was performed in 2004 of universities in Bosnia and Herzegovina, and somewhat earlier of the University of Zagreb and the Slovenian University. This was the first time that universities in the region had experienced an external review of their management, procedures and quality in general. External experts made many useful recommendations.

Since 2005, Serbia has participated in the Central European Exchange Programme for University Studies for teacher and student exchanges co-financed by the Serbian Ministry of Education and Sports. The programme is based in Vienna. Member states comprise Austria, Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, Serbia and Montenegro, and Slovakia. Programme goals include the establishment of academic mobility within South Eastern Europe, the promotion of programmes and networks (especially joint degree networks), increased understanding of specific regional issues, and assistance in establishing the European Higher Education Area. The programme covers all areas of studies.

There are also bilateral programmes providing support to reforms and the mobility of students and teachers, such as the World University Service Austrian programme.¹¹⁷ Apart from international institutions gathering students from the region at different seminars, summer schools and so on, student organizations also invite each other to participate in different events such as professional activities for students of technical sciences and the like (see Box 5.2).

The Erasmus Mundus Scholarships are an important contribution to the mobility of students in the region. They emerged in December 2006, after the Commission of the European Council underlined the desirability of promoting people-to-people contacts by making available more scholarships for students in the Western Balkans. The Commission has also been offering an increasing number of scholarships through the pre-accession instrument. Funds have been

¹¹⁶ For additional information, see www.sensi.biz.

¹¹⁷ This is an international NGO working for the development of higher education and human rights. In 2001, it opened an office in Belgrade and launched the programme, "Support." See www.wus-austria.org/belgrade.

allocated to grant up to 100 scholarships for postgraduate students each year to follow Erasmus Mundus master courses, starting in the academic year 2007-2008.¹¹⁸

There are some unresolved bilateral issues among the former Yugoslav states, such as the status of students from the Republic of Srpska and Montenegro in Serbia. The problem is that students are treated differently depending on their ethnic origin; so Serbian students from Bosnia and Herzegovina are privileged compared to the students of other ethnicities. The University of Kosovska Mitrovica, which calls itself the University of Pristina, is a unique issue in itself. After Kosovo's unilateral declaration of independence, it claimed the right to remain part of the higher education system of Serbia.

Health

The situation in Serbia

The main characteristics of the Serbian health care system at the beginning of the 2000s, a critical national turning point, were neglected capital infrastructure facilities and outdated equipment. More than 72 percent of the equipment was over 10 years old, which is believed by major medical equipment manufacturers to be the upper limit of depreciation (European Agency for Reconstruction 2002). The numbers of facilities and staff were identical to those in 1990, but with significantly fewer funds; annual health expenditures were US \$62 per capita in 2000 and US \$82 in 2001 (World Bank 2003). In 2001, the system was practically bankrupt. The total debt to the Republic Health Care Fund for insurance amounted to 6.7 billion dinars (one percent of GDP). As a consequence, debts to suppliers of medicines and other medical supplies mounted. Unrealistically low prices for health care services resulted in low salaries in the sector, the lack of medical supplies and medicines, poor maintenance of already outdated equipment, the loss of morale and motivation, increases in informal payments, corruption and dissatisfaction with the quality of services. A lack of basic strategic objectives and programmes in health care prevented it from becoming one of the key areas of investment in human development (Sales 2001).

Key health indicators may at first suggest that Serbia has made progress in recent years, and that it will have no difficulties in achieving the health-related targets of the MDGs. The most recent UN Children's Fund (UNICEF 2006) research, for example, indicates that Serbia has achieved the target of reducing under-five child mortality at the national level, according to MDG 4 (see Figure 5.3). But this indicator still significantly lags behind in terms of Roma children. Infant and under-five child mortality indicators for them are three times higher than the national average, at the level where Serbia was more than 20 years ago. The coverage of basic immunizations—such as the orally administered polio, diphtheria vaccine, tetanus and pertussis vaccines—reached 99 percent for the general population in 2005. The coverage by the age of one in the Roma population is much lower at around 55 percent.

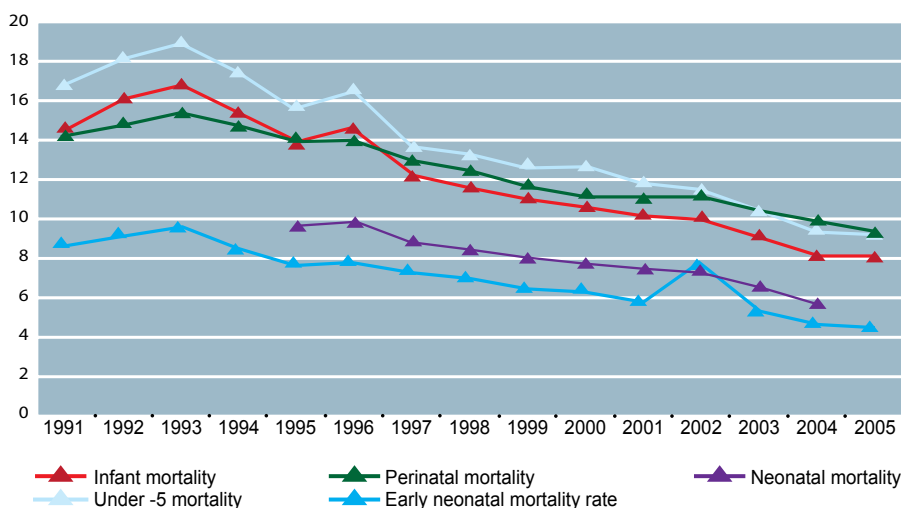
The UNICEF analysis also shows that Serbia as a whole is behind EU countries in life expectancy at birth, infant mortality and under-five child mortality.

BOX 5.2. Cooperation by law students

An example of successful student cooperation is the gatherings of law faculties organized by the Serbian branch of the European Law Studies Association. There are regular meetings of law students from the law faculties of the Novi Sad and Priština universities, and their counterparts from Niš, Kosovska Mitrovica and the University Union in Belgrade.

¹¹⁸ The commission intends to double the annual allocation for scholarships in 2008, which would enable several hundred additional students to receive a scholarship for the academic year 2009-2010 (Commission Staff Working Document 2008).

Figure 5.3: Infant and child mortality in Serbia (1991-2005)



Source: UNICEF 2006.

Life expectancy at birth is among the key health indicators.¹¹⁹ The main diseases, measured by years of life lost due to preventable death, include cardiovascular diseases, malignant diseases, and diseases associated with external factors (violent death, accidents, poisoning, homicide and suicide). These are mostly related to life-style risk factors such as smoking, obesity, inadequate nutrition, insufficient intake of fruit and vegetables, insufficient physical activity and alcohol abuse, which can all be tackled with adequate and effective health programmes. They indicate a population undergoing a demographic and epidemiological transition that has already been seen in the developed countries. While the trends of morbidity and mortality caused by these diseases in the EU countries are reversing, however, they are increasing in Serbia.¹²⁰

The health indicators for women of fertile age show there are no regional disparities in Serbia, but differences have been noted in the mortality rates of Roma women compared to the general population. As calculated for the nationalized MDGs, the mortality rate among Roma women in the 15-49 age group was 243 per 100,000 women or more than twice that for the general female population (Dinkic et al. 2007, p. 79).

The position of refugees and IDPs, as extremely vulnerable groups within the Serbian health care system, has contributed greatly to the bad picture of the overall system. According to the new Law on Health Insurance,¹²¹ refugee status in itself is no longer sufficient for a person to obtain health insurance; the person now has to be among categories with a monthly income below

¹¹⁹ This indicator has stagnated in Serbia during the past decade, increasing much more slowly than expected, from 71.7 years in 1998 to 73.4 years in 2006, which is five years behind the EU. The differences, however, are greater if this indicator is assessed in terms of gender. For women, it was 75.7 years in 2005, which is six years behind the EU average (or seven in comparison to EU members before 2004), while the average for men was 72.9 years in 2005, or five years behind the EU average.

¹²⁰ A drastic example, indicating the special vulnerability of women is cervical cancer, which ranks fourth overall among causes of death from malignant diseases, while it ranks number two in terms of most frequent deaths caused by malignant diseases among women. This means that the incidence of cervical cancer in Serbia is 27 per 100,000 women, which is six times higher than in Finland, where the incidence rate is 4.3 per 100,000 women due to decades of the organized use of early detection.

¹²¹ The Official Gazette of the Republic of Serbia, nos. 107-05 and 109-05.

the prescribed limit. The lack of coordination between authorities and health care providers has resulted in a confusing situation with respect to accessing this right. Uncertainties related to the implementation of the regulation were removed by the Ministry of Health in 2007, with the clarification that refugees and former refugees can be included in the mandatory health insurance system if they make their own contribution payments. Refugees who have lost this status and have not yet acquired Serbian citizenship otherwise are completely deprived of health insurance and health care. These are mostly elderly persons (UNHCR et al. 2007, p. 45). IDPs are entitled to free health care services, like other citizens of Serbia, but face problems accessing care due to obstacles related to the lack of documents.

National objectives in health care policies were adopted in 2002, including the following basic principles: preserve and enhance the health status of the population and strengthen the health potential; just and equal access to health care for all citizens of Serbia, and enhanced protection of vulnerable groups; patient-centred health care; sustainability of the health care system with transparent decision-making and decentralization of resources and funding; improved efficiency and quality of the system, and development of special national programmes; a defined role for the private sector in providing health services; and improved human resources.

Based on these priorities and specific analyses of public health, the health strategy "Better Health for the Third Millennium" was developed with a set of thematic strategies and reform projects. At the same time, the structure and management of the health system was reformed, financed by a combination of external sources. Through the National Investment Plan, 24 general hospitals were restructured and projects were initiated to reconstruct health care centres and four clinical centres. New equipment was procured for most health care institutions.

Ongoing reforms focus on health care management, funding, human resources, quality and organization. New legislation has been adopted¹²² and a series of programmes launched to improve quality. One project is defining basic quality indicators and measures the performance of health institutions. Another is establishing ombudspersons in every health care institution, coupled with a campaign to raise public awareness on health care rights.

The mental health protection service in Serbia has good territorial coverage by hospital services with qualified staff. In relation to other countries, it has a relatively low number of hospitalized patients. But the system has its weaknesses: four major psychiatric hospitals are practically asylums for long-term accommodation, due to social conditions rather than the need for medical treatment. Respect for patients' human rights is not provided for in all stages of treatment. Hospital wards are overcrowded and therapy is not based on modern principles. The current new mental health strategy addresses problems in providing mental health care, with a focus on patients' rights.

A new strategy has been adopted to fight HIV and AIDS, with national and external financing, and professional methodological guidelines have been issued to fight tuberculosis. The implementation of directly observed short-term therapy has yielded visible results, with the incidence of TB reduced from 32 per 100,000 people at the beginning of 2003 to 29 per 100,000 people in 2007.

The inequality in achieving health targets among the Roma population has been recognized. There is strong political will and dedication to resolve this problem. In order to assess and monitor the situation, targeted health surveys have been conducted. Information is collected through Serbian public health institutions with UN agencies, primarily UNICEF and the

¹²² The Law on Health Care and Law on Health Insurance explicitly define where the system is going, and emphasize the right to health services for vulnerable and socially marginalized groups.

World Health Organization (WHO). In the process of identifying national objectives for the achievement of the MDGs, special attention and actions have been aimed at removing disparities in the health status of the Roma. The main framework for these interventions is the National Action Plan for the Roma, which includes four major goals with deadlines attached to them, basic strategies and operational measures, and entities in charge of implementation. These goals include: research to identify morbidity and mortality, and basic databases on the health status of the Roma; the upgrading of existing legislation towards greater inclusion of the Roma in the health care system, especially for high-risk groups; improved health care for the overall Roma population; and a better living environment for the Roma community.

Respect for the human rights and dignity of all patients, and considerable improvement in the perceived quality of the health services and relations between the medical staff and patients are both critical. It is necessary to monitor performance indicators and the impact of the campaign for patient rights, "You Have the Right," as well as projects within the mental health strategy and the action plan for Roma health, and other activities. This will help identify how interventions contribute to overcoming challenges and bridging the disparities, and how these measures can be extended and upgraded.

Regional cooperation

Although the countries of South Eastern Europe differ in many ways, they face many common challenges in health care. Weakened systems, and eroded human and social capital have come from a decade of conflicts, wars, and political and economic transition. This is reflected in the health status of populations, and health care systems still unable to respond to expectations and increased needs.

Within the economic recovery of the South Eastern European countries, a key trend is the pressure to reduce public expenditures. Although these countries generally invest around 10 percent of GDP in health care, the impoverishment of states means the actual amount of health expenditures is several times less than at the beginning of the 1990s. Very broadly guaranteed rights in health legislation and increasing demands, accompanied by reduced investments in maintenance and the functioning of health systems, have led to shortfalls between the right to health and the realistic potential for enjoying it. This has had a negative impact on social cohesion. The need to include health care on the agenda for increasing stability, peace and social cohesion, therefore, has been recognized by individual countries and partner multilateral organizations.

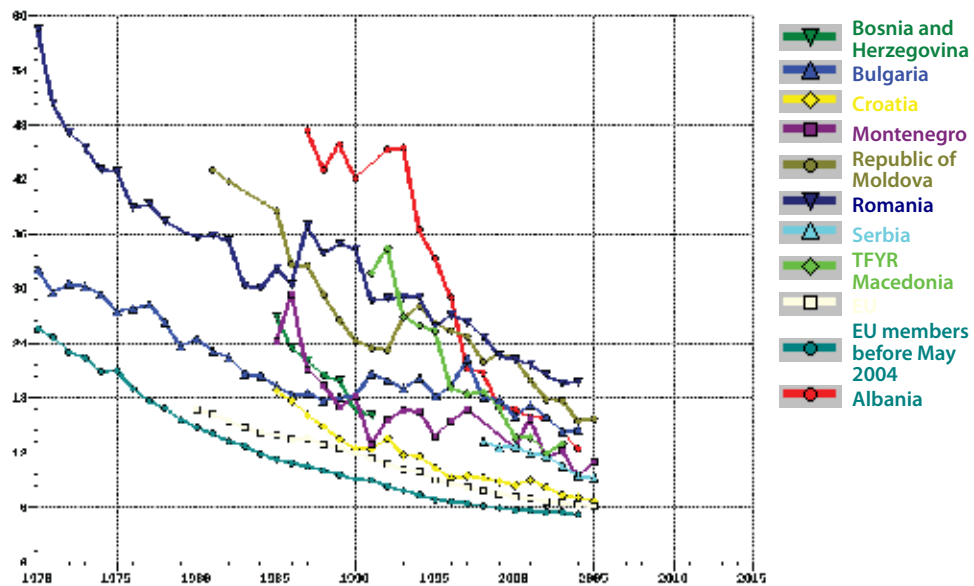
Relative poverty is also a key feature in South Eastern European countries. It is multifaceted, with strong links to sickness, manifesting, for example, in infant mortality rates (see Figure 5.4). Health care is an important element of investing in development, since better levels of health reduce economic and social expenditures. Health surveys and programmes based on social and economic determinants are other essential aspects of regional health cooperation.

Box 5.3. Cooperation between ministers of health as a contribution to social cohesion

The first forum of ministers of health was held in Dubrovnik in 2001 under the auspices of the WHO and the Council of Europe. The ministers signed the Dubrovnik Charter on the health needs of especially vulnerable populations. The charter is the first cross-border political alliance with the principal purpose of responding to urgent health needs. It was a major political victory, and contribution to peace and stability.

Having come under the auspices of the Stability Pact, this alliance has become an important aspect of the pact's social cohesion initiative. The following common objectives were identified in the Dubrovnik charter: to strengthen social cohesion by strengthening community health services for mental health; to strengthen monitoring of communicable diseases and programmes for suppressing communicable diseases; to strengthen institutional capacities and intersectoral cooperation for accessible and affordable food and food products; to increase the quality and self-reliance of the region in providing safe blood and blood products; to strengthen integrated emergency medical services available free of charge; and to establish regional networks and systems for the collection and exchange of information within the social and health sectors.

Figure 5.4: The under-five mortality rate in South Eastern European and EU countries



Source: WHO Health for All Database [www.euro.who.int/hfad].

There are great similarities between the South Eastern Europe countries in terms of mortality and morbidity from chronic non-communicable diseases. These trends are in contrast with the ones for the EU, meaning that the gap between the two groups of countries is widening. This is also reflected in life expectancy in the region, which lags about six years behind EU countries. A number of risk factors in South Eastern Europe countries are present to a much higher degree than in EU countries, such as those from chronic non-communicable diseases, as confirmed by the increasing morbidity caused by cerebral, cardiovascular and malignant diseases (WHO 2006).

The principles of cooperation identified within the Stability Pact can contribute to the urgent recovery and renewal of health care systems in the region—health ministers have asked the WHO Regional Office for Europe for assistance in this regard. In 2001, the South Eastern European Health Network was established. It is an expert forum enabling the common assessment of the public health situation in all countries of the region, with special emphasis on the needs of vulnerable groups. It has become an innovative model for helping to define the priorities for regional health cooperation, focused on reducing inequalities in health and strengthening health care systems mainly through upgrading legislative frameworks. Another equally important task of the network has been to build links and contribute to networking to enable the transfer of knowledge and experiences. The activities of the network in May 2001 led to the inclusion of health issues in the Stability Pact agenda for the Second Working Table Initiative for Social Inclusion (see Box 5.3).

In 2005, the South Eastern European Health Network became a standing forum with clearly identified principles of cooperation. With the invitation to Moldova to join the network, it was enlarged to eight beneficiary countries in which projects are implemented, eight bordering countries and donor countries, and four international organizations—with over 150 officials and health experts. From 2002, the network met regularly and monitored progress in achieving the goals of the Dubrovnik Charter as implemented through regional projects (see Box 5.4). By 2005, the Skopje Charter had put forward a new paradigm of health cooperation towards investment in health as a resource and instrument of economic development.

Since the mid-1990s, the countries of the region, working through multilateral cooperation as members of the WHO and within its humanitarian programmes, have implemented mental health projects for vulnerable populations affected by conflicts, specifically refugees and victims of violence, and people living in poverty and general social insecurity. At that time, dialogue among experts in Albania, Bosnia and Herzegovina, the former Yugoslavia and Macedonia confirmed the need for reform, including improved standards of living for chronically hospitalized patients in major psychiatric hospitals, and the establishment of at least 60 community mental health centres. This cooperation has produced significant results, such as regional comparative assessments of policies and services for the protection of mental health and relevant legislation. The assessment and development of national policies, legislation and services for the protection of mental health in line with EU standards has taken place, supported by action plans for implementation, and enhanced cooperation between government and non-governmental organizations (see Box 5.5).

The health ministers of South Eastern Europe have provided strong political support to the European Declaration on Mental Health, adopted at the ministerial conference on mental health in Helsinki in 2005. The declaration, "Facing Challenges, Building Solutions," expressed concern that mental diseases in South Eastern Europe were not being reduced, and that many of those suffering from them were not getting adequate care and protection. The need now is to pursue a long-term regional mental health programme, particularly since this area is among the priorities of the EC and its public health policy.

Nutrition is of special significance for health, but food production and access to food are not within the scope of health care systems. As a consequence, some traditional diseases have not yet been eliminated (for instance, trichinosis and dysentery). Some chronic non-communicable diseases are due to or exacerbated by inadequate feeding habits.

Food involves many sectors interested primarily in generating economic wealth, such as agriculture, the food and hospitality industries, and trade. This approach neglects the major contribution of food to public health and thus human development. A new approach to public health, apart from monitoring and suppressing communicable diseases transmitted by food, includes the prevention of chronic non-communicable diseases related to food consumption patterns. Some communicable diseases transmitted by food are becoming more widespread through increasingly intensive trade and market growth.

Regional cooperation to develop institutional capacities to control production, trade and use of food can enable countries to balance economic development and health priorities. Cooperation has already contributed to the exchange of experiences among the countries, improving the capacities of national institutions and experts. It has also contributed to building information exchange links that have proved vital in containing epidemics such as bird flu and other risks associated with food safety in the era of globalization. In this context, the process of networking and harmonization with EU standards in the region is very important, since it allows countries to quickly exchange information and thereby protect both themselves and others.¹²³

¹²³ Regional cooperation in this area is very important for Serbia as it enables: the sharing of experiences and information about quarantines, isolation, screening and contact tracing practices in the context of new international health regulations (WHO 2005) as important measures to increase health security in the region; support of the regional influenza laboratory group of experts; realistic regional crisis communication plans and sharing of templates and tools on preparing and updating such plans; the creation of a regional training network related to surveillance, outbreak, investigation and laboratory issues for communicable diseases; rapid and efficient regional communication through an early warning system for unusual events related to communicable diseases; increased efficiency in the process of implementing international health regulations; and strengthening of surveillance and the control of communicable diseases.

Box 5.4: Strengthening capacities to improve maternal and neo-natal health

At the Second Health Ministers Forum in Skopje in 2005, ministers of health accepted a proposal by the Government of Norway for a project to strengthen national capacities for improving maternal and neo-natal health in South Eastern Europe.

Norway provides political, technical and financial support, while the Republic of Moldova takes the lead role in the South Eastern Europe Health Network. Launched in 2006, the project has included a pre-feasibility study on the situation of neo-natal mortality in nine countries and the problems faced by health systems. It has sought to define and agree on common goals, objectives, outputs, activities, managerial set ups, implementation plans and budgets. Each country has prepared a profile based on its health system framework, including a substantial report on maternal and neo-natal health. Country project managers developed the methodology for data collection and preparation of the country profile, using national reports and international sources of information. This has helped countries to better understand the main problems their health systems are facing in maternal and neo-natal health, and to propose improvements.

Further improving surveillance and responses to communicable diseases in line with WHO international regulations and EU directives and practice will contribute to the health of the population and the free movement of people, and to social cohesion, reconciliation and stability.

Providing safe blood and blood products, in sufficient quantities, is one of the key responsibilities of the health care system and a priority in all countries in the region. The issue is included in the current EU Health Programme (2007-2013), and is one of the global priority programmes of the WHO. All South Eastern European countries had uniform development in the area of transfusions up to the 1990s. All eight countries of the Stability Pact now need to upgrade their legislative frameworks and/or to develop regulations, guidelines and quality standards relevant to blood safety in line with EC directives.

The harmonization of political support for safe blood supplies has begun, in accordance with democratic principles, and in light of the common goals of stabilization, development and increased social cohesion. A regional strategy has been developed to resolve some key issues, especially related to some vulnerable populations. It could be a motivating force for increased cooperation in other areas. A regional assessment of strategic and policy documents defining and regulating national blood transfusion systems, services and accessibility, and a quality evaluation of services have enabled countries to recognize joint problems and areas in which cooperation could contribute to the achievement of consistent quality and safety across the region.

Other regional projects seek to strengthen public health through anti-smoking campaigns, upgraded public health (prevention) services, and regional systems for the collection and exchange of social and health information.

Gender equality

The situation in Serbia

One of the major instruments for evaluating gender equality is by comparing a given society with others on the international level through the use of two major indicators: the gender related development index (GDI) and the gender empowerment measure (GEM). In 2005, Serbia scored 0.800 on the GDI and 0.559 on the GEM. Both values show positive trends, but they are still lower than in Slovenia, for example. They are also aggregated and rough indicators, not refined enough to enable deeper understanding of the complex process of advancing gender equality. Table 5.1 offers more specific details on the status of gender equality and gender mainstreaming in Serbia.

Box 5.5: Regional collaboration on mental health

Teams of professionals from neighbouring countries have worked together on a regional mental health project with positive results. They learned from each other about different models of mental health care. The collaboration of professionals in a region torn by years of political conflicts provided a creative framework for further development of regional institutions, as well as further reconciliation. They also developed plans for establishing a Regional Centre for Mental Health.

Table 5.1: Current achievements and shortcomings

Achievements	Shortcomings
Deeply rooted women's movement with high levels of knowledge, expertise and professionalism	Delay by the state in establishing gender equality provisions (gender mechanisms and gender equality law) and inadequate implementation of the present laws
High quality of women's human resources	High level of exclusion of women from political decision-making
Strong regional and international connections that empower local gender equality networks and women's organizations.	Low level of institutional gender mainstreaming (state administration, education, health, media, police, judiciary, etc.)
	Increasing unemployment of women and discrimination in the labour market
	Serious exploitation of women's resources in the private domain and heavy burden of reproductive work
	Extremely low protection of vulnerable women (single mothers, rural women, Roma women, etc.)
	Increased violence against women, including displays of misogyny in the public discourse, which legitimize exclusion, exploitation and violence
	Increased domestic violence and trafficking of women

In Serbia today, there is increased awareness of the problems women face, thanks to high levels of education and women's activism. At the same time, many serious obstacles result from the continued practice of "patriarchal privileges" (Greig et al. 2000) in politics, the labour market and the private sphere. Institutional gender mainstreaming is generally slow and faces the ideological obstacles of conservatism and a return to traditional patriarchal domination.

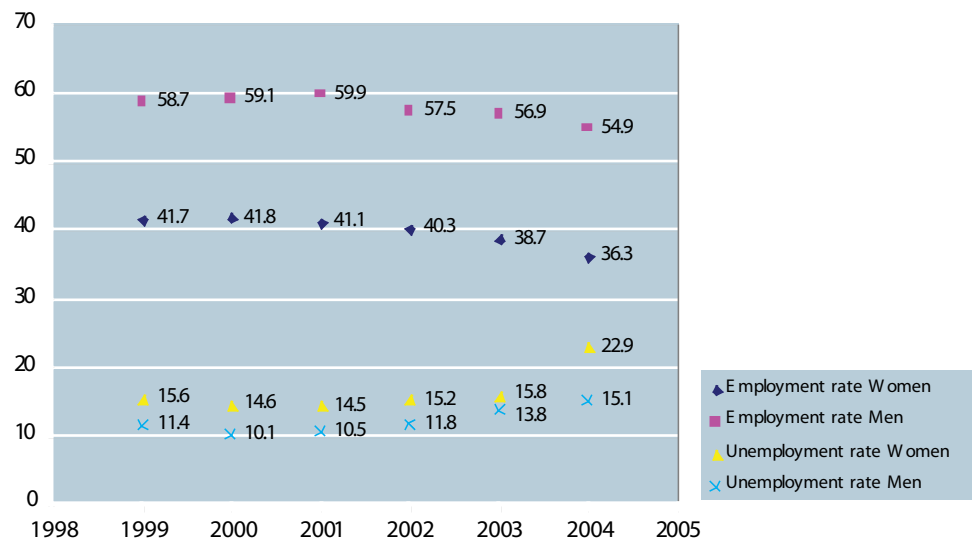
In the area of health care, many institutions perpetuate gender insensitive practices, especially in connection to reproductive and maternal health. Vulnerable groups of women are faced with different restrictions on their rights in health care institutions, which is particularly the case for Roma women. Rural women struggle with problems of access to ambulances and hospitals, and a generally low level of awareness related to prevention. Gender Barometer in Serbia (Blagojević 2006) has shown that 46 percent of rural women are dissatisfied with the quality of health institutions, and two-thirds of women with the lowest educational level (elementary school and less) rarely go for a medical check up.

Other problems arise in the workings of the state administration, judiciary and police, which have had some training on gender and obtained some knowledge on specific issues (trafficking, for example). But much more is needed to change these generally patriarchal institutional settings.

One of the positive legacies of all former communist societies is the high level of women's education, especially in younger generations. Serbia is no exception. Educational profiles are still very gender segregated, however, meaning that women are still inclined to choose what are considered "women's jobs." Higher education does not automatically translate into decision-making positions for women, although education is a necessary precondition for women to move up in their careers, even more than for men. Women in decision-making positions generally have higher education than men (Gender Barometer 2006).

Different research shows that education for women is the best strategy for improvement in quality-of-life and emancipation in the private domain.¹²⁴ Women's unemployment in Serbia is increasing, however, having reached 22.9 percent in 2004 (see Graph 5.5). Worsening conditions in the labour market have fostered discriminatory practices related to the exclusion of women with family obligations, or selection based on physical appearance and age (UNDP and Gender Equality Council 2006).

Figure 5.5: Employment and unemployment rates for women and men



Source: UNDP and the Gender Equality Council 2006.

Regional cooperation

Since the mid-1990s, many women's organizations have taken an active role in the economic empowerment of women, actively supported by donors and international organizations, and often with a regional cooperation dimension. Much of the work today builds on older initiatives, including those that arose in women's peace movements. But it is also rapidly developing in new directions involving cross-country and cross-sectoral cooperation among women from the region, and intensified exchanges with women from outside the region. Regional exchanges are changing fast in response to the new challenges of gender mainstreaming policies and international women's organizing, making it increasingly difficult to have a systematic overview of this dynamic field.

The Strategies, Training, and Advocacy for Reconciliation (STAR) project started in the former Yugoslavia in 1994. It ran a women's NGO support programme in Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and Macedonia, with various phases of support coming from the US Agency for International Development and private donors. The programme focused on organizational development, public policy advocacy, and the creation of national and regional networks. One of its most relevant contributions was in being one of the first projects enabling regional cross-border communication. It proved to be a highly inclusive initiative that was able to adapt fast and respond to real needs, with a strategic orientation

¹²⁴ In 2002, women represented only 25.2 percent of directors and chief executives, and in the case of general managers of small enterprises, only 30 percent (Women and Men in Serbia 2005). According to Gender Barometer (2006), 59 percent of women aged 20 to 50 have computer skills compared to 64.1 percent of men. Women show more interest than men in obtaining additional training and improving skills in general, which could be explained by their higher levels of unemployment.

around practical solutions, capacity building and the sustainable empowerment of women (STAR 2002).

The Stability Pact Gender Task Force was established in November 1999 as the result of a petition titled "Appeal to Participants of the Stability Pact" that was signed by 150 prominent NGOs, government officials and parliamentarians, and political activists from throughout South Eastern Europe and beyond (Blagojević 2003). Signatories called for the full participation of women in the stabilization process as stakeholders in ensuring stable, democratic and prosperous development of the entire region. The first steps by the Gender Task Force were supported strongly by the Central and East Europe Network for Gender Issues and the OSCE, which later became its general sponsor. The Gender Task Force included the following states/territories: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Federal Republic of Yugoslavia-Serbia/Vojvodina, Federal Republic of Yugoslavia-Montenegro, Federal Republic of Yugoslavia-Macedonia, Greece, Hungary, Kosovo, Moldova, Romania and Slovenia.

The regional and national framework of the task force was used by the Stability Pact for assessing needs; defining priorities; preparing projects; fundraising; implementing and evaluating joint activities with grass-roots actors, experts, local authorities, governments and parliaments; and forging links to international organizations and countries outside South Eastern Europe (*ibid.*). Since almost all the countries in South Eastern Europe were holding elections in 2000 and 2001, and women's average representation in legislative bodies was only 7 percent, the first priority of the task force was to undertake major region-wide action to empower women to run for office and use their voting rights. Task force activities contributed to the rise in women's representation to over 15 percent on average.

A second focus was on the establishment and improvement of national gender equality mechanisms. As a result of the work of the task force, Council of Europe and OSCE, in cooperation with national governments and with continuous pressure from women's NGOs, gender equality machinery was established or upgraded across the entire region. In 2005, the UNDP Office in Bosnia and Herzegovina, in cooperation with the Gender Equality Agency of the Government of Bosnia and Herzegovina, started a sub-regional project related to the strengthening of gender mechanisms in Bosnia and Herzegovina, Montenegro and Serbia.

Regional networks are often incorporated within wider women's networks, such as the CEE Network for Gender Issues,¹²⁵ the East-West Women's Network,¹²⁶ ASTRA (Central and Eastern European Women's Network for Sexual and Reproductive Health and Rights),¹²⁷ and the KARAT Coalition.¹²⁸ The UN Development Fund for Women has encouraged regional cooperation by organizing a sub-regional meeting, "Towards a New Regional Model for Combating Domestic Violence," in 2007 in Sofia.¹²⁹ The main focus was on gender auditing of different governmental institutions; exchanges of experiences related to gender equality laws and their implementation; and cooperation related to national action plans based on the Beijing Platform for Action (the outcome document of the 1995 UN Fourth World Conference on Women).

¹²⁵ See www.europeanforum.net/gender_network.php.

¹²⁶ See www.inch.com/~shebar/neww/neww1.htm.

¹²⁷ See www.astra.org.pl.

¹²⁸ KARAT is a regional coalition of organizations and individuals that works to ensure gender equality in the countries of Central and Eastern Europe and the Commonwealth of Independent States. It monitors the implementation of international agreements, and lobbies for the needs and concerns of women in the region at all levels of decision-making. See www.karat.org.

¹²⁹ See www.unifem.sk/index.cfm?Module=Static&page=w&s=DVSofiaMay.

Another example of a regional exchange for building gender mechanisms was a 2007 conference organized by the Gender Equality Institute of Vojvodina. It gathered representatives from all countries in the Western Balkans to discuss reporting on the UN Convention to Eliminate All Forms of Discrimination against Women. Regional NGOs are included in the European Feminist Forum, a “space for discussions on how to re-politicize the feminist movement in Europe and to explore feminist agendas needed in today’s Europe.”¹³⁰

The Roma

The situation in Serbia

Available data on Roma settlements in Serbia—their number, structure, distribution, and quality of life—are very scarce. Two exceptions are the data of the Centre for Ethnicity Research, collected through the survey “Roma Settlements: living conditions and potential for integration of Roma in Serbia” (Goran and Božidar 2005), and the data of the Society for Improvement of Roma Settlements (DURN). In general, the available indicators and literature suggest that most Roma would not welcome integration into greater Serbian society if that would imply the destruction of their traditional settlements and identity.

Roma are settled most densely in Belgrade, in the northwest part of Central Serbia, in Vojvodina and in certain districts in Southern Serbia. There are also numerous Roma settlements in central Serbia (Šumadija and Braničevo). The Sandžak region’s municipalities and southwest Serbia have the least number of Roma settlements.

The problems of Roma settlements are especially acute and complex in Belgrade. Data made available through the DURN Society indicate that in 2002, the number of Roma settlements in Belgrade was 137, of which 64 (45 percent) were unhygienic, while the number of slums was as high as 29 (21 percent), with a total of 36,702 slum residents. According to the criteria of type of settlement, as many as 43.5 percent of all Roma settlements are unhygienic or slums. These settlements lack communal utilities infrastructure, and they were built spontaneously (meaning the individual housing units do not meet housing standards, and are constructed of waste and improvised building materials). About 5,000 Roma families were subject to different programmes during the consolidation and rehabilitation of settlements, which is the approximate population of an average new Belgrade block of flats.

According to UNDP (2006) data, 20 percent of Roma live on 30 euros per month, and 35 percent have revenues between 31 euros and 100 euros. About 18 percent earn up to 150 euros, and only 17 percent have more than 150 euros, which is two-thirds of the average monthly income of the general population at 225 euros. Data in the Serbian Poverty Reduction Strategy show that Roma, by all indicators, are among the most vulnerable social groups. But the strategy requires careful review and redefinitions relative to reducing poverty among the Roma. From the report of the Government Team for Strategy Implementation, in the publication “Challenges of the Roma Decade” by the Service for Human and Minority Rights, it is clear that there are no indicators to monitor improvements in the living standards and quality of life of the Roma population (Jović 2007).

By some accounts, the most feasible plan for resolving the Roma housing issue would be by insisting on sustaining their settlements whenever possible (Macura 1996). This process would imply several stages: legalization (making a political decision on legalization, resolving the land property issues and addressing urban planning conditions); upgrading existing resources in the settlements (structural consolidation; rehabilitation of central, peripheral and working zones; a network of streets and access roads and services); and the participation of the Roma in the settlements reconstruction process (strengthening responsibility, self-help and

¹³⁰ See <http://europeanfeministforum.org>.

sustainability) (OSCE 2006). Alternative solutions to address Roma-related issues may emerge from experiences in other countries, some of which have pursued good practices (Macedonia and Romania), and others that have deepened spatial and social segregation (Bulgaria).

The Roma are the youngest ethnic group in Serbia. The reasons for this include birth rates exceeding those of the other ethnic communities, and a drastically shorter life expectancy. Despite the lack of data, it is possible to postulate that although the Roma are most affected by respiratory and cardiovascular diseases, the most frequent causes of morbidity among them are poor housing conditions and inadequate personal hygiene.

Regarding employment, the active Roma population is faced with at least two disadvantages: low levels of education and professional qualifications, and the general increase in unemployment in the pre-transition and transition periods. Among Roma, 19.7 percent are illiterate, compared to 3.5 percent of the general population. As many as 25.6 percent of Roma covered by the Census have no professional qualification; 29 percent have completed only primary school; 5.8 percent have completed secondary school and only 0.11 percent have a university education. When these data are compared with those for the general population, it becomes obvious how difficult this situation is. Among Serbians at large, only 5.6 percent have no qualifications, 23.8 percent have completed only primary school, 41.1 percent have completed secondary school and about 11 percent have a college or university degree (Ministry of Education and Sports).

A report by the Ministry of Education and Sport on action plans for improving the position of the Roma includes no references to scholarships for Roma students, teaching in the Romani language, teachers being trained to work with the Roma population, or the organization of professional Romanologists. There are no specific data on affirmative action measures for secondary schools and higher education, the number of pupils enrolled and attending schooling, or the number who have completed and with what success rate (Fila 2007). The Law Ratifying the European Charter on Regional and Minority Languages, at the proposal of the Office for Human and Minority Rights, did include the Romani language as one of special institutional concern. Some schools have introduced the Romani language with elements of national culture. It is not clear which dialect has been approved, and whether the teaching uses standardized or local elements.

Social prejudices and stereotyping mean that Roma face different kinds of institutional and social discrimination. This extends to education, employment, promotion and career building, access to health care and social protection, leaving a sense of hopelessness. A law to regulate the punishment of discrimination has not yet been adopted, however. In the education system, Roma children can still be segregated in special classes or sent into schools for children with special needs (Stojanović et al. 2007). The tolerance of non-Roma parents to the number of Roma pupils in a class decreases proportionally to their share: 79.7 percent tolerate several Roma pupils in the same class with non-Roma pupils, but this percentage drops to 52.3 percent if more than half of the children are Roma. This is only slightly mitigated by the 13.7 percent who do not care how many Roma children attend a class of non-Roma children (Jakšić 2005).

Regional cooperation

Despite the fact that the countries of Central and South Eastern Europe have committed to improving the social and economic position of the Roma and ensuring their social inclusion, the potential for regional cooperation on this front has not been pursued.

The biggest regional initiative so far is the Decade of Roma Inclusion, accepted by the governments of Bulgaria, Croatia, the Czech Republic, Hungary, Macedonia, Romania, Slovakia, and Serbia and Montenegro in 2005. But this was not a regional initiative. The Roma Decade resulted from observations by international and non-governmental organizations (the World

Bank, EU, UNDP, Council of Europe, OSCE and Open Society Institute) that there is a need to assist country efforts to improve the quality of life of the Roma population. The initiative is to be implemented over the next decade to close social and economic gaps. After the EU enlargement in May 2004 and January 2007, the Roma, with 12 million people, are the most numerous non-territorial minority, making up almost 2 percent of the overall population of the EU. It is expected that after the countries of the Western Balkans become EU members, Roma issues will gain a new dimension, given that the Roma comprise a great number of refugees and IDPs (see Tables 5.2, 5.3 and 5.4).

Table 5.2. Roma in the countries of the Western Balkans (2006)

Country	Total population	Roma, official records		Estimates
Albania	3,581,655	1,261	0.04	100,000
Bosnia and Herzegovina	4,498,976	8,864	0.23	15,000
Croatia	4,494,749	9,463	0.21	40,000
Macedonia	2,071,210	53,879	2.66	135,000
Montenegro	672,656	2,601	0.43	20,000
Serbia	7,498,001	108,193	1.44	500,000

Source: Centre for Ethnicity Research 2007.

Table 5.3. Roma in South Eastern European countries, not including the Western Balkans (2006)

Country	Total population	Roma, official records		Estimates
Bulgaria	7,718,000	370,908	4.80	800,000
Moldova	3,389,700	11,600	0.11	25,000
Romania	22,698,181	535,251	2.35	2,000,000

Source: Centre for Ethnicity Research 2007.

Table 5.4. Roma in Central European countries (2006)

Country	Total population	Roma, official records		Estimates
Hungary	10,198,315	205,720	2.02	600,000
Slovakia	5,379,455	89,920	1.67	400,000
Slovenia	1,964,036	3,246	0.16	10,000
The Czech Republic	10,230,060	11,746	0.11	300,000

Source: Centre for Ethnicity Research 2007.

The successful preservation of the Roma cultural identity has been partly due to the non-acceptance of their traditions and value codes by European nations and the resulting discrimination, which has plagued the Roma ever since their arrival on the continent. Slavery, genocide, conflicts and brutally organized attacks against them have crucially shaped their identity. Although dispersed, the Roma maintain a strong group association, which is to a great degree a result of the aggressive attitude of the rest of the population in their host countries.

Roma national awareness can be articulated under the umbrella term *Romani pen*, a term comprising commonly shared sentiments, memories of the resettlement from the Indian peninsula, common law (*Romani cris*), the language, traditional material and non-material culture, and other elements that prevented assimilation. Some impetus for a shared cultural pattern as the basis of a national cultural policy comes from regional initiatives in cultural policies. This should help overcome obstacles within the Roma movement and attract external inputs needed to both preserve and develop the traditional Romani culture.

A great number of Roma were displaced from their homes during the conflicts in the territory of the former Yugoslavia and the Kosovo crisis, but there are few chronicles of their suffering and

ethnic cleansing. Many have resettled in Serbia and other countries in the region, especially Macedonia and Montenegro, and also in West European countries.¹³¹ According to data of the International Organization for Migration, among the overall number of returnees, 63.3 percent were Roma, 19 percent were Bosniaks, and the rest were Serbs, Albanians and others. Currently, the return of IDPs is regulated by agreements signed by 15 European countries in 1996 and the 2007 Readmission Agreement. Reports indicate that the number of returnees to Serbia each month is about 100; they settle mostly in the municipalities of Novi Pazar, Sjenica, Tutin and Vladičin Han. Their reintegration is assisted by Western European governments (notably Luxemburg and Germany), but without clear national or local plans regarding their inclusion in social and economic life.

There is a need for cooperation across the region with respect to the status of these predominantly Roma returnees, both to provide for their smooth return and exchange experiences, as during the process of accession the EU and other states have faced difficulties in this respect. There is a further need for cooperation on citizenship and personal documents. Many Roma do not have citizenship and are de facto persons without statehood in Serbia (many of them never left the country, meaning they were not displaced or refugees).

The European Union, OSCE and Council of Europe do not provide sufficient support to programmes and initiatives for regional cooperation between candidate countries and countries that have embarked upon the accession process in the area of improving the position of the Roma. Except for support extended to implement the Roma Decade, the Western Balkans are receiving no special assistance for joint political and specific cross-border or regional measures, except for addressing the displacement of the Roma from Kosovo and from the territory of the former Yugoslavia. The Western Balkans should create necessary political and administrative conditions for greater cooperation, as soon as the EU provides mechanisms and funds for these purposes.

The European Regional Development Fund helps projects related to the inclusion of the Roma in Central Europe, especially in northern Hungary, central and eastern Slovakia, and southern Poland. In order to provide access to this budget line, these countries have created adequate structures: Slovakia has established the Committee for the Development of the Roma Community within the Ministry of Infrastructure and Regional Development, and the Czech Republic has a separate body promoting social equity. Serbia, except for the Office for the Implementation of the National Strategy of Roma, does not have an equivalent body in terms of resources, organization or staff.

Regional and cross-border cooperation can be developed along different lines, but should start by redefining the existing integration (inclusion) strategy, establishing institutional structures at national (intersectoral) and local levels, and carrying out a realistic stocktaking of the current situation. This approach could serve as the basis for cooperation covering population issues, life in settlements as the foundation for Roma integration, socioeconomic welfare, and measures prohibiting discrimination and promoting Roma culture.

Refugees and internally displaced persons

The situation in Serbia

The situation of the refugee and IDP populations in Serbia can be analysed through their access to social and economic rights—including status issues (regulating the legal framework and practices for acquiring citizenship); the right to adequate housing; the right to work,

¹³¹ Many articles dealing with this issue do not provide references on the number of displaced Roma, or the number of those that are to be returned on the basis of the Readmission Agreement. The draft strategy on reintegration of returnees (Ministry for Human and Minority Rights 2006), which has not yet been formally adopted, also does not provide such figures.

education and health care; rights related to pension and disability insurance; and the right to social and humanitarian protection and assistance.

The Law on Refugees was adopted in 1992 soon after the wars started in Bosnia and Herzegovina and Croatia, and the first large flows of refugees came to Serbia.¹³² The law gives the status of refugees to “the Serbs and citizens of other ethnic groups who, under the pressure of the Croatian Government or governments in other republics, threat of genocide, persecution and discrimination because of their religion and ethnic origin or political beliefs, were forced to leave their homes in these republics and escape to the territory of the Republic of Serbia.” In the decree on taking care of refugees,¹³³ the tasks for different local bodies in responding to refugees are precisely defined, as are the rights and responsibilities of local officers for refugees nominated by local community executive boards. The decree also sets out regulations on lodgings for elderly people, and material support and health care for refugees.

The National Strategy to Resolve the Problems of Refugees and IDPs was adopted by the Republic of Serbia in 2002. It includes measures for the return or integration of refugees based on their free decision. The strategy relies mostly on expected assistance from international donors. The institutional framework for its implementation is the Serbian Commissariat for Refugees. Other documents dealing with displacement issues include the Poverty Reduction Strategy, which was accepted by the Government of Serbia in 2003, and includes refugees and displaced persons as especially vulnerable groups.

Concerning status rights, the new Law on Citizenship of the Republic of Serbia,¹³⁴ which came into effect in March 2005, technically simplified the procedure for acquiring citizenship for refugees. The documents they need to enclose with their citizenship application include a birth certificate, marriage certificate (if applicable) and citizenship certificate. But it can be difficult to track down these documents. Another major problem is the period of validity of personal documents in Serbia (six months), making it necessary for refugees to go two times to their country of origin since the procedure for acquiring citizenship can sometimes last for over a year. Those who have lost their refugee status and not acquired Serbian citizenship, apart from all the other difficulties they face, also pay a tax for foreigners (UNHCR et al. 2007). Full integration is not possible without a residence registration, but many cannot have this as they live in rented housing, which does not fulfil the requirement for a permanent address. There is also the problem of the unique citizen ID number, as this information is required from the country of origin (unless it does not exist). In Croatia, this is confidential data.

With respect to IDPs, acquiring citizenship remains a major problem. The first obstacle is geographical distance, which sometimes requires them to travel hundreds of kilometres to access documents in person. This imposes additional expenditures, accompanied also by administrative taxes. Due to their lack of documents, some IDPs, especially Roma, do not have evidence of citizenship (MKCK 2005). In order to have the legal status of an IDP, an individual needs to have a displaced person ID document issued by the Commissariat for Refugees¹³⁵ through its trustees in municipalities (Walter 2005).¹³⁶ In practice, this is not easy to acquire, although children of displaced persons automatically acquire this status. Yet having an IDP ID

¹³² Official Gazette of the Republic of Serbia, no. 18/1992.

¹³³ Official Gazette of the Republic of Serbia, no. 20/1992.

¹³⁴ Official Gazette of the Republic of Serbia, no. 135/2004.

¹³⁵ Since the Government of Serbia did not mandate any government body to protect and assist IDPs, the Commissariat for Refugees undertook some of these tasks.

¹³⁶ Kalin Walter, UN Secretary-General’s Representative for the Human Rights of Internally Displaced Persons, 24 June 2005, statement to the press.

document is a necessary prerequisite for accommodation in collective centres and for access to other accommodation programmes (for example, in institutions for social protection), unemployment benefits and pensions, and humanitarian and health care assistance (ibid.). There is no agreement between Serbia and the UN Mission in Kosovo (UNMIK) about mutual recognition of documents, often resulting in limited access to rights and benefits (Norwegian Refugee Council 2005b, p. 14).

Collective centres played a major role during the refugee and IDP crisis. They continue to operate as a temporary measure for the acceptance and accommodation of refugees and IDPs, usually immediately after they arrive in Serbia. Collective centres have been a justified humanitarian response for refugees who could not provide accommodation on their own (Grupa 484 2005). But they have long since turned into a permanent solution for thousands of people. According to the data of the Commissioner for Refugees, as of 25 January 2008, there were 61 collective centres with 5,908 refugees and IDPs.¹³⁷ The majority of refugees live in private accommodation, paying the majority of their salaries for rent. Just under a third live with families or friends. The others live in collective centres, institutions of social care or other types of lodging (UNHCR et al. 2007, p. 45). Informal collective centres accommodate 1,765 IDPs, and are not entitled to assistance from the state. The situation is especially difficult for displaced Roma, Aschalis and Egyptians living in 150 settlements, often without access to drinking water, sanitation or electricity (UNHCR, PRAXIS 2007, p. 37). A major problem in resolving the housing problems for refugees and IDPs in Serbia is that there is no law on social housing, which would provide special measures and affirmative actions for vulnerable groups, including refugees and IDPs. In the absence of legislation, the matter of social housing for refugees, and to a small degree for IDPs, is dependent on individual donor-driven activities.

Refugees are a very active population group in searching for employment, but they face many obstacles in accessing the labour market. Certain municipalities do not issue working booklets to refugees, and they frequently lack the documents needed to confirm their qualifications. Many international organizations, notably the UN High Commissioner for Refugees (UNHCR) and the European Agency for Reconstruction, assist refugees in finding adequate employment through programmes for additional qualifications and microcredit, but the lack of a developed labour market continues to be a major problem.

IDPs also face challenges, including the difficulty in obtaining employment records, which involves a lengthy bureaucratic procedure that includes the M4 form.¹³⁸ For many, this form can only be acquired in the territory of Kosovo, but always with the seal of the UNMIK Administration, which the Serbian authorities do not want to recognize. For people who acquire their employment record for the first time, certain municipalities strictly implement Article 5 of the Rule Book on Employment Records and link the issuance of it to the person's residence and the certificate from the employer confirming employment (Grupa 484 2006).

For many IDPs, particularly those who became displaced after 1999,¹³⁹ access to pension and disability insurance is closely linked to past employment in Bosnia and Herzegovina or Croatia (for more details, see the section on regional cooperation below). Without employment records, pension applications cannot be completed. Another obstacle is that many employers

¹³⁷ See www.kirs.sr.gov.yu/articles/centri.php?lang=SER&PHPSESSID=6bb9c5ea12b51fbc9ead991600602d21. The separate number of refugees and IDPs is not provided, because the number of refugees and IDPs in collective centres includes Kosovo figures.

¹³⁸ The form M4 is the official evidence that the employer has covered all pension and social contributions for a particular fiscal year. Employers are obliged to present these forms to the State Pension Fund.

¹³⁹ After the 17 March 2004 Kosovo-Albanian riots, not more than 1,000 persons received IDP status (Group 484 2006).

do not actually make payments for pension and disability insurance. The relevant authorities have attempted to resolve this problem through a new legal mechanism for collecting records on past employment, but the fate of more than 300,000 applications filed so far is unknown. Moreover, form M4, which is required, is not recognized by the Serbian pension and disability insurance fund (UNHCR, PRAXIS 2007, p. 37).

The refugee population has access to social protection options only after acquiring Serbian citizenship or the personal ID document, which implies a refugee's residence registration. A special problem is that some centres for social protection require former refugees to have registered their residence in the territory of that municipality for at least six months in order to access certain services, notably family benefits (*ibid.*, p. 43). Among displaced persons, single parents, families of missing persons, those living in collective centres, the Roma, persons with disabilities and children are especially vulnerable. They are most strongly affected by the phasing out of humanitarian assistance in food and basic products. The great number of documents needed to secure family benefits very often proves to be an obstacle that cannot be surmounted, particularly for the displaced Roma, Aschalis and Egyptians.

Regional cooperation

After the conflicts of the 1990s, as the countries of the former Yugoslavia attempted to improve their relations, the then-State Union of Serbia and Montenegro signed a series of agreements with Bosnia and Herzegovina and Croatia in order to assist refugees from war-affected areas. The Agreement on the Return of Refugees between Serbia and Montenegro and Bosnia and Herzegovina¹⁴⁰ obliged the signatory countries to assist the voluntary, organized and mutually coordinated return of refugees to the territories of these two states. This agreement was accompanied by the Agreement on Dual Citizenship between the Former Republic of Yugoslavia and Bosnia and Herzegovina,¹⁴¹ which affirmed "good neighbourly relations" between the two countries. Of special importance for the refugee population are the Agreements on Social Insurance with Bosnia and Herzegovina¹⁴² and Croatia.¹⁴³

The implementation of the very important agreement with Croatia is difficult for several reasons, primarily the lack of records with evidence regarding past labour for pension insurance, the slow processing of applications, and the problem of pensions that have accrued and not been paid. The problem of co-validation of past labour for insurance accrued in Croatia, or those under the administration of the UN, is still a major issue. Article 34 of the agreement with Bosnia and Herzegovina confirms that applications for pension can be filed in Serbia. The procedures are slow, and authorities also require documents that must be acquired *ex officio*, however, with frequent cases of obstruction. This makes the whole process very difficult for refugees (UNHCR et al. 2007, pp. 40-42).

A major step forward in regional cooperation took place at the regional ministerial conference held in Sarajevo in 2005,¹⁴⁴ where ministers from Bosnia and Herzegovina, Croatia, and Serbia and Montenegro adopted a joint declaration on refugees. The working group that was established was successful in resolving technical issues; but so-called "roadmaps" were not finalized in time. Still, the Sarajevo Declaration is a unique opportunity for resolving not only issues relevant to the return of refugees, but also those related to their integration in local

¹⁴⁰ Official Gazette SCG, no. 6, 2004.

¹⁴¹ Official Gazette FRY, no. 2, 2003.

¹⁴² Official Gazette SCG, no. 7, 2003.

¹⁴³ Official Gazette FRY, no.1, 2001.

¹⁴⁴ See www.unhcr.ba/press/3x3.pdf.

communities. After more than a decade, stated the European Commission, there is a chance to close refugee files for good (EC 2005).

Under the Stability Pact, the **Migration, Asylum and Refugees Regional Initiative (MARRI)** is governed by its participating states: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia. They meet twice a year at the MARRI Regional Forum. Through the MARRI, the Stability Pact promoted durable solutions for refugees and displacement issues in the Western Balkans. Supporting those who choose to return remains the primary objective, achieved by ensuring conditions enabling sustainable returns to take place. These efforts are complemented with support for those who do not choose to return and seek to integrate elsewhere in the Western Balkans, with a particular focus on non-discriminatory access to basic services, and the realization of social and human rights.¹⁴⁵

The main obstacles that refugees from Croatia confront include return of property and reconstruction, unresolved housing/tenants rights, unresolved pension rights, safety and security, and insecurity in terms of potential charges for war crimes (Grupa 484 2005). The following data support these statements: The share of refugees from Bosnia and Herzegovina dropped from 43.3 percent in 1996 to 26.4 percent in 2005, while the share of refugees from Croatia increased from 54 percent in 1996 to 73.4 percent in 2005. According to the data available, about 50,000 of the total registered 120,000 returnees live in Croatia, and about the same number live outside Croatian borders, mostly in Serbia (80 percent) (UNHCR 2007, p. 3).

Returns to Bosnia and Herzegovina continue to be based on the bilateral agreement from 2003. Property issues are being formally resolved in most cases. Apartments that used to be the property of the Yugoslav Army are a particular problem. These have not been returned to pre-war owners yet. The option for holders of tenancy rights is the European Court of Human Rights in Strasbourg.

Persons with disabilities

The situation in Serbia

Persons with disabilities are entitled to human rights granted by a number of international commitments and national laws. The UN and the International Labour Organization have adopted a series of specific documents focused on measures to allow persons with disabilities to exercise their rights, including the Standard Rules for Equal Opportunities Provided to Persons with Disabilities and the Convention on the Rights of Persons with Disabilities. Relevant EU documents include the Amsterdam Treaty, which explicitly prohibits discrimination based on disability. The European Social Charter and the reviewed European Social Charter of the Council of Europe guarantee full social inclusion of persons with disabilities. The Council of Europe adopted a Disability Action Plan for the period 2006-2015.

Serbia explicitly prohibits discrimination against persons with disabilities in its Constitution (paragraph 3 of Article 21). In April 2006, it adopted the Law Prohibiting Discrimination of Persons with Disabilities. The law prohibits discrimination on the basis of disability, provides procedures for protecting people exposed to discrimination, defines sanctions for the perpetrators of certain discriminatory acts and outlines measures by the Government to promote social inclusion of persons with disabilities. The law features a broad definition of persons with disabilities, who are entitled to protection based on the social approach to disability. It prohibits direct and indirect discrimination, victimization, instigating discrimination, and violation of the principle of equal rights and obligations. It sets out prohibited cases of discrimination in terms of public procedures, membership in civil society organizations, access to public services (buildings and areas, public transport, education, employment and

¹⁴⁵ See www.stabilitypact.org/marri/default.asp.

health care), marriage and family relations. It prescribes measures to promote the equality of persons with disabilities, inspired by UN standards and principles. The law was commended very highly by the European Disability Forum.¹⁴⁶ In September 2007, the first court ruling was made under it.

The prohibition of discrimination based on disability is also included in the Labour Law, the Higher Education Law, the System Law on Education and the Law on Health Care. In 2006, the Government adopted its Strategy to Improve the Position of Persons with Disabilities. In 2007, Serbia signed the UN Convention on the Rights of Persons with Disabilities and the Optional Protocol. It also adopted a draft action plan for harmonizing Serbia's legislation with provisions of the convention, although it has not yet ratified the convention.

Regional cooperation

Regional cooperation on disability issues is an example of good partnership relations between states and civil society in South Eastern Europe. As part of the process of drafting the Convention on the Rights of Persons with Disabilities in 2006, the UN Department of Economic and Social Affairs organized a regional consultative meeting in Belgrade. Delegations from relevant ministries and organizations representing persons with disabilities came from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Serbia and Montenegro.

In November 2006, the Serbian Ministry of Labour, Employment and Social Policy and Handicap International organized a regional event dedicated to the topic of employment of persons with disabilities. It was attended by delegations from Bosnia and Herzegovina, Croatia and Macedonia.

In March 2005, under the regional programme Supporting Organisations of Persons with Disabilities to Advocate for Rights and Equal opportunities in South East Europe 2005-2008 (SHARE-SEE) Handicap International, the Centre for Independent Living of Persons with Disabilities of Serbia and the Information Centre for Persons with Disabilities (IC Lotos) from Tuzla organized a regional gathering titled "A Step Towards Europe 2005." This event brought together representatives of the EU and Council of Europe, disability organizations from Europe, and delegations of officials representing relevant ministries and disability organizations in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Serbia and Montenegro. The forum discussed the process of accession to the EU from the perspective of equal opportunities for persons with disabilities.

Since 2003, within SHARE-SEE, Handicap International, the Centre for Independent Living of Persons with Disabilities of Serbia, the Association of Students with Disability-Belgrade, Polio Plus Skopje and IC Lotos Tuzla have been working towards empowering the disability movement in Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Serbia and UNMIK/Kosovo, through different education programmes, research, international conferences and seminars, and exchanges of information.

From 2001 to 2006, five international conferences were held in Serbia on the topic of access for people with disabilities. These conferences were organized by the Centre for Independent Living of Persons with Disabilities in Serbia, in cooperation with partners from the public sector, civil society and the Council of Europe. The European Disability Forum has supported the establishment of umbrella disability organizations, and participation for persons with disabilities in drafting national strategies and status reports, in countries and entities across South Eastern Europe.

¹⁴⁶ See www.edf-feph.org.

Conclusions and recommendations

Education

For each country of the region, education is important to achieving sustainable development, developing skills needed for the labour market, improving competitiveness and social inclusion, and contributing to reconciliation. Regrettably, regional cooperation in education is still initiated mostly by the international community. It has not become part of the development plans of the countries in the region, except in declarative terms. Research capacities, and human and technical capital in individual countries are relatively low. It is now time for the countries in the region to begin to actively support cooperation among educational institutions and pay attention to mechanisms for exchanges, such as scholarships for students from neighbouring countries.

Irrespective of the fact that the countries of the Western Balkans have signed and accepted international documents and EU recommendations for recognition of qualifications and diplomas, they could easily provide for mobility of their students by agreeing on automatic recognition, since they have for a long time had the same education systems, and current education reforms are going in the same directions. Also, with the exception of Albania, there are practically no language barriers, a priceless advantage for the mobility of students and teachers.

For Serbia to move towards harmonization with EU standards and integration in the European Higher Education Area and European Research Area, which would contribute to closer cooperation in the region, it is necessary to focus on the following priorities.

- Make education the foundation for accelerated economic development and European integration.
- Promote mobility in the region by defining the recognition of qualifications in line with the Lisbon Convention, which has been ratified by Serbia; establishing a simple procedure for recognition of diplomas; and identifying academic titles recognized and comparable with the relevant EU titles.
- To enhance quality assurance in higher education, develop criteria and procedures in keeping with the general quality assurance provisions in the European Higher Education Area and European Research Area. This requires: improving legislative provisions on quality assurance and control; introducing an obligation for higher education institutions to reform their programmes, harmonize them with those prevailing in the EU in terms of competencies and learning outcomes, and provide for the horizontal and vertical mobility of students; and paying special attention to the structure and management of universities and models of financing to bring financial conditions in higher education in line with EU standards.
- Intensify cooperation among universities, and government and non-governmental organizations at national, regional and European levels. Given the increasing gaps in human resources and material resources in research, joint research teams, strong regional centres, and the division instead of duplication of work could bring regional research centres and universities to an equal position within the European Higher Education Area and European Research Area.

Health

In order to reduce inequalities in health and gaps between Serbia and other countries, it is necessary to take the following actions.

- Develop a programme of health care focused on improving the coverage, accessibility and quality of health care for vulnerable population groups (for example, projects within the National Action Plan for Roma Health), and integrate the lessons learned from evaluations of these projects into health care services.
- Simplify the administrative steps for the Roma to enjoy the right to health care, and achieve universal access to health care for Roma children and mothers (such as simplified access to immunization, irrespective of the status of health insurance).
- Establish a system to monitor the achievement of health-related MDGs among vulnerable population groups (such as Roma children), where considerable disparities have been identified in comparison to national averages. There is a special need to continue to develop and implement culturally sensitive and acceptable health care programmes for mothers and children, and reduce infant and child mortality in the Roma population.
- Further develop medical staff programmes to reduce imbalances in the regional distribution of health care, particularly specialized functions.

Fostering regional health cooperation and social cohesion within South Eastern Europe calls for further advancing the cooperation that started within the Stability Pact and other initiatives, especially in the following fields.

- Develop an intersectoral strategy for food safety and national action plans for nutrition, including towards harmonization with EU legislation and the guidelines of the Codex Alimentarius,¹⁴⁷ and with a stronger role for consumers in strategy development and implementation.
- Improve the system for controlling communicable diseases through information exchange mechanisms defined in the International Sanitary Rule Book, and through regional networking and exchanges of information.
- Strengthen regional cooperation around community mental health protection as part of implementing national strategies on mental health. Improve regional information systems in this area, while promoting the development of NGOs active in protecting the rights of persons suffering from mental diseases.
- Strengthen regional cooperation through projects on public health services and exchanges of experiences.
- Boost regional cooperation through health care programmes related to the environment and climate change.
- Improve the system of protecting patients' rights with enhanced reporting mechanisms and assessment of the patterns of identified violations. Raise awareness among service providers (especially medical professionals and associates) of patients' rights and their protection.
- Continually assess the implementation of anti-discrimination laws related to the right to health care, especially for vulnerable groups and patients (such as persons with disabilities and people living with HIV and AIDS). Use corrective measures to remove discrimination and violations of rights.

¹⁴⁷ The Codex Alimentarius Commission was created in 1963 by the Food and Agriculture Organization (FAO) and the World Health Organization (WHO) to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this programme are protecting the health of consumers, ensuring fair trade practices in food trade, and promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations.

- Operationalize the regional mental health development strategy through budgeted action plans, focusing on the rights of persons suffering from mental diseases and monitoring implementation.
- Promote the development of non-governmental and civil society organizations dealing primarily with health issues, protection of individual health rights and vulnerable groups.
- Support civil society initiatives advocating the principle of “health in all policies,” especially in health and environmental programmes, but including other sectors as well (such as spatial planning, transport, agriculture, trade and industry).

Gender equality

Throughout the region, there is high motivation for regional cooperation on gender equality. The process of the “division of labour” and professionalization of women’s NGOs is taking place in parallel to the diversification of regional cooperation initiatives. Due to the changing priorities of international donors, however, there is often inadequate “coverage” of certain areas (rural women or single mothers, for example).

Regional cooperation has largely contributed to capacity development for both national gender mechanisms and NGOs, and to the strengthening of the position of local actors in their own contexts. All countries in the region are in the phase of adopting laws and legal provisions favouring gender equality, and developing and strengthening gender mechanisms. They are also faced with the problems of implementing gender equality laws and different national strategies and plans of action, with the real capacity for change severely limited by the overall social, economic and political situation. In other words, gender equality policies are being introduced at a time when both labour market and political developments highly favour traditional gender roles. Despite these pressures, a combination of modern European values and the positive legacies of socialism, including high education and employment rates for women, remains.

Gender mainstreaming and the empowerment of women in all areas, at the national and regional levels, depends on the following activities.

- Ensure gender mainstreaming in national development strategies and the implementation of gender equality laws across the region. These should consistently reaffirm the “gender and development” approach over the “women in development” approach, as it is much more effective and better adjusted to regional needs.
- Establish a regional information centre to provide accurate and transparent information, knowledge management, evaluation and coordination.
- Focus on new areas of intervention for gender policies (gender and science and technology issues, rural women, work-life balance, single mothers, and so on).
- Ensure steady, committed and well-organized international support for gender equality initiatives, as well as the institutionalization of regional cooperation.
- Encourage cooperation between state institutions and NGOs, supported by donors, and based on a clear division of competencies and responsibilities, and adequate control mechanisms.

Translation of the EU policies related to gender into national contexts requires serious capacity development for state institutions and gender mechanisms. External funding is needed to support this process, which could involve training, campaigns, gender mainstreaming of curricula and media outreach.

The Roma

The policy of the EU in Central and South Eastern Europe regarding the Roma is based on assistance to national strategies to improve their position in candidate and potential candidate countries, and assistance to cross-border and regional projects. Serbia lags significantly behind the countries of the region, with a programme of Roma integration that has not been systematically developed but rather results from an improvised strategy never adopted by the Serbian Government or Parliament. The plans of action in the areas of employment, education, housing and health care are wish lists, rather than structured and coordinated programmes. Local government initiatives are very rare, and in communities where they do occur they generally result from the efforts of Roma NGOs. Many are not producing the desired results, but create problems that are worsening inter-ethnic relations.

For the programme of Roma integration to be adjusted to the social needs and interests of the Roma community, the following needs to be done.

- Provide political support to Roma integration programmes (Declaration by the National Assembly).
- Design and adopt a reintegration strategy (a government decision and ministerial decisions for each sector).
- Identify criteria for strategy development and management (national, regional and local plans).
- Create institutions (a strategy management team and inter-ministerial committee).
- Initiate cross-border and bilateral cooperation.
- Establish national and local budget lines compatible with EU instruments.
- Decentralize public services, and increase the accountability and competencies of local self-governments backed by appropriate resources.
- Focus integration programmes on local governments.
- Build adequate monitoring and evaluation mechanisms.

Stronger actions in terms of adult education are required, along with cooperation with the National Employment Service at the local level. There is a need to identify the numbers of unemployed Roma by region, and adjust the national action plans for Roma integration with those of neighbouring countries to develop compatible cross-border communities and dynamic programmes once political conditions are in place.

In developing regional cooperation in the area of Roma education, there is huge untapped potential. For their part, international organizations in Serbia do not generally consider this need. Based on criteria developed so far for cross-border cooperation to improve the position of the Roma, programmes could evolve through the following avenues.

- Promote local people-to-people actions focused on cooperation between public bodies and NGOs in education, cultural cooperation, development, democracy and tolerance.
- Develop a reference framework for cross-border cooperation.
- Build trust at the local level.
- Support education and new jobs.
- Support refugee return programmes, reintegration and exercise of rights.

Refugees and internally displaced persons

All public authorities at all levels need to actively engage in resolving the difficult issues of refugees and IDPs. Regional cooperation needs to continue and improve. In view of the poverty in the region and in Serbia, donor assistance is still urgently needed in this area, primarily in resolving housing issues and developing programmes of support for promising pupils and students from socially vulnerable families.

National authorities need to focus on the following issues.

- In second-degree procedures and administrative disputes before the Supreme Court, carefully consider decisions on refugee status, paying special attention to whether or not people have returned to their country of origin.
- Require all state authorities in the Republic of Serbia to respect the validity of old refugee identification documents until publication in the Official Gazette of the Republic.
- Efficiently resolve the applications by refugees for Serbian citizenship. The Government should reconsider the payment of taxes in the same amount for former refugees and those whose status has been confirmed.
- Adopt regulations on social housing and micro-loans to provide the legal basis for quicker integration of refugees.
- Continue closing collective centres through greater financial support by the government and development of housing programmes, including for refugees living in private accommodation.
- Change Article 5 of the Rule Book on Employment Records and make the practices in all municipalities in Serbia equal. Enable the smooth issuance of these documents to refugees in compliance with the Law on Refugees. At the same time, all refugees should have equal treatment in terms of acquiring these documents.
- Develop active employment measures, accompanied with better information to refugees regarding their implementation.
- Provide health care to persons whose refugee status has been abolished and who have not yet become citizens of Serbia, or who have not returned to their country of origin. This should be accompanied by a campaign informing refugees on changes in the relevant health care regulations and their position.
- Initiate the process of designing social cards (data on economic status) for refugees that would provide a clear social picture of the most vulnerable refugee families and facilitate more efficient targeting of social protection.
- Develop informal education programmes to increase the capacities of refugees and displaced persons.
- Pay special attention to displaced Roma, for whom relevant documents or a budget to cover people without documents should be provided, in order for them to be included in the health care system.
- Undertake adequate measures to prevent the segregation of Roma children, introduce new affirmative actions (such as scholarships) to support talented displaced children, and amend the Law on Social Protection to take into account the specific position of IDPs.

The following activities need to be undertaken by local authorities.

- Fully and consistently implement the instructions on maintaining registry books when it comes to IDPs, and ex officio acquire the documents needed for successful and efficient procedures.

- Assist IDPs and provide efficient and simple procedures for registration of residence.
- Pay attention to informal collective centres and illegal Roma settlements, and consult the Action Plan on Roma Housing, while at the same time increasing the number of programmes aimed at resolving the issues of accommodation for IDPs.
- Increase access to social protection for IDPs by reducing the number of documents required, and by informing IDPs of existing projects and their rights.

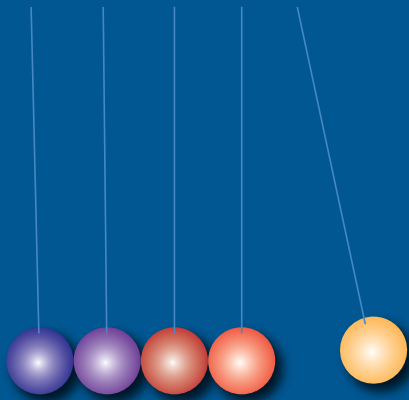
Regional cooperation should include several initiatives.

- The governments of Bosnia and Herzegovina, Croatia and Serbia as soon as possible need to develop a joint matrix for lasting resolution of refugee issues and to review the timeframes that elapsed in 2006.
- In compliance with the legal order of Bosnia and Herzegovina, central and entity authorities need to find an efficient solution for persons who had tenants rights in military apartments in Bosnia and Herzegovina, either by building new housing units or by providing adequate compensation.
- An agreement is urgently needed between the governments of Croatia and Serbia on dual citizenship. All the remaining open issues related to the return of refugees to Croatia should be resolved through bilateral relations.
- Accelerate activities related to resolving pension fund issues in Croatia and Serbia.
- Clearly identify the competencies of courts displaced from Kosovo and establish cooperation with courts in Kosovo and Metohija for recognition and execution of court decrees, primarily on disputed issues.
- Reach a decision on recognition of M4 forms certified by UNMIK seals and establish cooperation between the Government of Serbia and the UN Administration in Kosovo in order to exchange documents needed for the exercise of the pension rights of IDPs.
- Persons with disabilities

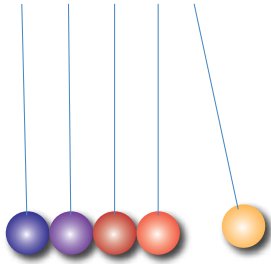
During work on the national disability report in Serbia, disability organizations made the following proposals.

- Change and amend the prevailing Public Procurement Law, in line with the EU directive on public procurements, in order to ensure compliance with standards of accessibility and prohibit discrimination against persons with disabilities in terms of physical access to buildings, assets, services and infrastructure funded from public funds ^(Tatić, D. et al. 2007). The Serbian Poverty Reduction Strategy Implementation Focal Point should study a specific poverty line for persons with disabilities.
- Call on foreign donors to systematically and consistently respect the principles of non-discrimination and equal opportunities for persons with disabilities in all projects that they fund in Serbia. All general purpose projects must guarantee that persons with disabilities have access to buildings, assets, services, and infrastructure financed from their funds and intended for the overall population of Serbia. Donors also need to fund specific projects intended predominantly or exclusively for persons with disabilities.
- Enact measures to ensure that each child with a disability has access to education. As the building of an inclusive educational system, as set out in the Convention on the Rights of Persons with Disabilities, is a time-consuming process, there is a need to urgently adopt a strategy, either as a separate document or as part of general educational reform. Awareness-building on inclusive education is required for professionals and the general public.

- Adopt the decision of the steering committee on monitoring children with disabilities to begin the reform of the system used for assessing children and young persons with disabilities, and to lay the foundations of a system that can lead these persons towards social inclusion. A pre-school education law needs to be adopted.
- In compliance with the provisions of the Convention on the Rights of Persons with Disabilities, amend the laws on primary and secondary education to include the obligation of the state and local governments to ensure conditions for children and young persons with disabilities to attend regular schools, including provisions for physical accessibility.
- Incorporate the obligation of founders of education institutions to finance the provision of conditions to provide equal opportunities for pupils with disabilities within the regular education system. Special schools need to be transformed into resource centres providing assistance with individualized reasonable adaptations of primary and secondary schools for pupils with disabilities.
- Ensure persons with disabilities have equal access to education throughout their lives, including adult learning for those who were denied such access in their childhood due to discrimination and inadequate education systems.
- Develop a plan of measures and activities for general vocational education centres to be accessible to persons with disabilities, and create conditions for non-formal education for certain jobs.
- Amend the list of professions for persons with disabilities in compliance with technological developments and labour market demand.
- Consistently implement the planned reconstruction of primary health care institutions so that all health care centres and services are accessible. It is also necessary to organize training for health care staff on the rights of persons with disabilities and the ways of meeting their health needs.
- Establish multidisciplinary teams within health care institutions to provide psychosocial support to parents of children with disabilities, and refer them to adequate disability organizations or associations of parents of persons with disabilities.
- Make systematic and continued investment in further development of health care centres for rehabilitation. Change Articles 44 and 50 of the Law on Health Care Insurance so that it covers 100 percent of all costs related to rehabilitation services in stationary institutions for all persons with disabilities.
- Amend the existing Rule Book on Medical Technical Devices to guarantee the right of persons with disabilities to quality medical technical devices.
- Continuously work to empower women and girls with disabilities, train staff in the judiciary and public administration dealing with the prevention of violence against women, and strengthen the network of NGOs providing support to victims of violence.
- Provide awareness-raising not only for women with disabilities, but also for staff in relevant institutions and local governments who oversee rights in marriage and family relations, especially the right to parenthood and adoption. Organize support services for women with disabilities to provide them with equal opportunities and the rights guaranteed to all women by the Family Law and Law on Social Protection.
- Incorporate measures to improve the position of persons with disabilities in all strategic documents on refugees and IDPs in Serbia.



CHAPTER 6
**REGIONAL COOPERATION
ON SECURITY ISSUES**



CHAPTER 6 REGIONAL COOPERATION ON SECURITY ISSUES

“For most people, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event” (UNDP 1994, p. 22). Common issues that spark concerns, including in Serbia, are the security of employment, incomes and health care, and a healthy and safe environment.

The concept of human development is broader than that of human security, as the former implies a “process widening the range of peoples’ choices” (UNDP 1990, p. 10). “Human security means that people can exercise these choices safely and freely—and that they can be relatively confident that the opportunities they have today are not totally lost tomorrow” (UNDP 1994, p. 23). The links between human development and human security include the fact that even when people may have the potential to do and be many things, insecurity can cut off opportunities. Insecurity can include economic vicissitudes, health crises, and injury or death as a result of criminal or political violence. Sustained political violence may lead to the break-up of communities or families, forced migration and the need to reestablish lives in strange and alien environments, or even a suspended existence in refugee camps (Stewart 2004, p. 3). This was the reality for many citizens of the former Yugoslavia during the 1990s, when wars and transition had disastrous consequences on the lives of millions of people, and on human development for them and their societies (see Box 6.1).

The UN has identified six clusters of threats that the world needs to be concerned about now and in the decades ahead (United Nations 2004):

- Economic and social threats, including poverty, infectious disease and environmental degradation;
- Inter-state conflict;
- Internal conflict, including civil wars;
- Nuclear, radiological, chemical and biological weapons;
- Terrorism; and
- Transnational organized crime.

According to a 2005 survey, although Serbians do not perceive organized crime as a threat to personal security, they see it as a threat to their society as a whole. About 74 percent of the respondents said that Serbia cannot become prosperous without staunching organized crime and corruption (SMMRI 2005). Combating organized crime will depend on concerted regional cooperation, since organized crime groups, just like powerful multinational companies, take full advantage of economic liberalization and the progressive opening of many frontiers.

The adoption of the UN Convention against Transnational Organized Crime, a global instrument to fight organized crime, is a historic step forward in the fight against this threat.¹⁴⁸ It states, “Transnational organized crime is a menace to States and societies, eroding human security and the fundamental obligation of States to provide for law and order. Combating organized crime serves the double purpose of reducing this direct threat to State and human security, and also constitutes a necessary step in the effort to prevent and resolve internal conflicts, combat the spread of weapons and prevent terrorism” (United Nations 2004, p. 52).

The European security strategy defines security as a “pre-condition for development,” considering the number of states and regions that are affected by a “cycle of conflict, insecurity and poverty” (European Council 2003, p. 2). Key security threats to Europe at present are “more diverse, less visible and less predictable” (ibid., p. 3). They include: terrorism, the proliferation of weapons of mass destruction, regional conflicts, state failure and organized crime. The strategy notes: “Europe is a prime target for organised crime. This internal threat to our security has an important external dimension: cross-border trafficking in drugs, women, illegal migrants and weapons accounts for a large part of the activities of criminal gangs. It can have links with terrorism” (ibid, p. 4).

This chapter will provide a detailed analysis of areas where regional cooperation can help improve human security in Serbia (see Box 6.2), such as in the fight against organized crime and corruption; integrated border, asylum, visa and migration management; and transitional justice.

The lack of regional institutions to manage these problems and poor administrative divisions also hamper the region’s human development prospects.

Fighting organized crime

Suppressing illegal trafficking of narcotics and psychotropic substances

The 2007 *World Drug Report* made an optimistic assessment of “the current recession in the drug economy” (UNODC 2007b, p. 1). The progress being made is not attributable to the doings of a single actor, but corresponds to long-term policies and changes in society. Still, organized crime is introducing innovations to survive. Ongoing challenges include blocking new routes through increased law enforcement, improving the integrity of the judicial system, and fighting corruption among officials at borders and in local administrations. The report also states that stronger efforts are needed not only in suppressing cultivation and production, and strengthening seizures, but also in reducing consumption among drug users through activities focused on early detection, greater prevention efforts, better treatment of addiction, and the integration of drug treatment into public health and social services programmes (ibid., p. 2). The scope of the problem requires shared responsibility: internationally, between producing and consuming states; regionally, among neighboring countries; and nationally, among all sectors of society (ibid., p. 2).

Although EU member states define their own national drug-related policies, the common EU strategy adopted for the 2005-2012 period makes an explicit commitment to a balanced approach, combining both supply- and demand-side measures (European Monitoring Centre for Drugs and Drug Addiction 2006).

¹⁴⁸ Article 3 states that a criminal act is transnational if: (a) it is committed in more than one state; (b) it is committed in one state but a substantial part of its preparation, planning, direction or control takes place in another state; (c) it is committed in one state but involves an organized criminal group that engages in criminal activities in more than one state; or (d) it is committed in one state but has substantial effects in another state.

Box 6.1: Kosovo: Still unresolved

During a 2008 consultative meeting held in Belgrade as part of preparing this report, participants stressed the importance of security for Serbia’s overall human development. They spoke specifically in light of the still unresolved status of Kosovo and events that may lead to a cycle of conflicts and subsequent large influxes of refugees.

Some participants said that a similar report on regional cooperation should have been prepared for Kosovo, and that the two UNDP offices in Belgrade and Pristina should have cooperated on this.

Box 6.2: Human security perceptions in Sandzak

A good example of endangered human security comes from the border region of Sandzak in southwest Serbia. During a consultative meeting for this report held on 6 December 2007 in Novi Pazar, the participants almost unanimously expressed their concerns with the situation in the region. Poor border management (in terms of personnel and equipment) and inadequate law enforcement have made the area suitable for human trafficking, illegal immigration and smuggling activities, which are omnipresent and evident to the local population. The impression that weak and inadequate central institutions, especially the police, are not capable of efficiently dealing with these problems creates an atmosphere of uncertainty among citizens.

The situation in Serbia and the region

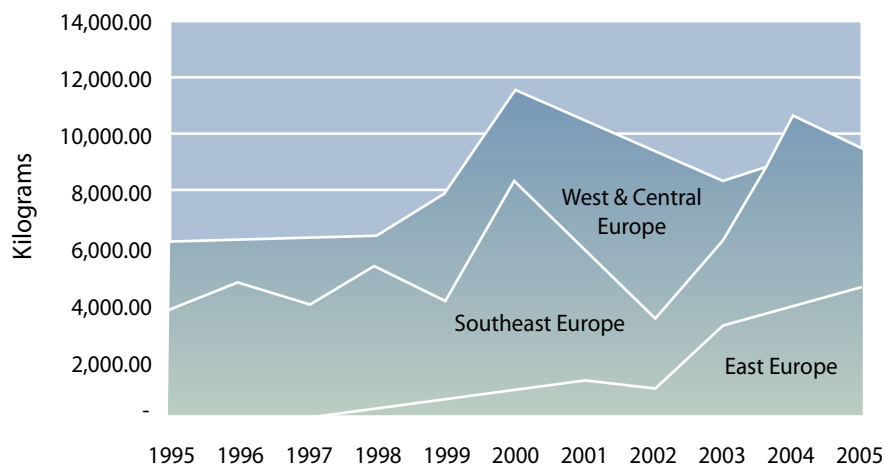
Serbia is at the centre of the transit routes for heroin and opiates. Since 2003, the traditional Balkan smuggling route from Turkey into Bulgaria, Macedonia, Serbia and Montenegro, Bosnia and Herzegovina, Croatia, Slovenia, Austria, Germany and the Netherlands has re-emerged and gained in importance, while trafficking via the more eastern Balkan route (Hungary) has fallen in importance. Albania, Croatia, Serbia and Montenegro, and Turkey have reported the largest increases in seizures in South Eastern Europe (UNODC 2006, p. 65).

The 2007 World Drug Report stated that opiates are trafficked by using three major routes, depending on where they are produced and to which countries they are supplied. For Europe, the most significant route is the one from Afghanistan. "In 2006, out of all opiates that left Afghanistan, 53 per cent went via Iran, 33 per cent via Pakistan and 15 per cent via Central Asia" (UNODC 2007b, p. 45). "Although estimating trafficking flows is more complicated, there is a strong basis to believe that most of the heroin produced in Afghanistan moves out via Iran and Pakistan toward Europe on what is known as the Balkan Route" (ibid., p. 182).

The report showed that the region of South Eastern Europe accounted for 11 percent of global heroin seizures in 2007 (ibid., p. 45). In 2004, seizures of heroin in the region accounted for 43 per cent of European seizures (see Figure 6.1). The EU Organised Crime Threat Assessment marks South Eastern Europe as the key entry point into the EU "specifically with regard to heroin trafficking, illegal immigration and trafficking in human beings, aimed at the whole of the EU" (Europol 2006a, p. 26).

The *World Drug Report* also mentioned the development of new cocaine trafficking routes and/or "the incorporation of cocaine into the range of products offered by traditional heroin trafficking groups operating along the Balkan route" (UNODC 2007b, p. 77). It underscored that the production of amphetamines is moving towards Eastern Europe, while the importance of Belgium, Germany and the Netherlands as producers is in decline. Simultaneously, the production of ecstasy is becoming more professional and efficient (ibid., p. 146).

Figure 6.1: Heroin seizures in Europe (1995-2005)



Source: UNODC 2007b, p. 12.

According to reports submitted by Serbian authorities for the *Situation Report on Organised and Economic Crime in South-eastern Europe*, from 2004 to 2006, Serbia seized more than 1,508 kilogrammes of heroin and about 48 kilogrammes of cocaine. Seizures of synthetic drugs increased consistently, comprising 33.5 kilogrammes of amphetamines and close to 36,000 pieces of ecstasy (Council of Europe and the European Commission 2007, pp. 12–19).

Serbia's status as primarily a transit state for illegal trafficking of drugs is reflected in the US Department of State's 2008 report. It stated: "The Republic of Serbia is a major transit country for narcotics and other drugs along the Balkan smuggling corridor from Turkey to Central and Western Europe. Serbia's drug laws are adequate, but the judicial system is weak and implementation is problematic. While Serbia realized record-setting successes with drug interdiction and seizures, nonetheless, organized crime groups still exploited Serbia's inadequate border controls and law enforcement to move heroin, cocaine, marijuana, and synthetic drugs. Sentencing for drug law violations is generally weak. According to a Justice Ministry report, of the 8,658 persons convicted for violations of Article 246 of the Penal Code in 2007 (related to the production, storage and sale of narcotics), 6,141 (71 percent) received suspended sentences. During the same period, 2,397 arrests (28 percent) resulted in prison sentences" (US Department of State, Bureau of International Narcotics and Law Enforcement Affairs 2008). The report also noted that small quantities stay in the country for local consumption.

A 2006 strategic marketing survey that used the questionnaire of the European Monitoring Centre for Drugs and Drug Addiction suggested that the situation in Serbia is more worrying. Namely, 10.9 percent of Serbians responded that they have tried some drugs, and 3.7 percent said that they have used drugs during the last year (*Blic* 2007). According to data from July 2007, the number of registered drug addicts in Belgrade is 6,000 and in Serbia over 10,000. Nevena Karanović, State Secretary of the Ministry of Health, pointed out that these figures should be multiplied several times to arrive at the true number of drug addicts in the country, since "according to data from towns with regional centres for treatment of addiction, more than 70 percent of patients contact the centres for addiction to opiates, of which 65 percent are those using intravenous drugs."¹⁴⁹ The National Strategy and Action Plan for Mental Health indicates that "the incidence of young people asking for help increases every year by more than 100 percent. According to police reports, two-thirds of burglaries are related to narcotics (Mental Health Commission, Ministry of Health, Republic of Serbia 2007). The falling price of narcotics opens the door to increased abuse and reflects the lack of prevention and suppression. The mental health strategy recommends the adoption of a separate national programme and action plan for prevention, suppression, treatment and rehabilitation of addicts, with the participation of the community as a whole, since "addiction is primarily a social and only secondarily a medical issue."

Serbia's response

Serbia has to a great extent acceded to strategically significant international conventions on drug trafficking and is actively developing legislation relevant to this area, having adopted the Criminal Law, the Law on the Programme for the Protection of Participants in Criminal Procedure, the Law on Organization and Jurisdiction of Government Authorities in the Suppression of Organized Crime, the Code of Criminal Procedure, the Law on Substances Used in Illicit Production of Narcotics and Psychotropic Substances, etc. A strategic framework is missing, however, including a national strategy for controlling the abuse of narcotics that has been announced several times but not yet adopted. Also critical is a relevant action plan against organized crime, which is the responsibility of the Ministry of Interior (Government of the Republic of Serbia 2007).

Serbia's 2007 EC Progress Report highlighted that "cooperation with international bodies in the drug control fields is not fully developed. There is no electronic data bank on drug seizures and persons involved.... Drug trafficking remains a serious concern" (Commission of the European Communities 2007c, p. 41).

¹⁴⁹ According to the statement by the State Secretary of the Ministry of Health on 25 July 2007 [www.srbija.sr.gov.yu].

Fighting trafficking in human beings

Human trafficking is a multifaceted problem. On one side, it is a political-security issue, related to the existence and activity of organized criminal groups. They use the profits and networks of human trafficking operations for other forms of crime, especially in politically unstable societies without sufficiently strong institutions and with a high degree of corruption among civil servants. At the time this form of organized crime expanded in Serbia, the country was internationally isolated and experiencing an authoritarian regime (Centre for Development of Legal Studies 2001, p. 162). Human trafficking, especially of women and young girls, is particularly likely to occur in locations of war and crisis.

From an economic perspective, human trafficking is primarily a consequence of economic and social inequalities among and within countries. Poverty, unemployment,¹⁵⁰ low incomes and discriminatory employment policies help the phenomenon spread. The feminization of poverty, resulting from the economic policies of countries in transition, provides incentives to an increasing number of women struggling to survive. But “there is no single stereotype of a vulnerable group of persons. Increasingly, the definition of vulnerability must include social and economic exclusion, marginalization and discrimination, and not be limited to economic disparity” (OSCE 2006, p. 8).

The victims of trafficking suffer the most brutal violations of their human rights—they are deprived of their rights to live, be free, be secure, move as they want, earn an income, not to be held in a state of slavery or similar to slavery, and not to be exposed to torture. Victims who are minors are deprived of a whole set of rights that they are entitled to as children. The very first principle of the “Recommended Principles on Human Rights and Human Trafficking” noted: “The human rights of trafficked persons shall be at the centre of all efforts to prevent and combat trafficking and to protect, assist and provide redress to victims” (UN Economic and Social Council 2002).

Various reports (Council of Europe and the European Commission 2006, UNICEF and Terres des Hommes 2006) have indicated that trafficking in children for the purpose of sexual exploitation and other forms of exploitation is of serious concern. The Regional Clearing Point for South Eastern Europe warned that “in some countries, such as the Republic of Serbia, Albania and Bosnia Herzegovina, national minors were a large percentage, if not a majority of assisted victims.... In Albania, 100 per cent of victims of trafficking for labour, begging and delinquency were minors in 2003 and 2004” (IOM 2005). A lack of proper mechanisms for gathering data masks the real extent of this phenomenon.

The situation in the region and Serbia

A growing body of evidence suggests that the Western Balkans faces serious problems in human trafficking for several reasons, including the increased demand for sexual services and the international military presence in Kosovo, and Bosnia and Herzegovina (Council of Europe and the European Commission 2006). In addition, organized crime groups continue to operate in “a relatively risk-free environment, because they have not been targeted by law enforcement, and corruption has been used as a tool to ensure that this remains the status quo” (Europol 2006b, p. 25). Facilitated by conflict and crisis, traffickers in the region have built their networks for over a decade and are now well established, along with the industry they have created” (ibid., p. 36).

¹⁵⁰ According to a World Bank (2006) assessment of the labour market, the number of unemployed people in Serbia in 2006 was 693,000. The unemployment rate in 2005 was 22 percent. The report noted “disappointing” labour market indicators, despite economic growth over the past five years. The situation is especially difficult for those aged 18 to 24 years, among whom over 48 percent are unemployed. Women account for only 40 percent of total employed people, and 54 percent of the unemployed.

A Europol report (*ibid.*) acknowledges the major efforts by countries in the region in implementing action plans to fight trafficking in human beings, assuming that these activities—accompanied by proper investigative techniques, the prosecution of the perpetrators, and the proper treatment of victims and potential witnesses—will lead to results. In Serbia, however, criminal proceedings do not lead to adequate prison sentences and seizure of property acquired through criminal acts. Serbia's 2007 EC Progress Report indicated, "(F)urther efforts need to be made to ensure the independence, accountability, and efficiency of the judicial system" (Commission of the European Communities 2007c, p. 10).

According to the US Department of State (2007), Serbia continues to be a source, transit, and destination country for women and girls who are "trafficked transnationally and internally for the purpose of commercial sexual exploitation." The report also stated that the Serbian Government "does not fully comply with the minimum standards to eliminate trafficking, but is making major efforts to do so." It indicated that over the past year the Government continued efforts to actively investigate cases of trafficking, but with low penalties. Despite sufficient laws, there is also a lack of consistency in punishing the perpetrators.¹⁵¹

At the same time, sex trafficking has become more clandestine and sophisticated, with a growing domestic clientele. The number of trafficked children (under 18 years of age) is expected to grow. Traffickers and their accomplices are increasingly targeting younger victims due to the fear of HIV and AIDS, or for other forms of trafficking for illegal adoption or organ harvesting (Council of Europe and European Commission 2006, p. 6). Special attention should be paid to trafficking in Roma children (*ibid.*, p. 42). The Europol report (2006b) pointed especially to the challenge that trafficking within borders poses, because it implies less risk for the trafficker (Europol 2006b, p. 6).

Serbia's response

The prohibition of slavery, servitude and forced labour is stated explicitly in Article 26 of the Serbian Constitution. Criminal legislation now features a new definition of the criminal act of trafficking in human beings.¹⁵² Today's Criminal Code defines three distinct crimes: human trafficking (Article 388), trafficking in children with the purpose of adoption (Article 389), and establishing slavery relations and transporting people in slavery relations (Article 390). Article 388 corrects the shortcomings of a previous provision and introduces definitions similar to the ones contained in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, which supplements the UN Convention against Transnational Organized Crime. It contradicts the protocol, however, in prescribing that a victim's consent will be irrelevant only when a victim is child.

The Government has adopted a national strategy to fight human trafficking, and established it among policy level bodies, including the Government Council to Combat Trafficking in

¹⁵¹ According to the report: «Even after the Supreme Court confirms a verdict, inefficient administrative procedures cause delay, and it is not uncommon for convicted traffickers to remain free and able to continue trafficking for years. Of the three high profile prosecutions from previous years, one trafficker originally sentenced in March 2004 has not yet begun to serve his sentence. In 2006, the government filed 37 criminal cases against 84 people for trafficking in persons, up from 34 individuals indicted last year. Eleven persons were convicted for trafficking in persons, with sentences ranging from three to eight years.»

¹⁵² The Criminal Code of the Federal Republic of Yugoslavia—except for Article 155 on "Establishing slavery relations and transporting people in slavery relations" in the chapter on "Criminal Acts Against Humanity and Other Objects Protected by International Law"—didn't contain provisions on specific criminal offences related to trafficking in human beings. The new definition was introduced in the Criminal Code of the Republic of Serbia in 2003.

Human Beings,¹⁵³ the Republican Team and the Advisory Board of the Republican Team. A national coordinator has been appointed.

In 2007, the Agency for the Coordination of Protection of Human Trafficking Victims identified 49 trafficking victims and 11 potential trafficking victims, mostly Serbian citizens. There were 51 women and 9 men. In 2006, 37 criminal charges were filed against 84 perpetrators for the offence of trafficking in human beings. By mid-2007, 140 persons suspected of being involved in the trafficking of human beings had been arrested (Commission of the European Communities 2007c, p. 40).

Despite significant legal interventions aimed at a more efficient fight against human trafficking, more adequate protection of victims' rights is needed, primarily in cases of trafficking involving more than one state, where there is a need to build transnational referral mechanisms for victims. Some legal uncertainties and/or slow changes in national legislation are being overcome. The Serbian Minister of Interior, in upholding obligations under the 2002 statement "Legalization of the Status of Victims of Human Trafficking, issued instructions in 2004 to grant victims temporary residence for a period from three months to one year.

Serbia needs to undertake other activities as well, focused on the three areas of preventing trafficking in persons, prosecution and conviction of perpetrators, and protection of victims. The key word in all these areas is cooperation, among institutions, state authorities and civil society, and with international organizations and other states, primarily those along trafficking routes. The implementation of obligations undertaken by signing the Council of Europe Convention on Action against Trafficking in Human Beings (which should be followed by immediate ratification) remains a major task.¹⁵⁴ Efforts are needed in the areas of prevention and measures to discourage demand, and measures for the protection and enhancement of the human rights of victims. Other steps include guaranteeing gender equality, assistance to victims (compensation for damages and legal protection), the accountability of legal persons, and enhanced protection for victims and persons cooperating with judicial authorities.

Suppressing illegal trade in weapons

The Western Balkans are a source of arms smuggling because of the large number of surplus weapons left over from the armed conflicts of the 1990s. Other factors have been the ongoing downsizing of the armed forces in the region and local arms industry production. Many weapons have been diverted into the black market. Criminals, and occasionally terrorist and extremist groups, acquire weapons originating from the Western Balkans. Poor controls on explosives in civilian and military warehouses is a matter of concern (Council of the European Union 2006, p. 5).

Progress in addressing arms transfer challenges is most obvious at the legislative level, with varying rates of progress. One report noted, "Good initial work runs the risk of stalling if loopholes allow for the manipulation of legislation, which will seriously damage public and international confidence in its efficacy" (SEESAC 2006).

¹⁵³ Members of the council, formed in December 2005, are the ministers of the interior, justice, employment, labour and social policy, education and sport, finance and health.

¹⁵⁴ The purposes of the Council of Europe Convention on Action against Trafficking in Human Beings are: a) to prevent and combat trafficking in human beings, while guaranteeing gender equality; b) to protect the human rights of the victims of trafficking, and to design a comprehensive framework for the protection and assistance of victims and witnesses, while guaranteeing gender equality, as well as to ensure effective investigation and prosecution; and c) to promote international cooperation on action against trafficking in human beings.

Serbia's response

Serbia's 2005/2006 report on the implementation of the UN programme to prevent, combat and eradicate the illicit trade in small arms and light weapons stated that there has been successful cooperation with Bosnia and Herzegovina and Republic Srpska. Liaison officers are located in diplomatic missions in Belgrade and the Interpol Office. There is no evidence, however, that groups and individuals have been prosecuted (Republic of Serbia 2006, p. 5).

The Government of Serbia has undertaken some steps to increase the capacity for the control of small arms and light weapons, but no adequate statistics exist or are available, making it difficult to assess abilities to control the proliferation of illicit weapons. Relevant information is not available, for example, for export licensing, stockpile holdings, arms seizures, service personnel numbers, and medical and crime statistics (UNDP 2005b, p. 3). There is also a need to introduce more stringent measures for licensing private security companies. Compared to the rest of the region, "there is a near total absence of regulatory control of the private security sector in Serbia" (SEESAC 2005, p. 92).

At the international level, the Government has responded to different multilateral initiatives and signed agreements that could increase its capacities to tackle illicit weapons (UNDP 2005b, p. 52). Serbia has acceded to the additional Protocol to the UN Convention on Transnational Organized Crime against the Illicit Manufacturing of and Trafficking in Firearms, their Parts, Components and Ammunition (Protocol on Firearms), and the Organization for Security and Co-operation in Europe (OSCE) Document on Small Arms and on Stockpiles of Conventional Ammunition. It is involved in the relevant UN programme of activities and in initiatives of the Stability Pact, such as the South Eastern and Eastern Europe Clearinghouse for Small Arms and Light Weapons (SEESAC, see Box 6.3).

The relevant national legislative framework consists of the Law on Foreign Trade in Arms, Military Equipment and Dual-Purpose Goods, resulting from best practices in many fields, and in compliance with the EU Codex on the export of arms (*ibid.*, p. 53); and the Law on Arms and Ammunition, which is relevant to civilian possession. The Law on Ministries delegated the oversight of foreign trade of arms, military equipment and dual-purpose (controlled) goods to the Ministry of Economy and Regional Development. It is encouraging that national legislation has integrated the relevant EU norms relevant to control arms transfers, although it remains unclear how these advanced measures will be implemented in practice. More attention is needed to identify and tackle corruption and conflicts of interest among officials, and to review the use of private security companies in transporting goods (SEESAC 2006, p. 88).

A UNDP (2005) small arms and light weapons survey estimated that there are approximately 2.9 million small arms and light weapons in Serbia. This includes over one million firearms registered to private citizens, suggesting that 40 percent of households in Serbia have at least one registered firearm. About 900,000 unlicensed firearms may be circulating.¹⁵⁵

One reason for concern is the lack of public awareness of this problem. Research indicates that citizens are not worried about the trade in firearms, because they are not affected by related crimes. Most people own firearms because they want to protect themselves, their properties and their families, a possible indication of the legacy of conflict, poor state control and mistrust of the state (*ibid.*, p. 3).

¹⁵⁵ The armed forces would not disclose figures for their small arms and light weapons holdings. These are believed to be significant, given Serbia's recent history of armed conflict, its previously significant production capacity and the legacy of a large Army. The survey estimates that 677,500 small arms and light weapons are currently under the control of the Serbia and Montenegro Armed Forces, among which some 477,514 may be surplus. It calculated that the Ministry of Interior may control over 50,000 formation firearms.

Box 6.3: A clearinghouse for arms control

SEESAC was launched in 2002 in Belgrade as a component of the Regional Implementation Plan on Combating the Proliferation of Small Arms and Light Weapons. Adopted by the Stability Pact in 2001, and revised in 2006, it aims to stop the flow of small arms in the region, consolidate achievements so far, and support socio-economic conditions for peace and development in South Eastern and Eastern Europe.

SEESAC was established in cooperation with UNDP. Political and strategic guidance is provided by a Regional Steering Group composed of representatives of the governments of the states concerned, the Stability Pact, UNDP and observers from institutions such as the EU, the North Atlantic Treaty Organization (NATO), the OSCE and civil society. SEESAC is now available to all stakeholders within the Commonwealth of Independent States and Caucasus region. The initiative provides technical advice and project development assistance for the disposal of heavy weapons, within available resources.

SEESAC liaises directly with governments and civil society, facilitating information exchanges, the coordination and overview of current and future efforts, and fundraising assistance for specific projects. Regional activities include sensitizing governments and civil society on small arms issues, formulating national strategies for control, and incorporating small arms issues into UNDP development planning.

Only terrible tragedies, such as the murder of nine citizens in the village of Jabukovac in July 2007, briefly raise questions about the possession of firearms by citizens.¹⁵⁶ A recent SEESAC study elaborated on links between firearms possession and domestic violence, and stated “that domestic violence is the most widespread form of violence in all countries in the region, and the number of incidents continues to rise” (SEESAC 2007, p. 29).

In 2005 and 2006, the Ministry of the Interior, within the Small Arms Control in Serbia and Montenegro project, used UNDP financial support to promote campaigns to destroy collected small arms and light weapons. In two separate campaigns, a total of 14,936 pieces were destroyed.

Suppressing corruption

The UN Convention against Corruption is the global anti-corruption instrument, providing states parties with common standards that should be incorporated in national legislation. It covers global cooperation on issues of corruption, including prevention, since corruption is a transnational phenomenon that affects all societies and economies.¹⁵⁷

For Serbia, ratification of the convention is just a starting point. Compliance will be important in improving the Serbian legal system to fight corruption, such as in tailoring preventive initiatives, introducing measures to adhere to global standards on criminalization, and pursuing international cooperation in criminal matters. Corruption is closely linked to good governance,¹⁵⁸ so combating it necessarily includes the reform of state institutions.

The UN's Global Programme against Corruption defines corruption as the abuse of power for private gain. Its negative consequences are devastating from the point of view of social development. Corruption disproportionately hits the poor, often extracting additional “taxes.” It undermines the credibility of governments and the legitimacy of democracy (European Commission 2003, p. 10). As Dr. Dragoljub Mićunović put it clearly and bitterly in the foreword to the book *Corruption in Serbia*, “(Corruption) makes everything relative and strips of reason the ethics, the law, and the public, it puts an end to the fight between good and evil, between the normal and the pathological, it petrifies the social dynamics and development and promotes the gutter and backwardness as destiny. That is why a decisive fight against corruption should be the first and the foremost step of any democratic reform” (Center for Liberal-Democratic Studies 2001).

Corruption is inseparable from organized crime, with criminal elements using it as a basic tool for exerting pressure in political and business dealings (Council of Europe and the European Commission 2006, p. 66). The Council of Europe, in its recommendations on organized crime, emphasizes the diversity of corrupt activities, and the number of its forms and links with

¹⁵⁶ As reported on radio and television stations such as B92, and in the daily newspapers *Danas* and *Press* on 31 July 2007, and *Glas javnosti* on 20 July 2007.

¹⁵⁷ Preamble to the UN Convention against Corruption [www.unodc.org/pdf/corruption/publications_unodc_convention-e.pdf].

¹⁵⁸ “From the viewpoint of UNDP, governance refers to the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences” (UN-OHRLS and UNDP 2006). The World Bank defines it through traditions and institutions, through which public competencies are discharged. This includes the process of electing, overseeing and replacing governments, the government capacity to effectively formulate and implement viable policies, and the respect of citizens and the state for the institutions [www.worldbank.org/wbi/governance/about.html].

economic crime,¹⁵⁹ including money laundering and fraud” (Council of Europe 2001). Table 6.1 shows the material damage done by criminal acts between 2000 and 2005, as presented by the Serbian Ministry of Interior, with more than 80 percent stemming from economic crime.

Table 6.1: Material damage from all crimes (2000-2005) (millions RSD)

YEAR	2000	2001	2002	2003	2004	2005	TOTAL	%
General crime	883	1.353	1.259	1.679	1.253	2.316	8.742	10.2
Economic crime	17.800	9.992	6.736	7.197	6.724	21.272	69.720	81.2
Against property	618	1.161	1.036	1.238	1.219	2.169	7.441	8.7
Total	19.300	12.506	9.031	10.114	9.196	25.757	85.904	100

Source: OSCE 2006, p. 8.

Serbia's response

Although corruption has strong links to organized crime, initiatives to prevent it must also be integral to the agenda for poverty reduction, which is why the Government has included an anti-corruption plan in its Poverty Reduction Strategy. The strategy acknowledges the devastating power of corruption, primarily its direct impact on poverty, as well as indirect effects: economic inefficiency, discouragement of foreign investments and reduced rates of economic growth.

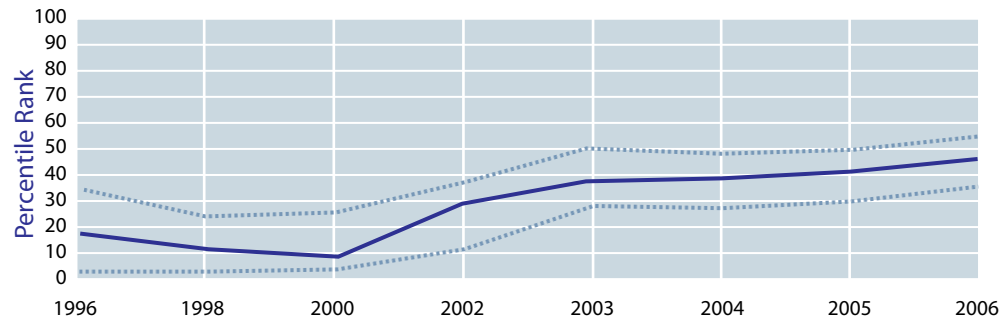
International experience indicates that successfully preventing corruption entails a framework of broader support to good governance, an efficient and accountable civil service, and the democratization process. This can encompass strengthening civil society, the mass media, the office of the public prosecutor and the judiciary, and financial administration. Procurement and public service appointment procedures should be transparent, and Parliament should be held accountable for progress (European Commission 2003, p. 10).

Some international reports confirm that Serbia has made advancements in fighting corruption (see Figure 6.2). Freedom House (2007) affirmed that since the Slobodan Milošević regime ended, corruption has decreased, despite the popular perception that it remains at very high levels, possibly as a result of greater media coverage. The Stolen Asset Recovery Initiative, part of the recently adopted strategy for governance and fighting corruption developed by the World Bank and UNODC, has presented estimates of funds allegedly embezzled from nine countries (UNODC and the World Bank 2007, pp. 10-11), including US \$1 billion reportedly stolen by Milošević. This raises questions about where these assets are, and what is being done to recover them.

Public perception surveys indicate that corruption is seen as most strongly affecting the judiciary, local self-government, customs, law enforcement and the health care sector. Other problematic areas involve the collection of taxes and the privatization process. In Kaufmann et al. 2007, governance indicators for 212 states and territories worldwide are accompanied by a summary of six aggregate indicators, together with all publicly available data used in their measurement. The report defined six dimensions of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. Serbia has made varied progress on these indicators, with the most limited advancement in the areas of political stability and absence of violence, government effectiveness and the rule of law.

¹⁵⁹ In the absence of a commonly accepted definition of economic crime, Council of Europe Recommendation R(81) 12 1981 serves as a general guideline, providing a list of economic offences, including several kinds of fraud, collusive behaviour and cartel-building, tax and currency regulation evasion, bogus firms, stock exchange offences and banking offences.

Figure 6.2: Some progress in controlling corruption



Source: World Bank 2007.

Transparency International's 2006 survey indicated a low level of public trust in Serbia's institutions (see Table 6.2). It found that "the links between citizens and authorities are dangerously disrupted and authorities, apart from the need to work continually on improving their operation ought to pay much more attention in the future to the way in which they try to win the trust of citizens." The report recommended full implementation of the Law on Free Access to Information, updated reports on current work, and adequate responses to concerns about public institutions. Citizens and experts should participate in formulating and justifying any decisions that need to be made.¹⁶⁰

These findings are echoed by the Integrity Index for Serbia (Global Integrity 2006),¹⁶¹ which measured the existence and efficiency of mechanisms to fight corruption. The assessments of the Government's accountability, public administration and civil service are very poor; the same can be said for regulatory and oversight mechanisms. Anti-corruption mechanisms, the rule of law and election processes were assessed as average in performance (with the exception of political financing, which was dubbed very weak). Civil society, public information and the media had strong scores, with the exception, in practice, of public access to information.

The financing of political parties, and undue influences within political parties and indirectly in society, remain key issues in Serbia.¹⁶² "The movement of money in political parties is crucial for the understanding of the distribution of informal power in political parties, and legislation and supervision of implementation of the Law on financing of political parties are crucial for

¹⁶⁰ See www.transparentnost.org.yu/aktivnosti/poverenje/20062006.html.

¹⁶¹ Global Integrity's methodology is presented in its white paper. In brief, it is a quantitative assessment of "the *opposite* of corruption, that is, the access that citizens and businesses have to a country's government, their ability to monitor its behavior, and their ability to seek redress and advocate for improved governance. The Integrity Indicators break down that 'access' into a number of categories and questions, ranging from inquiries into electoral practices and media freedom to budget transparency and conflicts of interests regulations."

¹⁶² Article 102 on the «Status of Deputies» reads, "Under the terms stipulated by the Law, a deputy shall be free to irrevocably put his/her term of office at disposal to the political party upon which proposal he or she has been elected a deputy." It seems that the intention is to tie the deputy to the political party on all issues and at all times. This constitutes a serious violation of the freedom of deputies to express their own views regarding the validity of a proposal or an action. This results in concentration of excessive power in the hands of political party leaders. This is even more a cause of concern due to the excessive role of the National Assembly in appointments in the judiciary generally, and especially in the process of re-appointing judges as set out in the Constitutional Law for the implementation of the Constitution. This increases the risk of establishing a judicial system in which all functions are divided among political parties. See European Commission for Democracy through Law (Venice Commission) 2007, p. 12.

regulating the flows of party money. Fighting corruption is closely linked to the efforts to normalize the political scene and democratization of the internal structure and functioning of political parties" (Friedrich Ebert Stiftung 2006, p. 55).

Table 6.2: Perception of corruption in the Western Balkans

State	2002 Survey		2003 Survey		2005 Survey		2006 Survey		2007 Survey	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Albania	2.5	81/102	2.5	92/133	2.4	126/159	2.6	111/163	2.9	105/180
Bosnia-Herzegovina	–	–	3.3	70/133	2.9	88/159	2.9	93/163	3.3	84/180
Croatia	3.8	51/102	3.7	59/133	3.4	70/159	3.4	69/163	4.1	64/180
Macedonia	–	–	2.3	106/133	2.7	103/159	2.7	105/163	3.3	84/180
Montenegro	–	–	–	–	–	–	–	–	3.3	84/180
Serbia	–	–	–	–	–	–	3.0	90/163	3.4	79/180
Serbia and Montenegro	–	–	2.3	106/133	2.8	97/159	–	–	–	–
Slovenia	6.0	27/102	5.9	29/133	6.1	31/159	6.4	28/163	6.4	27/180

Source: Surveys by Transparency International.

Note: Data are from reports for 2002, 2003, 2005, 2006 and 2007, including the corruption perception index and the country ranking. In 2007, in the list of 180 countries globally, Serbia ranked 79. According to the description of the methodology of the 2007 corruption perception index, "The CPI is a composite index, making use of surveys of business people and assessments by country analysts.... Overall, 14 sources are included in the CPI 2007, originating from 12 independent institutions" (see www.transparency.org/policy_research/surveys_indices/cpi).

In the area of criminal law and corruption, not all mechanisms have been developed, especially in terms of confiscating proceeds from criminal activity. Strategic documents of the Government suggest that these efforts will further accelerate.

Serbia's membership in the Group of States Against Corruption (GRECO) agreement¹⁶³ is of special significance. In its 2006 evaluation report on Serbia, GRECO listed 25 recommendations, including related to public procurement, the appointment and work of judges and prosecutors, cooperation between police and prosecutors, continuous training for police and prosecutors, special investigation techniques, the functioning of the witness protection programme, the

¹⁶³ GRECO is an agreement made by the Council of Europe in 1999. It includes states that have undertaken to actively fight corruption by participating in a shared evaluation process. The first and second round of evaluation refer to new members, including the ability of institutions to deal with cases of corruption, immunities as obstacles to criminal prosecution, measures for the seizure of profits resulting from corruption and prevention measures within the administration. The third round has recently been introduced and will include the criminalization of corruption and transparency of political party financing. Signatories include: Albania, Andorra, Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, Serbia (joined in April 2003), Spain, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, the United Kingdom, and the United States of America. Organizations with observer status include the Parliamentary Assembly of the Council of Europe, the Representative of the European Committee on Legal Co-operation, the Representative of European Committee on Crime Problems, the President of the Statutory Committee of GRECO, the Organisation for Economic Co-operation and Development, and the United Nations, represented by UNODC.

freezing of suspicious transactions, the seizure and confiscation of profits in corruption cases, the implementation of the Law on Free Access to Information of Public Importance, the Law on the Prevention of Money Laundering, the Law on the Prevention of Conflict of Interests in the Execution of Public Office, the appointment of a national auditing authority, and the integrity of civil servants. Serbia's 2007 EC Progress Report highlighted weaknesses in the implementation of these recommendations.

The GRECO report also noted that "the efforts made by the Serbian Government over recent years to identify problems in this area and to address them, to propose modern legislation on the status of prosecutors and judges, as well as to set up both an anti-corruption strategy and to carry out judicial reform, are to be highlighted" (GRECO 2006, p. 34).

In December 2005, the National Assembly adopted the Decision on Determining the National Anti-Corruption Strategy. In 2006, a commission in charge of implementing the National Strategy and the GRECO recommendations was appointed, and the Government adopted an action plan with 168 recommendations.

Certain items of the EU policy on fighting corruption (European Commission 2003) coincide with the current Serbian policy. One of these is political dedication at the highest level, confirmed in all programmes of the Government of the Republic of Serbia since 2001, and accompanied by participation in monitoring mechanisms and partly by the implementation of existing internationally accepted instruments. A persistent issue is the lack of personnel dedicated to fight corruption, however. Issues that have not yet been tackled principally comprise: common standards of integrity for the public administration, the fight against political corruption, and the role of the private sector in increasing integrity and corporate social responsibility, including in combating corruption.

Partnerships in fighting organized crime

Generally, the regional instability of the 1990s endangered the efficiency of law enforcement, even as organized crime flourished during and after the conflicts. The countries of the Western Balkans now share major security challenges in establishing the rule of law and fighting against organized crime, including underlying causes such as corruption. The EU estimates that the activities of organized criminal groups in the Western Balkans are expanding and becoming a political, economic and security threat in EU nations (Council of the European Union 2006, p. 5), on top of the impacts within the Western Balkan countries themselves.

One of the key messages from the 2003 Thessaloniki Summit, a milestone in the relations between the EU and the Western Balkans, was that fighting organized crime should be a key priority of the governments in the region. Strategic documents of the European Commission, such as "The Western Balkans on the Road to EU—Consolidating Stability and Raising Prosperity," identify progress made in the area of justice, freedom and security, noting that "the key challenge in the future will be to increase the capacity of law enforcement and customs through cross-border cooperation, support to the Southeast Europe Cooperative Initiative (SECI) centre, and building a regional network of prosecutors for cooperation in cases of organized crime and criminal cases related to corruption" (European Commission 2006).

A necessary component of relations with the EU will be the building of a "security partnership based on trust, common interests and the values of freedom, democracy and justice" (Council of the European Union 2006, p. 2). The EU Strategy for the External Dimension of Justice and Home Affairs specifies that developing an area of freedom, security and justice depends on "a partnership with third countries to strengthen the rule of law and promote human rights and the respect for international obligations" (Council of the European Union 2005, p. 1). At the EU-Western Balkans Summit in June 2003, the EU-Western Balkan Forum was established.

Through it, ministers responsible for justice and home affairs maintain continuing dialogue on issues of common concern.

Regional initiatives

The South Eastern Europe Cooperation Process includes measures to enhance stability, security and good neighbourly cooperation, especially in the field of justice and home affairs, and the fight against organized crime, illegal trafficking of drugs, arms proliferation and terrorism. Excellent regional cooperation mechanisms between police, customs, prosecutors and judges include the SECI centre; the South Eastern Europe Police Chiefs Association; the South Eastern Europe Prosecutors Advisory Group; and the Regional Conference on Illegal Migration, Organized Crime, Corruption and Terrorism (Brdo process). After 2000, Serbia actively joined all said regional mechanisms.

The Stability Pact, within its Working Table on Security, deals with issues relevant to security sector reforms, including the control of small arms and light weapons. It operates the Regional Arms Control and Verification and Implementation Centre. Projects related to the destruction and control of small arms and light weapons fall under the South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons in Belgrade.

The Stability Pact has developed the Migration, Asylum and Return of Refugees Initiative (MARRI), the Task Force to Fight Trafficking in Person, the Single Point of Contact as an Initiative to Fight Organized Crime, and the Anti-Corruption Network. It has established and improved cooperation among countries in policing and integrated border management.

The NATO Parliamentary Assembly deals intensively with security issues in the region, including the fight against organized crime, while the South Eastern Europe Security Cooperation Steering Group “has initiated a number of projects related to common security assessment in the region, comparison of national security doctrines, staff exchanges for the purpose of qualification or building capacity to fight terrorism” (Milinković 2006). During its 2006-2007 presidency of the Black Sea Cooperation Organization, Serbia included cooperation among its priorities for combating organized crime and terrorism.

Serbia's response

An important short-term political criterion from the European Council decision on principles, priorities and conditions for partnership with Serbia (and Montenegro), including Kosovo, refers to signing and implementing agreements with neighbouring countries, especially to fight organized crime and encourage cooperation among judicial systems.¹⁶⁴ The same notions were reiterated in Article 6 of the “Section on General Principles of the Stabilization and Association Agreement” signed between the European Communities and their member states and the Republic of Serbia,¹⁶⁵ whereby Serbia commits itself to fostering cooperation and good neighbourly relations with the other countries of the region, “including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services as well as the development of projects of common interest, notably those related to border management and combating organized crime, corruption, money laundering, illegal migration and trafficking, including in particular in human beings, small arms and light weapons, as well

¹⁶⁴ This is reconfirmed in the EC Proposal for a Council Decision in November 2007, which states that one of the key political criteria for regional issues and international obligations remains to “conclude and implement agreements with neighbouring countries on cross-border cooperation, the fight against organised crime, trafficking and smuggling, judicial cooperation, border management and the environment.”

¹⁶⁵ The agreement is available at www.srbija.sr.gov.yu.

as illicit drugs. This commitment constitutes a key factor in the development of the relations and cooperation between the Parties and thus contributes to regional stability.”

Organized crime has a regional dimension, and thus requires a regional solution and approach to the harmonization and implementation of laws, and the exchange of police intelligence” (Council of Europe and the European Commission 2005a, p. 70). Relevant national regulations include provisions on international cooperation¹⁶⁶ administered by the ministries in charge of justice, home affairs and finance. A number of agreements have been signed with international organizations¹⁶⁷ and their counterparts in the region. The Ministry of Finance implements bilateral agreements on cooperation with the customs administrations of other countries. Of special significance, in respect to accelerating the free movement of people, goods and services, is the agreement signed with the Government of Bulgaria, introducing joint control between the two border services. It foresees the joint work of border authorities in both countries at a single location. Police cooperation was reinstated only at the beginning of 2001. The then-Federal Republic of Yugoslavia rejoined Interpol after being excluded in 1993.

Serbia cannot deal on its own with the challenges related to organized crime, but must pursue national measures accompanied by the further strengthening of international, regional and bilateral cooperation. That said, however, already signed agreements, including memoranda on cooperation (not requiring ratification) need to be coherently implemented. Currently, major shortfalls include inadequate cooperation mechanisms, an insufficient legislative framework, and the conversion of political issues into political ones.¹⁶⁸ This affects the functioning and cooperation of all state authorities in charge of fighting organized crime and international cooperation.

The prevailing law on signing and implementing international agreements dates from 1978, and the legal framework for protecting personal data is outdated as well. Although Serbia has acceded to a number of strategically important documents, implying international obligations to fight against organized crime, and although it has been actively engaged in negotiations on their content since 2001, the obligations resulting from these international agreements are partly not respected. Among these obligations is the confiscation and seizure of profits from criminal acts, incorporated *inter alia* in the UN Convention against Transnational Organized Crime and the UN Convention against Corruption. Irrespective of disputes between experts in this field, some of whom state that the existing legislative framework is adequate, while others advocate the need for it to be more systematized, opinion prevails that new legislation is needed. The underlying motive for criminal acts is financial gain, but present legal solutions set out that property can be confiscated only under a court procedure and a court verdict by which the indicted person is proclaimed guilty of the criminal act, or possibly through private litigation. In practice, such situations are rare.

Another open issue involves integrating criminal laws and financial investigation. As set out in the National Anti-Corruption Strategy, an agency needs to be established to take care

¹⁶⁶ Article 25 of the Law on Ministries states that “the ministry, within its competencies, executes international cooperation and provides for harmonization of laws with the EU *acquis*.” The Law on Police contains a specific provision on international cooperation (Article 19). Also, the Law on the Protection of Persons in Criminal Proceedings, in Article 39, states that international cooperation in respect to protection should be implemented in line with international agreements or on the basis of reciprocity.

¹⁶⁷ Primarily with the EU, OSCE, Council of Europe and development agencies of Western countries.

¹⁶⁸ Reflected, for example, in debate in the National Parliament preceding ratification of the Police Cooperation Convention for Southeast Europe about whether or not Serbian authorities should cooperate with Albanian authorities in the fight against organized crime.

of temporarily seized, frozen or confiscated property gained through a criminal act, and continually improve instruments to fight organized crime.

Cooperation with Europol is in the best national interest. Full membership will follow only after EU membership and subsequent accession to the Europol Convention. At this point, Montenegro and Serbia are the only Western Balkan countries that have not signed the so-called Strategic Agreement on Cooperation with Europol. According to the Europol legal framework, operational cooperation can be established only after meeting specific conditions for data protection. Serbia has not yet complied with these, and must start with the adoption of laws on protecting data, in accordance with international standards, followed by the full implementation of such legislation and establishment of an independent body overseeing it.

According to a situation report on economic and organized crime in South Eastern Europe, the key words in fighting organized crime are knowledge and cooperation. The report stated that despite "improved European policies to fight organized crime and the establishment of European bodies such as Europol, Eurojust, Frontex, the European Monitoring Centre for Drugs and Drugs Addiction (EMCDDA) or the European Anti-Fraud Office (OLAF) and the strong support of other international institutions and structures, such as Council of Europe, the European Union, the United Nations, SECI Centre, Stability Pact or the International Balkans Commission, organized and economic crime in the countries subject to the report is still too often observed on a too national level" (Council of Europe and European Commission 2006, pp. 14-15).

Serbia's 2007 EC Progress Report pointed out particular shortfalls, including the fact that the specialized police services do not have sufficient capacities to investigate financial crime, international police cooperation is not well developed, and a common database on organized crime has not been created. It suggested that preparations to fight organized crime are at a nascent stage, a cause for serious concern (Commission of the European Communities 2007c, p. 43).

It is of strategic importance for Serbia to adopt relevant strategies and action plans for fighting organized crime (as agreed at the Brussels conference), for controlling narcotics abuse (including preventive and repressive measures), for reducing money laundering, on crime prevention etc. Data on organized crime ought to be collected systematically, and used for risk and threat assessment. Different statistics on criminal acts maintained by the police, prosecution and courts need to be harmonized at the national level, and preferably also at the regional level, in order to facilitate access to information and subsequent reporting to Europol. It is also necessary to build intelligence-supported mechanisms with a proactive approach to define policies based on thorough assessment, and set strategies and action plans for investigative cooperation, and real, target-oriented and prioritized collaboration between all law enforcement agencies of the countries in the region.

Close cooperation with EU member states and other countries should include embassies (police attaches and experts), Europol (EU-Liaison Officers' Network), Frontex (to be developed), Interpol national centre bureaux, the SECI Centre (national desks), topical working groups, and whenever legally possible and appropriate, with Eurojust and/or OLAF as an observer, participant and supporter (Council of Europe and European Commission 2006, p. 121). Functional cooperation needs to be established with liaison officers of foreign countries, primarily the EU, and contact persons appointed for international cooperation.

Apart from the good will demonstrated by acceding to international and bilateral treaties, the will to implement these obligations is equally important, as is the recognition that good governance in these areas is possible only through cooperation. Current promising initiatives include the Convention on Police Cooperation in South Eastern Europe and the Regional Strategy on Tools against Organized and Economic Crime, created through cooperation with

the European Commission and the Council of Europe.¹⁶⁹ Regional cooperation in the Western Balkans could benefit from the experiences of other regional initiatives, such as the Baltic Sea Region task forces on organized crime and trafficking in human beings.¹⁷⁰

Stronger civil society participation, including from the private sector, is also needed. The ministers of home affairs and justice in the region have pledged, specifically, “to inform civil society on policies and measures taken to fight organized crime and corruption in (South Eastern Europe) and to seek public support for such policies.”¹⁷¹

Integrated border management, migration, asylum and visas

An important area for harmonizing national legal and institutional systems with EU standards entails integrated border management, and systems for migration, asylum and visas. These issues are among the EU’s high priorities in terms of justice and home affairs. Through reforms, Serbia should build a new legislative framework that accords with the EU *acquis communautaire*, and an institutional framework with accountable and efficient institutions. Along with other requirements necessary to fight organized crime, stop corruption among civil servants, and ensure the security of travel documents, etc., these will allow the citizens of Serbia to travel to EU states freely and without visa limitations. Strategically, the country will be able to participate in contemporary European processes to broaden the reach of justice, freedom and security.

Integrated border management

Every challenge the Western Balkan states face today, whether it involves efforts to boost economic growth or to combat criminal activities, has international relationships at its very core. All countries confront the problems of human trafficking, illegal drugs, and small arms and light weapons. New states¹⁷²—namely, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia—must protect new borders and cooperate on sensitive security issues, such as cross-border organized crime and international terrorism. This requires not only changes in staffing and infrastructure, but an overhaul in strategic thinking, in terms of understanding and accepting international relations as indispensable when trying to secure effective state control over borders. In the near future, all these countries will become EU members, and the issue of borders will lose the significance it has today.

Integrated border management is a modern concept of state border control with two objectives: maintaining the security of the state and its citizens, and facilitating the smooth movement of people, goods and capital across state borders. Such an approach is also a strategically necessary response to challenges resulting from global economic interdependencies, which manifest through the growth of international trade and greater movement of people.

Security and border issues are an explicit part of the Stabilization and Association Process. The EU Integrated Border Security Model implies “operational measures in and with third countries; operational border security cooperation with neighbouring third countries; border

¹⁶⁹ From the «Meeting of Ministers of Interior and Senior Officials from South-Eastern Europe on the Regional Strategy on Tools against Organised and Economic Crime,» Brijuni Island, 22-23 September 2005.

¹⁷⁰ From the Presidency Statement at the EU-Western Balkan Forum on Justice and Home Affairs, 17 November 2006.

¹⁷¹ A Joint Statement of the Ministers of Justice and Home Affairs from the States Participating in the South East European Cooperation Process on a Joint Campaign to Fight Organized Crime and Corruption in South Eastern Europe, Bucharest, 18 May 2004.

¹⁷² Not yet EU or Schengen states.

checks and border surveillance at the external borders and border security related measures within the Member States.¹⁷³ For new EU members, internal borders with old EU members will disappear only after the Schengen requirements are fulfilled and an adequate data system is developed. The Schengen Convention, with compensatory measures to strengthen external borders, is no longer intended merely as a prerequisite for freedom of movement, but also must contend with issues such as terrorism, trafficking, organized crime and the perception that immigration threatens European life.¹⁷⁴ These concerns have made the effective control of external borders a priority in itself" (Collett 2005).

Integrated border management for the Western Balkans embraces coordination among all the relevant authorities and agencies involved in border control, trade facilitation, and border region cooperation to establish effective and efficient border management systems, and ensure the common goal of open but secure borders.¹⁷⁵ The twin principles of secure borders and free movement emphasize the political background and the orientation around facilitating trade, the cooperation of cross-border regions and support to overall regional cooperation.

A 2003 analysis (Council of Europe and ISIG) on cross-border cooperation in the Balkan-Danube region sums up five key points common to all these countries: state centralization, structural shortfalls, economies in transition, weakness of civil society and grey economies, and environmental issues. Cross-border cooperation is defined as a process with different weights in different sectors, giving priority to the economy, daily activities, living standards, and the cultures of regions on both sides of the border. Without neglecting the role of national institutions, local communities and authorities have a prominent role in increasing respect for diversity, transparency in public issues, and efficient and direct responses to citizens' needs. "By accepting the challenges of such cooperation, regions overcome their exclusive local interests and may enter into economically and socially more favourable arrangements" (ibid, p. 37).

Serbia's response

By adopting the Strategy of Integrated Border Management in the Republic of Serbia in 2006, the Government demonstrated its dedication to implementing European standards in this area and provided the basis for the adoption of sectoral strategies for border services (police, customs, veterinary and phyto-sanitary inspection), and functional strategies defining areas of common interest for several services (training, telecommunication and information systems, infrastructure at border crossings, etc.). The strategy is supplemented by relevant action plans. A coordinating body has been appointed with representatives from all border services to monitor implementation. The transfer of competencies for control and supervision of the green (or land) and blue borders¹⁷⁶ from the military to the border police has been finalized. The strategy of the Ministry of Interior to establish an integrated border management system has been drafted, along with the functional strategy for border services (Government of the Republic of Serbia 2007).

¹⁷³ More information on the Frontex concept is available at www.frontex.europa.eu.

¹⁷⁴ Evaluations of US and European positions on a series of major international issues suggest that migration is seen as a threat on both sides of the Atlantic: 79 percent of Americans and 76 percent of Europeans agree that the high number of immigrants coming to their countries is a major threat.

¹⁷⁵ "Guidelines for integrated border management in the Western Balkans," prepared under an EU-supported programme [http://europa.eu.int/comm/europeaid/projects/card/s/pdf/ibm_guidelines.pdf].

¹⁷⁶ The natural border of the Republic of Serbia, the so-called blue border, consists of three internationally navigable rivers: the Danube River, on the border with Croatia and Romania; the Sava River, on the border with Bosnia; and the Tisa River, on the border with Hungary.

No national assessment of external borders has taken place, however. No approach to common risk assessment has been developed. Although the second pillar of the Strategy for Integrated Border Management includes cooperation between services, the Memorandum of Cooperation between the finance and home affairs ministries has been in draft form since 2005. The strategy defines three levels of international cooperation and states that “legal regulations impede full cooperation in the area of border management, since there are no agreements on concrete cooperation with the neighbouring countries. The cooperation is not formalized through relevant institutions and there are no instructions, procedures and funds for its implementation.”

One of the important short-term priorities for European partnership is the signing and subsequent full implementation of agreements with neighbouring countries on border management. So far, however, only the protocol on border police cooperation has been signed, through pilot contact bureaus in the interior ministries in Romania and Serbia.

A major stumbling block to implementing reforms in integrated border management is that international agreements have not yet delineated the state borders with Bosnia and Herzegovina, Croatia and Montenegro. The only border agreement on the extension and description of borderlines is the one concluded with Macedonia. Resolving outstanding border issues therefore remains a critical step (Commission of the European Communities 2007b, p.10). Serbia also has an outdated, difficult to implement legal framework, namely, the 1979 Law on Crossing State Borders and Movement in the Border Area.¹⁷⁷ This set of by-laws was adopted at the time of the Socialist Federal Republic of Yugoslavia and the Federal Republic of Yugoslavia (Government of the Republic of Serbia 2006, p. 17).

Regional initiatives

Regional cooperation on integrated border management started in a coordinated and comprehensive manner in 2003, under the auspices of the Stability Pact. It includes, above all, the Ohrid Process on Border Security and Management, and MARRI to a certain degree. The Ohrid Process began with a conference convened by four partner organizations (the EU, OSCE, Stability Pact and NATO), with the objective of establishing a basis for cooperation among countries of the Western Balkans. One of the expected outcomes was the transfer of responsibility and ownership for reforms and regional cooperation from the international community to the countries of the region. The Ohrid (2003) conference adopted a common platform and action plan, the so-called Way Forward Document. By the end of 2007, the Ohrid Process was complete. Cooperation will continue under the Regional Cooperation Council.

Migration, asylum and visas

There are numerous reasons for cooperation on migration. During the 1990s, armed conflict forced millions of people to leave their homes. Much still needs to be done to enable returns. Countries share similar challenges in migration management and control, specifically in fighting illegal migration from and via their territories. There is also a need for setting standards and introducing harmonized migration policies.

Border control issues are closely related to efficient institutions and a unified approach to asylum, migration and visa management. Desired reforms in Serbia and other countries are directly linked to its prospects for being included in the positive EU visa regime list, the so-called White Schengen List. Although the reasons for the current visa regime mostly relate to security, its limitations are “inhibiting progress on trade, business, education and more open civil societies, and as a result contributing negatively to regional stability” (Crisis Group Europe

¹⁷⁷ In September 2008, the draft Law on the Protection of the State Borders entered Parliamentary procedure.

2005). Among the most discouraging conclusions of the International Commission for the Balkans was that “young men and women under 30 who share the values of Europe most keenly and who vote for pro-European parties most regularly, are those who experience the greatest difficulties in visiting the EU. More than 70 percent of students in Serbia have never traveled abroad” (International Commission on the Balkans 2005).

Only 11.2 percent of Serbians have a passport.¹⁷⁸ Shared findings of Freedom House, the European Movement of Serbia, and the Kosovo Institute for Political Research and Development (2005) have suggested that for citizens of Kosovo, this is a practical and not a political issue, although the information in 2007 about 220,000 passports issued to Albanians from Kosovo after 1999 attracted great public attention. Almost all media covered this news, with some announcing it with picturesque titles such as “Politics goes the official road, life goes through the forest” (*Danas* 2007). The UN Mission in Kosovo (UNMIK 2005) has said it has issued 621,000 passports, recognized by 39 states; only Albania, Macedonia and Montenegro do not require a visa with it.

This issue of migration has a very special and important role in the relations of Serbia with the EU.¹⁷⁹ The EU is trying to build a comprehensive approach to migration, in cooperation with countries of origin, implying political, human rights and development related issues. Such an approach requires measures to fight poverty, improve living standards, facilitate employment, prevent conflicts, consolidate democratic states, and ensure the protection of human rights, especially those of minorities, women and children. In its document on good governance and development, the EU states that improved management of migration may be a positive factor for growth in developing countries, and emphasizes a more intensive dialogue between countries of origin and countries of destination as a key element in sound management of migration (European Commission 2003, p. 12). In its recent communication, the European Commission underlined that legal and illegal migration pose important challenges both among the countries of South Eastern Europe, and between them and the EU. “Cooperation will continue to develop, it will be better balanced and broadened, especially in terms of mobility and the aspect of migration contributing to development” (European Commission 2007)

The fight against illegal migration has become a key EU priority. Measures to suppress it include border control, visa policies, policies on the readmission of illegal migrants and employment policies. An estimated 3 million to 8 million illegal immigrants reside in EU countries, with an annual increase of 500,000 people mostly due to easy access to illegal work (BBC 2007). Interpol recognizes the Balkan Route to Western Europe is used for smuggling migrants from Asian and Middle East countries via Iran, Turkey and Bulgaria. An increasing number of European countries are reporting on organized crime in connection with smuggling people. According to Eurostat, Europol and Frontex, most illegal migrants and some 400,000 registered asylum applicants come via the Balkan Route (Council of Europe and European Commission 2006, p. 46).

This process will likely continue over the coming decades, bearing in mind the economic and political situation in the countries of origin, population forecasts and factors motivating persons to leave their countries of origin for the European Union. These pull factors will exist as long as the EU offers better life chances and member states tolerate illegal employment (European Commission 2006, p. 8).

¹⁷⁸ From the fifth session of the Parliamentary Committee for EU Integration of the National Assembly of Serbia, 28 August 2007.

¹⁷⁹ The current dialogue on migration between Serbia and the EU is carried out through annual meetings of ministers of interior and justice of the EU with the countries of the Western Balkans, and with Serbia mostly through the enhanced permanent dialogue.

Serbia's response

Although facing a truly complex migration scenario, Serbia does not have a national migration management strategy, accompanied by operational plans and the identification of specific needs in legislation, institutional reform, staff training, procurement of equipment, etc. Such a strategy would need to address illegal migration. It should indicate the contribution of migration to the future development of Serbia by integrating migration management in national development plans, such as through investments in education, and human and financial capital. A great number of educated persons have left Serbia, with no indication of their permanent return. The reasons for such decisions lie not mainly in the lack of employment opportunities, but rather in the overall living conditions in Serbia. Serbia needs to think about correcting its policies, and analysing this issue to begin drawing benefits instead of sustaining losses.

Box 6.4: Readmission agreements

Readmission agreements show a willingness of signatory parties to cooperate in fighting illegal migration. Based on the principle of reciprocity, these agreements establish quick and efficient procedures for identification, and the safe and proper return of persons who do not meet or no longer meet the conditions for entry and stay in a given territory.

Signatories also affirm that they will respect international law, primarily the provisions of the European Convention on the protection of human rights and fundamental freedoms, and the Geneva Conventions. For Serbia, this means an obligation to accept its citizens, and citizens of third countries and stateless persons who have entered the territory of the other signatory party after having legally entered Serbia.

Links between migration and development are clear from looking at remittances from the diaspora. In 2006 (World Bank), Serbia and Montenegro ranked 11th worldwide in the value of remittances from abroad, and even higher when the value was compared to GDP. Foreign currency remittances amount to an estimated US \$4 billion annually, representing the second most important source of income, after foreign direct investment. Serbia leads on this score in comparisons to other ex-Yugoslav states (SECO 2007). These funds, nevertheless, "are not included in savings and the economic development of the country, and there are no strategic plans for their use, nor are they invested in a planned manner into major investment projects."¹⁸⁰

The issue of illegal migration has for years been present in relations between Serbia and the EU. It was among the reasons the EU listed the then-Socialist Republic of Yugoslavia on its negative visa regime list at the beginning of the 1990s. One of the major indicators of problems with illegal migrants from Serbia in EU member states is the number of asylum applications that have been refused (about 90 percent). In view of the importance that the EU gives to stopping illegal immigration, Serbia should take a strategic approach and establish an efficient system for control. This would boost its drive to become a desired and equal EU partner. The Readmission Agreement signed with the EC, and previous agreements (see Box 6.4),¹⁸¹ will be important elements, along with the establishment of an appropriate visa regime. Efficient implementation of the Readmission Agreement would imply developing programmes, preferably in partnership with the EU, to encourage the sustainable return of Serbian citizens, with a focus on municipalities more affected by the phenomenon. These and other criteria will help lead Serbia to the White Schengen List.

In a situation of missing legal and institutional frameworks for the protection of refugees in compliance with international law and standards, the UN High Commissioner for Refugees is carrying out a procedure for granting refugee status to refugees originating outside the countries of the former Yugoslavia (third-country citizens), until institutions in charge of asylum are established. Serbia's new Law on Asylum, harmonized with international conventions to which Serbia is a state party,¹⁸² only entered into force in April 2008. This relates also to EU accession requirements and obligations resulting from full membership in the

¹⁸⁰ According to the statement by the Governor of the National Bank of Serbia on 29 July 2007 [www.b92.net].

¹⁸¹ Apart from the Readmission Agreement signed with the EC, there are at present 16 readmission agreements in force with 18 countries: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Denmark, France, Germany, Hungary, Italy, Luxembourg and the Netherlands, Slovakia, Slovenia, Sweden and Switzerland.

¹⁸² The most important are the 1951 Convention Relating to the Status of Refugees, and the 1967 Protocol Relating to the Status of Refugees.

Council of Europe, which requires implementation of the Geneva Convention on the Status of Refugees and its 1967 Protocol.¹⁸³ Building a functional asylum system in compliance with valid international and European standards implies changes in current practices in terms of respecting the principle of non-refoulement and procedures at state borders.

The Thessaloniki Agenda for the Western Balkans sent an important message regarding the liberalization of the visa regime. Since then, there have been several reiterations of how progress will depend on countries implementing major reforms in strengthening the rule of law; fighting organized crime, corruption and illegal migration; and building capacities in border management and the security of travel documents. This is particularly important given that three neighbouring countries are now EU members; they are processing an increasing number of visa applications for Serbian citizens.

Serbia has to a very high degree harmonized its visa regime with that of the EU.¹⁸⁴ Citizens of the countries of the region, with the exception of Albania, are allowed to enter Serbia without a visa. In terms of issuing visas, Serbia is in the initial stage of reforms. It is first necessary to change the dated legal framework. The existing Law on the Movement and Stay of Foreigners¹⁸⁵ and the relevant by-laws should be replaced by a new legal framework, accompanied by efforts to build the institutional framework in line with developments in the EU. The new Law on Travel Documents paves the way for issuing secure travel documents to the Serbian citizens that will contain biometric data that cannot be easily altered or falsified. This represents a key condition for the liberalization of the visa regime.

In 2007, progress was made towards the final suspension of visas through an agreement on visa facilitation with Serbia and the countries of the Western Balkans. This will simplify and accelerate the procedures for issuing visas, and maintain visa fees at earlier levels, with exemptions for specific categories of travelers (business people, students, journalists, etc.). In 2008, the European Commission launched a dialogue with the Western Balkan countries on conditions for lifting visa requirements, notably detailed roadmaps with clear benchmarks for visa liberalization (European Commission 2008).

Regional initiatives

Regional cooperation around migration, asylum and visas involves a number of initiatives. The European Commission has sponsored projects on issues such as establishing legal, regulatory and institutional frameworks, and building unified approaches. The MARRI initiative, the Budapest Process, annual ministerial conferences and meetings under the South Eastern Europe Cooperation Process have worked on a variety of fronts. MARRI deals primarily with the movement of people. The Budapest Process is a consultative forum of governments of 50 countries¹⁸⁶ and 10 international organizations that promotes good governance related to migration and harmonized approaches to illegal migration.

¹⁸³ See Opinion No. 239/2002 of the Parliamentary Assembly of the Council of Europe.

¹⁸⁴ The visa regime of the EU is prescribed by the Council Regulation Nr. 539/2001 of 15 March 2001 and the subsequent revisions.

¹⁸⁵ In September 2008, the draft Law on Foreigners entered Parliamentary procedure.

¹⁸⁶ Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Georgia, Hungary, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, United Kingdom, Ukraine and Uzbekistan,

Ministerial conferences on illegal migration, organized crime, corruption and terrorism take place annually in Brdo kod Kranja, an excellent mechanism for regional cooperation.¹⁸⁷ The most recent conference, held in 2007, noted that cooperation, along with the implementation of the *acquis communautaire* and the common standards of EU security policy, would be key in managing migration and preventing organized crime in the Balkans.

Transitional justice

The violent dissolution of Yugoslavia between 1991 and 1999 left a devastating legacy. The sites that symbolize conflict, human suffering and mass violations of human rights appear in the best known court cases: Srebrenica, Ovčara, Gospić, Foča, Medački džep. Each evokes images of atrocities that remain imprinted in the minds and hearts of the local populations, wounds that can never be forgotten, but must be addressed and hopefully healed if the region is to move forward and prosper. That is why regional cooperation and good neighbourly relations are among the most important short-term political priorities in Serbia's partnership with the EU (Commission of the European Communities 2007b). Especially critical is reconciliation that achieves justice and reinstates trust in the ability of governments and societies to maintain security by protecting victims and punishing perpetrators. Justice and human rights are key to human development because in synergy they ensure the protection, empowerment and dignity of citizens, and help establish equal opportunities.

According to the definition provided in August 2004 by the UN Secretary-General in his report to the Security Council on the rule of law and transitional justice: "The notion of transitional justice comprises...the full range of processes and mechanisms associated with a society's attempts to come to terms with a legacy of large-scale past abuses, in order to ensure accountability, serve justice, and achieve reconciliation. These may include judicial and non-judicial mechanisms, with differing levels of international involvement (or none at all), and individual prosecutions, reparations, truth-seeking, institutional reform, vetting and dismissals, or a combination thereof... Justice, peace, and democracy are not mutually exclusive objectives, but rather mutually reinforcing imperatives. Advancing all three in fragile post-conflict settings requires strategic planning, careful integration and sensible sequencing of activities" (UN Security Council 2004, p. 4). The report especially recognized the significance of political context and the involvement of the wider public in consultations and debate on the "re-establishment of justice systems, planning rule of law reforms and agreeing on transitional justice activities" as "activities of the highest public interest" (*ibid.*, p. 8).

Starting from such a definition, this section will look at the progress made in prosecutions for war crimes, vetting/lustration, truth-seeking and reparations in Serbia and in the region, drawing in part on the findings of Aucoin and Babbitt 2006.

Prosecution for war crimes

Security Council resolutions 1503 and 1534 endorsed the completion strategy for the International Criminal Tribunal for the Former Yugoslavia. A major component of this strategy is the transfer of cases from the tribunal to national jurisdictions in the region. Prosecutions for war crimes before national courts are to become basic mechanisms in the territory of the former Yugoslavia, and a major element in transitional justice in the region (see Box 6.5).

¹⁸⁷ States participating at the 7th Regional Ministerial Conference were Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Montenegro, Portugal, Romania, Serbia, Slovenia and Turkey.

The tribunal has transferred eight cases (with 13 persons accused) to national jurisdictions in the region,¹⁸⁸ according to Rule 11bis of the Rules of Procedure and Evidence. Six cases have been transferred to Bosnia and Herzegovina, one to Croatia and one to Serbia. In cases in which the tribunal has issued a formal indictment, the referral is made according to Rule 11bis,¹⁸⁹ while in cases with no formal indictment, the referral is made directly from the Office of the Prosecutor to the judiciaries of the countries in the region. The referral of the Zvornik case¹⁹⁰ to the Serbian Office of War Crimes Prosecution is an example of the latter. Additional investigation and indictment at the national level is required.

During 2002 and 2003, Bosnia and Herzegovina, Croatia, and Serbia and Montenegro adopted legislation establishing special chambers of judiciaries to participate in these procedures. Bosnia and Herzegovina and Serbia have established offices for prosecutors and special chambers for war crimes, while Croatia has established four investigation departments within district courts in Zagreb, Rijeka, Osijek and Split. These specialize in the investigation and prosecution of war crimes.

In 2006 and 2007, progress in regional cooperation occurred when the Office of the War Crimes Prosecutor of the Republic of Serbia and the State Prosecutor of the Republic of Croatia signed the Agreement on Cooperation in Prosecuting Perpetrators of War Crimes, Crimes against Humanity and Genocide.¹⁹¹ The major importance of this agreement is that its implementation will combat the impunity of perpetrators, fostered by the constitutional barrier forbidding the extradition of nationals. It will help authorities in situations when transferring cases is not possible. On the basis of this agreement, the cooperation of the Public Prosecutor of the Republic of Croatia and the Serbian Office of the War Crimes Prosecutor will be focused on exchanging relevant information, and gathering evidence and data.¹⁹²

In October 2007, the Office of the War Crimes Prosecutor of the Republic of Serbia and the Supreme Public Prosecutor of Montenegro signed the Agreement on Cooperation in Prosecuting Perpetrators of Criminal Acts of War Crimes and Genocide.

All countries in the region have signed the Council of Europe conventions on providing international criminal/legal assistance and extradition, and separate agreements have been signed on cooperation in pre-trial proceedings. Certain problems in prosecuting war crimes persist, however. The most important ones are command responsibility, extradition, and the protection of witnesses and victims.

Command responsibility

Despite clear international and national legislative frameworks, prosecution based on command responsibility for crimes committed during the armed conflicts rarely takes place in national courts. Although Croatia and Serbia have integrated command responsibility into their criminal codes, this has not led to implementing this doctrine for violations of human rights and international humanitarian laws during the 1990s, since the authorities are decisive in their position that these regulations can not be enforced retroactively. With respect to

Box 6.5: Law on the Organization and Jurisdiction of Government Authorities Prosecuting Perpetrators of War Crimes

The National Assembly of the Republic of Serbia on 1 July 2003 adopted the Law on Organization and Jurisdiction of Government Authorities Prosecuting Perpetrators of War Crimes. This established the following: the War Crimes Investigation Unit within the Ministry of the Interior, the Office of the War Crimes Prosecutor of the Republic of Serbia, and the War Crimes Chamber of the District Court of Belgrade. On 14 December 2004, the National Assembly adopted amendments to this law, enabling the admissibility of evidence from the International Criminal Tribunal before the War Crimes Chamber, and establishing the immunity of witnesses in war crimes cases, along with other witness protection measures. In addition to that, powers of the Prosecution Office have been expanded through amendments to the law adopted by Parliament in November 2007.

The Reviewed Action Plan for the implementation of the European partnership with Serbia includes further strengthening the capacities of the Office of War Crimes Prosecutor and the War Crimes Chamber.

¹⁸⁸ From a letter dated 13 May 2008 from the President of the International Tribunal for the Former Yugoslavia addressed to the President of the Security Council [www.un.org/icty/publications-e/index.htm].

¹⁸⁹ Rule 11bis enables referral of indictment to another court [www.un.org/icty/legaldoc-e/index.htm].

¹⁹⁰ The trial of six persons indicted for war crimes against Bosniaks in the area of Zvornik during 1992.

¹⁹¹ The agreement was signed on 13 October 2006 between the War Crimes Prosecutor of the Republic of Serbia and the Public Prosecutor of the Republic of Croatia in Zagreb.

¹⁹² See www.tuzilastvorz.org.yu/html_trz/SARADNJA/SAR_SPORAZUM_HRV_LAT.mht.

Serbia, this refers above all to a lack of indictment of high-ranking officials, irrespective of the evidence against them. Assessing the progress made by the War Crimes Chamber, Human Rights Watch affirmed considerable progress from 2003 to 2006, but highlighted political support for trials was still problematic (Human Rights Watch 2007, p. 2).

Cooperation and extradition

In many cases, crimes were committed in one state, and the perpetrators and/or witnesses are in another state. In countries carved from the former Yugoslavia, constitutions forbid extradition of nationals. Stronger cooperation is needed in all stages of the prosecution of war crimes: police work, actions by prosecutors and trials themselves. Although bilateral agreements on cooperation between prosecutors already exist, cooperation needs to become more balanced and stable. A multilateral agreement among states would encourage them to work together in a comprehensive and harmonized way.¹⁹³

Witness protection

Past practice in war crimes trials suggests that witnesses are under serious intimidation. This is further aggravated by the fact that in small countries it is difficult to guarantee anonymity. At the regional level, steps should be taken to strengthen and harmonize legislation for witness protection, enhance training for staff implementing it, and design quality witness protection programmes based on best practices.

Vetting/lustration

In May 2003, the National Assembly of the Republic of Serbia passed a Law on Accountability for Violation of Human Rights (the Lustration Law). It makes a provision for an independent commission to examine the individual responsibility for violations of human rights by those who hold or seek public office. The law does not cover membership in political parties or organizations, or joint responsibility. Human rights are defined by constitutional provisions and by the International Convention of Civil and Political Rights, ratified by the Socialist Federal Republic of Yugoslavia in 1976. In this respect, legal provisions should be implemented against all violations of human rights, including retroactively for acts committed after 23 March 1976. The Lustration Law has so far not been implemented in practice, reportedly for procedural reasons related to the formation of the Lustration Commission. The delay has been widely perceived as due to a lack of political support for the process.¹⁹⁴

Truth-seeking

There are different truth-seeking instruments, the most widely known being truth commissions, made famous in the 1990s by the Truth and Reconciliation Commission in South Africa. Other mechanisms include the documentation of war events and search for persons who disappeared during the armed conflicts.

In the former Yugoslavia, only the governments of Bosnia and Herzegovina and Serbia have explored the possibility of setting up national truth commissions. Currently, the idea for a

¹⁹³ When presenting the issue of regional cooperation in prosecuting war crimes, the so-called Palic process is significant. Five expert meetings have been held so far, hosted by missions of the OSCE in Bosnia and Herzegovina, Croatia and Serbia. Representatives of the judiciary, police witness protection units and ministries of justice officials in charge of international legal aid from Bosnia and Herzegovina, Croatia, Montenegro and Serbia have attended these gatherings. The process has contributed to the establishment of direct contacts and cooperation between judges and prosecutors in war crimes cases, and in sharing information and evidence.

¹⁹⁴ As reflected in Belgrade Centre for Human Rights 2007 and the Commission of the European Communities 2005.

regional truth commission is beginning to take shape. The Truth and Reconciliation Commission of the Federal Republic of Yugoslavia was established in 2001 by then-President Vojislav Koštunica. But it never gained legitimacy and did not publish a report. It was dissolved in 2003.

Apart from truth commissions or government truth-seeking processes, non-governmental organizations (NGOs) in the region have initiated the process of collecting documents. The Humanitarian Law Fund in Belgrade is among the most significant NGOs in the former Yugoslavia. It represents victims and families of victims of war crimes before courts and also compiles documentation on war crimes. Another important group is the Dokumentacioni centar Ratovi 1991-1999 (Documentation Centre “Wars”), which collects media documentation on the Balkans conflicts.

Three NGOs, specifically the Research Documentation Centre from Sarajevo, the Humanitarian Law Centre from Belgrade and Documenta—the Centre for Facing the Past from Zagreb, established in April 2004 a regional network for documenting the events of the 1990s, putting an end to impunity for serious violations of human rights and seeking justice for victims. This is the only form of regional cooperation in collecting documentation and is therefore a very important initiative. It confirms the need for regional cooperation in the truth-seeking process. If and when a regional commission for victims is established, the coordinated efforts of these organizations will contribute significantly.

Missing persons

Although knowing the fate of missing people is a fundamental right of their families, data from the International Commission on Missing Persons suggest that by 2006, over 20,000 people were still missing out of the 40,000 persons reported missing. In Serbia (without Kosovo), there are records of 1,440 missing persons from the armed conflicts in Bosnia and Herzegovina, Croatia and Kosovo.

The Commission for Missing Persons of the Republic of Serbia, which is the legal successor of the Commission for Humanitarian Issues and Missing Persons of the Government of the Federal Republic of Yugoslavia, is mandated with identifying and recording persons who disappeared. It is in charge of regional cooperation based on the Dayton Accords, the Geneva Conventions and the 1996 Protocol on the Cooperation of the Commissions for Missing Persons from Croatia and Serbia.¹⁹⁵ In February 2002, three protocols were signed between UNMIK and the then-commission for missing persons on obligations in cross-border cooperation. The process has been supported and monitored by the International Commission for Missing Persons.

There is still “a real need to improve cooperation between states and communities in terms of exchange of information relevant to the missing persons and to accelerate the procedures of exhumation, identification and return of mortal remains” (Kron 2007, p. 48).

Media

Almost all printed and electronic media in Serbia, but also in the region, neglect transitional justice. Exceptions to this are independent outlets such as Nezavisne novine, the SaGA film production company, Feral Tribune, and B92, a radio and television portal. Successfully promoting the model of independent journalism, these media also provide public space to

¹⁹⁵ No relevant protocol has been signed on cooperation between Bosnia and Herzegovina and Serbia, nor are there protocols between Bosnia and Herzegovina and Croatia.

the rare individuals and organizations that speak publicly about war crimes, condemn their denial, and in turn are exposed to public sanctions and threats.¹⁹⁶

There was practically no media coverage in Serbia¹⁹⁷ of the six-year debate in the EU about the denial of genocide, war crimes and crimes against humanitarian law, which led to the charge of promoting racism and xenophobia in 27 EU member states (Council of the European Union 2007). Provisions of the EU Decision on this issue include the implicit responsibility of the state to punish condoning, denying and/or trivializing the crime of genocide, crimes against humanitarian law and war crimes, as identified in the Statute of the International Criminal Court (Articles 6, 7 and 8).

Reparations

According to the Report of the UN Secretary-General to the Security Council (UN Security Council 2004, p. 18), in the face of widespread violations of human rights, states are obliged to act not only against the perpetrators, but also on behalf of the victims, including through the provision of reparations. Programmes to provide reparations to victims can complement tribunals and truth commissions by offering concrete remedies, promoting reconciliation and restoring victims' confidence in the state. Apart from monetary reparations, other options include the restitution of victims' legal rights, programmes of rehabilitation for victims, and symbolic measures, such as official apologies, monuments and commemorations.

The finalization of the lawsuit before the International Court of Justice in the Hague over the claim filed by Bosnia and Herzegovina against Serbia and Montenegro for genocide is certainly the major event in the area of material reparations between states in the region. In 1993, Bosnia and Herzegovina filed a claim against the Federal Republic of Yugoslavia for breaching the 1948 Convention on the Prevention and Punishment of the Crime of Genocide. On 26 February 2007, the International Court of Justice made its judgment whereby for the first time in its 60 years of operation, it proclaimed one state guilty of violating the provisions of the convention.

Notably, the court established that Serbia "violated its obligation to prevent genocide, according to the provisions of the Convention on the Prevention and Punishment of the Crime of Genocide, with respect to the genocide that happened in Srebrenica in July 1995." Serbia has also "violated its obligations under the Convention, by not having extradited Ratko Mladić, indicted for genocide and accomplice in genocide in a procedure before the International Criminal Tribunal for the Former Yugoslavia," and by not cooperating fully with the tribunal. The court established that "Serbia had not committed genocide, through its organs or persons whose acts engage its responsibility under customary international law, in violation of its obligations under the Convention on the Prevention and Punishment of the Crime of Genocide" (International Court of Justice 2007).

The judgment contained a number of important implications for transitional justice in the region. It referred primarily to the need to undertake further steps by the Republic of Srpska in distancing itself from the crime, and in terms of symbolic compensations that the Republic of Serbia will offer Bosnia and Herzegovina. The major issue, however, remains the position of authorities and citizens of Serbia towards the established violation of obligations under the Convention on the Prevention and Punishment of the Crime of Genocide, and the obligation of authorities to establish full cooperation with the International Criminal Tribunal for the

¹⁹⁶ As in the attempted assassination of journalist Dejan Anastasijević, which was associated with his statements on the programme "Kažiprst" on radio B92 about the crimes of the para-military Škorpioni (Scorpions).

¹⁹⁷ Except for the daily Danas, which published texts by author and professor Vesna Rakić Vodinelić.

Former Yugoslavia—meaning when and what will be done to extradite fugitives indicted of war crimes, especially Ratko Mladić.

In 2007, however, little progress took place towards either financial or symbolic reparations. The court judgment failed to provoke a serious public debate and was inadequately reported in the national media. Serbian President Boris Tadić was the only official to publicly react. He called on the National Assembly to condemn crimes in Srebrenica (Belgrade Centre for Human Rights 2008, p. 234).

Conclusions and recommendations

This chapter links all human security issues to good governance and efficient, accountable and transparent institutions. The significance of good governance in the overall development of every society is unquestionable. “Institutions, rules, and political processes play a big role in whether economies grow, whether children go to school, whether human development moves forward or backward. So, promoting human development is not just a social, economic and technological challenge, it is also an institutional and political challenge” (UNDP 2002, p. 52).

Security sector reform implies institutional changes, as institutions need to become efficient, free of corrupt civil servants, guided by civilian oversight and accountable to citizens. A fundamental issue for Serbia is to establish the confidence of citizens in its institutions, as emphasized in the section on fighting corruption.

It is also of crucial importance for Serbia to maintain a strategic course towards EU membership and to make further progress in the Stabilization and Association Process. The corruption perception index for 2007 indicates that countries of South Eastern Europe, thanks to the very stimulating effects of this process, are beginning to win the fight against corruption.

Institutions in Serbia will only be successful in addressing the issues covered in this chapter, however, if they establish solid cooperation based on partnerships, primarily with their neighbours. This is not only because they face the same challenges, many of which go beyond individual borders, but also because they are responsible to their neighbours. By cooperating, they can make faster progress, whether the issue is managing migration, fighting organized crime or prosecuting war crimes. One of the most important elements of cooperation remains the exchange of data, which can be improved if the countries of the Western Balkans:

- Adopt adequate legal frameworks;
- Harmonize their legislation to the greatest level possible among themselves and with the EU *acquis communautaire*;
- Introduce comparable statistics; and
- Integrate institutional mechanisms for cooperation.

From the Serbian perspective, cooperation began only after 2000. In general, there is still a sense of caution in relations among the countries of the Western Balkans, especially around sensitive issues related to the recent conflicts and the exchange of information in the area of home and external security. “In this situation, all initiatives from the EU and other actors to stress regional cooperation as the condition for further EU integration meet with a lot of open as well as hidden resistance. This can be seen in all the efforts to exchange and therefore ‘regionalize’ highly sensitive security information and results of criminal investigations, especially when it is conflict-related, e.g. exchange of information on war criminals and trans-border mafia-style activities” (Luif and Riegler 2006).

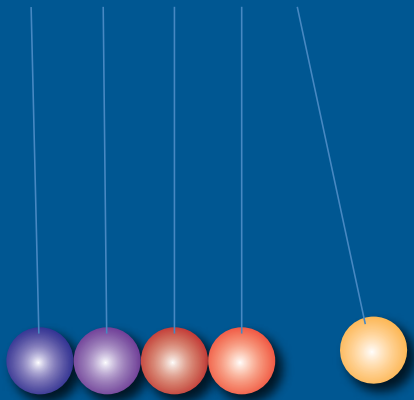
If awareness of the need for partnerships based on trust, shared interests and values eventually prevails over old animosities and suspicions, a higher form of cooperation can take root around shaping common policies in different fields.

Moving forward, on the national level it will be necessary to take the following steps.

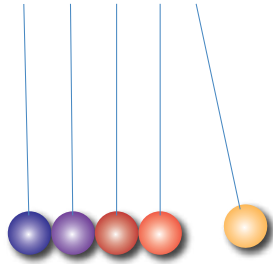
- Strengthen cooperation and coordination of national institutions, while introducing the principles of comprehensive, coherent and harmonized approaches, accompanied by strong cooperation with civil society and increased transparency in operations.
- As part of building relevant institutions, improve the legislative framework, especially to support improved international cooperation (in the areas of fighting organized crime, corruption, oversight of security services, protection of personal data, borders, asylum, visas, migration, and judicial mechanisms for successful prosecution of organized crime and war crimes) and consistent implementation of mechanisms for that purpose. Furthermore, develop good practices and administrative infrastructure.
- Prepare relevant strategic frameworks (for countering narcotics, preventing crime, combating money laundering and managing migration) and action plans (especially in fighting organized crime). Put in place implementation mechanisms for monitoring and enhancing existing strategic frameworks (for reforming the judiciary and public administration, fighting organized crime, stopping trafficking in persons, reducing corruption and advancing integrated border management).
- Establish relevant databases, in line with the previously established legal framework, in order for systematically collected data to serve as the basis for risk and threat assessment.
- Introduce and promote the concept of good governance, especially in respect to integrity, accountability and transparency in the work of institutions and civil servants.

In order to enhance international cooperation, it is necessary to pursue the following.

- Fully respect existing international, regional and bilateral agreements and memoranda, and use best practices (such as, for example, those developed by the Baltic countries) to develop new mechanisms for cooperation, based on those already integrated in global agreements.
- Improve the legislative framework in terms of procedures to accede to, sign and ratify international, regional, and bilateral agreements and memoranda on cooperation.
- Continue building instruments stipulated in international agreements.
- Increase the capacities of relevant ministries and judicial bodies for international cooperation, primarily in terms of procedures and the provision of funding, and, whenever possible, with the decentralization and delegation of competencies.
- Continue signing agreements with neighbours and countries sharing similar challenges, especially those relevant to fighting organized crime, giving priority to the protection of witnesses and the seizure of assets resulting from criminal acts. Emphasize cooperation related to borders and the judiciary, especially for the prosecution of war crimes.
- Harmonize legislation to integrate common values, standards and structures in the region and with the EU *acquis communautaire*.
- Strive for a better exchange of intelligence results at the regional level.
- Based on sectoral strategies and in line with national priorities, be proactive and seek support from relevant international organizations and other states.



REFERENCES



REFERENCES

Chapter 1

- Altman, F. L. 2007. *Sudosteuropa und die Sicherung der Energieversorgung der EU*. SWP-Studie. Berlin [www.swp-berlin.org].
- Bilman, L. 1998. "The Regional Cooperation Initiatives in the South East Europe and Turkish Foreign Policy." In *Perceptions*, September-November, III (3).
- Bechev, D. 2006. *Constituting SEE, The Politics of Regional Identity in the Balkans*. Working Paper 1/06. Réseau d'Excellence des centres de recherche en sciences humaines sur la Méditerranée (Ramses), Oxford.
- Clemant, S. 1998. "Subregional Cooperation in the Balkans." *The Southeast European Yearbook 1997-1998*. Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens
- Commission of the European Communities. 2005. «Communication from the Commission: 2005 enlargement strategy paper.» 9 November, COM (2005) 561. Brussels.
- . 2006a. «Communication from the Commission: The Western Balkans on the road to the EU: consolidating stability and raising prosperity.» 27 January, COM (2006) final. Brussels.
- . 2006b. "Communication from the Commission to the European Parliament and the Council: Enlargement Strategy 2006-2007: Challenges and Integration Capacity." Summaries of legislation [http://europa.eu/scadplus/leg/eu/lvb/e50025.htm].
- . 2008. «Communication from the Commission to the European Parliament and the Council: Western Balkans: Enhancing the European Perspective.» 5 March, COM (2008) 127. Brussels.
- Couloumbis, Th., and E. Ramaj. 2007. *Debalkanizing the Balkans with the Kantian Theory of Democratic Peace*. [http://aheworld.org/pdfs/Debalkanizing.pdf].
- Delević, M. 2007. *Regional Cooperation in the Western Balkans*. Chaillot Paper No. 104. EU Institute for Security Studies, Paris.
- Demetropolou, L. 1999. "The Balkans—A Multidimensional Sign within Multiple Discourse." In *Eurobalkans*, 4, autumn.
- Elarg-newsletter. 2007. "EU treaty 'good for enlargement.'" 5 November.
- EU-Western Balkans Summit. 2003. "The Thessaloniki Declaration of the EU-Western Balkan Summit—Agenda for the Western Balkans: Moving towards European integration." Thessaloniki, 21 June [http://ec.europa.eu/enlargement/index_en.htm].
- General Affairs and External Relations Council. 2003. "The Thessaloniki Agenda for the Western Balkans: Moving towards European Integration." Council Meeting, Luxemburg, 16 June [http://ec.europa.eu/enlargement/index_en.htm].
- Gligorov, V. 2007. *Economic Developments and Prospects in the Western Balkans*. The Vienna Institute for International Economic Studies [www.wiiw.ac.at].
- Hettne, B. 1997. "The New Regionalism and the Balkans." In *EU Enlargement, Yugoslavia and the Balkans*, J. Minic, ed. European Movement in Serbia, Institute of Economic Sciences, Friedrich Ebert Foundation, Belgrade.
- . 2000. "The New Regionalism: A Prologue." In *National Perspectives on the New Regionalism in the South*, B. Hettne, A. Inotai and O. Sunkel, eds. MacMillan Press Ltd. and St. Martin's Press Inc., Hampshire and New York.

International Commission on the Balkans. 2005. *The Balkans in Europe's Future* [www.balkan-commission.org].

Ješe, A. 2006. "Promoting Liberal Norms and Values—EU as a Community Building Agency, Slovenia and Croatia Compared." Conference paper at the 2006 Association for the Study of Nationalities Conference Conference, "Globalization, Nationalism and Ethnic Conflict in the Balkans and Its Regional Context," Belgrade, 28-30 September.

Knaus, G. 2006. "From Salzburg to Rome—EU Policy in the Balkans." In *ESI Newsletter*, 10 May [www.esiweb.org].

Krastev, I. 2005. "The Balkans explosion that could benefit Europe." In *Europe's World*, autumn [www.europesworld.org].

———. 2007. "European Union and the Balkans: Enlargement or Empire?" In *The Balkan Prism*, J. Deimel and W. van Meurs, eds. Verlag Otto Sagner, Munich.

Lampe, J. 2006. *Balkans into SEE*. Palgrave Macmillan, New York.

Lopandic, D. and Bajic, V. eds. 2003. *Srbija i Crna Gora na putu ka EU zbornik*. Evropski pokret u Srbiji, Beograd.

McTaggart, A. 2007. "In-Depth: Balkans Struggles to Grasp its International Potential." Balkan Investigative Reporting Network, 11 April [www.birn.eu.com/en/78/10/].

Medjunarodna komisija za Balkan. 1998. *Nezavršeni mir*. Beograd.

Ranis, G., and F. Stewart. 2000. "Strategies for Success in Human Development." In *Journal of Human Development*, 1 (1).

Ranis, G., F. Stewart and A. Ramirez. 2000. "Economic Growth and Human Development." In *World Development*, 28 (2).

Rupnik, J. 2006. "EU: 'We Cannot Afford a Pause'" In *Enlargement*, Radio Free Europe/Radio Liberty, 11 October [www.rferl.org/featuresarticle/2006].

Rusi, A. 2007. "Post-Cold War Regional Co-operation." In *The Balkan Prism*, J. Deimel and W. van Meurs, eds. Verlag Otto Sagner, Munich.

Schadeva, G. 2005. "Indian Experience with Regional Economic Integration: A Case for India and Serbia-Montenegro Cooperation." In *India and Serbia and Montenegro Re-engagement: Regional and Bilateral Dimensions*, C. D. Wadhva and V. Vekaric, eds. Centre for Policy Research, New Delhi, and Institute of International Politics and Economics, Belgrade. APH Publishing Corporation, New Delhi.

Slay, B., N. Maddock and N. Kulic. 2006. *Macroeconomic Challenges and Growth Prospects in Southeast Europe*. UNDP Regional Bureau for Europe and the CIS, Bratislava [www.undp.org/europeandcis].

Stability Pact for South Eastern Europe. 2006. "Chairman's Conclusions." Regional Table of the Stability Pact, Belgrade, 30 May [www.stabilitypact.org].

UN Development Programme (UNDP). 1994. *Human Development Report*. Oxford University Press, New York and Oxford [http://hdr.undp.org/en/reports/global/hdr1994/].

———. 2005. *Central Asia Human Development Report: Bringing down barriers: Regional cooperation for human development and human security*. UNDP Regional Bureau for Europe and the CIS, Bratislava.

Uvalić, M. 2001. "Regional Cooperation in SEE." In *South East and Black Sea Studies*, 1(1), Athens.

van Meurs, W., ed. 2003. *Prospects and Risks Beyond EU Enlargement, SEE: Weak States and Strong International Support*. Leske Budrich, Opladen.

Varvitsiotis, I. 2006. "Let's Build on Neighbourhood Policy with an EU-backed Commonwealth." In *Europe's World*, summer [www.europesworld.org].

Chapter 2

Angeleski, S. 2004. *The role of the Euro-region in promoting and reinforcing democratic stability and transfrontier cooperation in South Eastern Europe*. Faculty of Law, Institute of International Public Law, Skopje.

- Centre for Strategic Economic Studies, Vojvodina. "Euroregions in Central and Eastern Europe, program of economic development of AP Vojvodina" [w www.vojvodina-cess.org].
- Bašić, G. 2006. *Challenges to democracy in multi-ethnic societies*. Center for Ethnicity Studies, Belgrade.
- . 2007. "Regional cooperation in SEE and CE and relations to the position of Roma." Manuscript. UN Development Programme, Belgrade.
- Bašić, G., and K. Crnjanski. 2006. *Political participation and cultural autonomy of national minorities in Serbia*. Friedrich Ebert Stiftung, Center for Ethnicity Studies, Belgrade.
- Batt, J. 2004. "The Western Balkans Moving On." Chaillot Paper No. 70. Institute for Security Studies, Paris.
- Bechev, D. 2006. "Constituting SEE: The Politics of Regional Identity in the Balkans." Working Paper, 1/06. Réseau d'Excellence des centres de recherche en sciences humaines sur la Méditerranée (Ramses), Oxford.
- Bilman, L. 1998. "Regional Cooperation Initiatives in South East Europe and Turkish Foreign Policy." In *Perceptions*, III (3), September–November.
- Busek, E., ed. 2004. *SEE on the Road Towards European Integration, Five Years of the Stability Pact for SEE*. PUBLISHER, Vienna.
- Commission of the European Communities, 2006. *Serbia 2006 Progress Report*. Commission Staff Working Document. COM 2006/649 final, 8 November. Brussels.
- Clemant, S. 1998. "Sub-regional Cooperation in the Balkans." In *The South East European Yearbook 1997-1998*. Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens.
- Democratic Party of Serbia. 2007. "Declaration on Military Neutrality." 28 October [www.dssnbgd.org.yu/vesti].
- Demetropolou, L. 1999. "The Balkans—A Multidimensional Sign within Multiple Discourse." In *Eurobalkans*, 4, autumn.
- Delević, M. "Regional Cooperation in the Western Balkans." Chaillot Paper No. 104. EU Institute for Security Studies, Paris.
- Di Carlo, R. 2006. *Human Rights, Democracy and Integration in South Central Europe*. Commission on Security and Cooperation in Europe, Washington, DC.
- Dunav-Karaš-Moriš-Tisa-Evroregion [www.dkmt.regionalnet.org].
- Đurković, M. 2007. *Serbia 2000-2006*. Institute for European Studies, Belgrade.
- European Movement in Serbia. 2004. *Institutional capacities of the judiciary in S/M for active participation in EU integrations report*. Belgrade.
- Executive Council of Vojvodina. 2006. "On the organizational and management structure of the Euroregion DKMT." The programme of economic development of AP Vojvodina, Novi Sad.
- International Commission for the Balkans. 1998. *Incomplete Peace*. Belgrade.
- . 2005. *The Balkans in Europe's Future*. King Bodouin Foundation, Sofia
- Isdacon/PublicSite. Joint programme document Serbia—Romania [www.evropa.sr.gov.yu/Isdacon/PublicSite1/NP_Default.aspx].
- Isdacon/PublicSite. Joint programme document Serbia—Bulgaria. [www.evropa.sr.gov.yu/Isdacon/PublicSite1/NP_Default.aspx].
- Isdacon/PublicSite, Joint programme document—Adriatic program [www.evropa.sr.gov.yu/Isdacon/PublicSite1/NP_Default.aspx].
- Isdacon/PublicSite, Joint programme document CADSES [www.evropa.sr.gov.yu/Isdacon/PublicSite1/NP_Default.aspx] [www.cadses.net/en/home.html].
- Isdacon/PublicSite, Joint programme document Serbia-Hungary 2004-2006 [www.evropa.sr.gov.yu/Isdacon/PublicSite1/NP_Default.aspx].

- Jovanović, A. 2006. *Report on Transition in Serbia II*. PUBLISHER, CITY
- Komšić, J. 2007. *Autonomy of Vojvodina and local self-government in the new Constitution of Serbia*. Faculty of Economics, Subotica.
- Krivokapić, B. 2004. *Protection of minorities in the regional context and through bilateral agreements*. Ministry for Human and Minority Rights, Institute for Comparative Law, Official Gazette FRY and Građevinska knjiga, Belgrade.
- Lampe, J. 2006. *Balkans into SEE*. Palgrave Macmillan, New York.
- Lopandić, D. 2000. *Regional initiatives in SEE*. Institute of International Politics and Economics and European Movement in Serbia, Belgrade.
- . 2001. *Regional initiatives in SEE—institutional forms and programs of multilateral cooperation in the Balkans*. Institute of International Politics and Economy, European Movement in Serbia, Belgrade.
- Lopandić, D., and V. Bajic. 2003. *Serbia and Montenegro on the Road to the EU*. European Movement in Serbia, Belgrade, 2003,
- Manchin, R. 2007. "From a key player in the Balkans to a prospective EU candidate country." Branding Serbia Seminar, Brussels, 2 July [www.emins.org].
- Minić, J., and J. Kronja. 2007. *Regional Cooperation for Development and European Integration*. European Movement in Serbia, Belgrade.
- Open Society Fund, European Movement in Serbia. 2007. "Guide through the IPA EU." [www.emins.org].
- Pourgourides, C. DATE. *State of human rights in Europe*. Committee on Legal Affairs and Human Rights, CITY, March.
- Parliament of Serbia. 2007. Resolution on Kosovo. Article 6, December [www.b92.net/info].
- Rupnik, J. 2005. "A European Balkans." ESF *European Security Forum Working Paper no. 18*. Center for European Policy Studies and International Institute for Security Studies, Brussels/London
- Shelest, H. YEAR. *Euroregions and the role of non-EU states in the process of border cooperation*. Odessa National University, National Institute for Strategic Studies.
- Škarić, S. 2003. Macedonia—A Multi-ethnic and Cooperative State (The Ohrid Framework Agreement of 13th August 2001). In *La réinvention de l'Etat*, Bruylant, Bruxelles.
- Stone, D., and D. Syrri. 2003. *Integrating the Western Balkans into Europe*. South-East European Research Centre. Thessaloniki.
- Sudosteuropa-Gesellschaft. 2006. *Regional Cooperation Challenges 2007/2008*. Report of the International Conference, Zagreb.
- Teokarević, J. 2004. *The Balkans as a Euroregion*. Institute of European Studies, Belgrade.
- The EU's CARDS Regional Programme 2006. "Cross Border Institution Building" [www.cbib-eu.org/i_cbprog.php].
- UN Economic Commission of Europe (UNECE). 1996. "Cooperation and coordination of activities with other organisations and institutions and sub-regional groupings active in the ECE region." 51st session, E/ECE/1334, 2.2.1996.
- Uvalić, M. 2001. "Regional Cooperation in SEE." In *South East and Black Sea Studies*. Athens, 1 (1).
- van Meurs, W., ed. 2003. *Prospects and Risks Beyond EU Enlargement-SEE: Weak States and Strong International Support*. Leske Budrich, Opladen.
- Vejvoda, I. 2004. "Serbia after four years of transition." In Chaillot Paper No. 70, J. Batt. ed. EU Institute for Security Studies, Paris.
- Vranjanac, D. 2002. *European Human Rights Court*. Center for Anti-War Action, Belgrade.

Chapter 3

- Adam, A. S., T. Kosma and J. McHugh. 2003. "Trade Liberalisation Strategies: What Could South Eastern Europe Learn from CEFTA & BFTA." IMF Working Paper 03/239. International Monetary Fund, Washington, DC.
- Balkan Institute for Labour and Social Policy. 2008. "Human Resources Development." Background paper. Sofia.
- Bjelić, S. 2007. *RECCO projekat, Regionalna komora Užice*. COMPLETE?
- Blackborn, D. 2005. *Britansko naravoučenje*. Novinsko-izdavačko preduzeće BIF Press d.o.o. Biznis i finansije, Mala i srednja preduzeća, Beograd.
- Center for Strategic and International Studies, Policy Report. 2006. *Economic Development and Investment Promotion in Southeast Europe*. Washington, DC.
- Commission of the European Communities. 2008. "Western Balkans: Enhancing the European Perspective." COM 127. Brussels.
- Damijan, J., and J. Masten. 2002. "Time-Dependent Efficiency of Free Trade Agreements: The Case of Slovenia and the CEFTA Agreement." LICOS Discussion Paper 11/2002. Centre for Transition Economies, Leuven.
- Damijan J., J. De Sousa and O. Lamote. 2006. "The Effect of Trade Liberalisation in South-Eastern European Countries." GDN-SEE. Wiener Institute fur Internationale Wirtschaftsvergleishe, Vienna.
- Ekonomist Magazin. 2007. "Budućnost tržišta kapitala na Balkanu—Alternativni načini investiranja, treća godišnja konferencija, specijalno izdanje." Beograd.
- Economic and Social Policy Institute. 2006. "Investment Reform Index in Serbia." Final report. Belgrade.
- European Bank for Reconstruction and Development (EBRD). 2006. *Transition Report 2006*. London.
- . 2007. *Transition Report 2007: People in Transition*. London.
- European Commission. 2007. "Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans." Directorate General for Enterprise and Industry, OECD Investment Compact for South East Europe, Enterprise Policy Development in the Western Balkans.
- Fond za razvoj ekonomske nauke. 2006. *Kvartalni monitor ekonomskih politika i trendova u Srbiji*. Belgrade, April-June.
- Foreign Investors Council of Serbia. 2007. "White Book 2007—Proposal for Improvement of the Investment Climate in Serbia." Belgrade.
- Gligorov, V. 1999. "The Stability Pact for South-East Europe." In *The Vienna Institute for International Economic Studies Monthly Report*, 8-9, August-September.
- . 2007a. "Balkan Endgame and Economic Transformation." In *The Balkan Prism—A Retrospective by Policy-Makers and Analysts*, Johanna Deimel and Wim van Meurs, eds. Verlag Otto Sagner, Munich.
- . 2007b. "Economic Developments and Prospects in the Western Balkans." Mimeo. The Vienna Institute for International Economic Studies.
- Grečić, V. 2007. "South-Eastern Europe: A Regional Overview of the Labour Markets." Mimeo. Institut za međunarodnu politiku i privredu, Belgrade.
- Grupa autora. 2007. "Vodič kroz IPA 2007-2013." Evropski pokret u Srbiji i Fond za otvoreno društvo, Beograd.
- Holzner M. 2004. "GSIM Measurement of the Costs of Protection in Southeast Europe." Österreichische National Bank and The Vienna Institute for International Economic Studies, Vienna
- Horvat, M. 2006. *PPP for Science-based Innovation*. UN Development Programme, Belgrade.
- Information System ISDAKON [www.evropa.sr.gov.yu].
- Inotai, A. 2005. "The Employment Impact of FDI—the Experience of the Stability Pact Countries." Institute of World Economics of the Hungarian Academy of Sciences, Budapest.

- International Center for Economic Growth European Center. 2006. CORVINUS. *Southeast Europe Monitor*, 9, Budapest.
- International Monetary Fund (IMF). 2008. *World Economic Outlook*. Washington, DC.
- Jansen, M., and E. Lee. 2007. "Trade and Employment." World Trade Organization and International Labour Organization, Geneva.
- Kancelarija SCG za pridruživanje EU. 2006. "Zona slobodne trgovine u JIE." Beograd.
- Kapoor, R. 2005. "The Impact of Globalisation on the Informal Economy." Mimeo. International Labour Office, Geneva.
- Lopandić, D. 2007. "Jedinstveni sporazum o slobodnoj trgovini u regionu JIE (CEFTA 2006)." Mimeo. Ministarstvo za ekonomske odnose sa inostranstvom Srbije, Beograd.
- Messerlin, P., and S. Miroudut. 2003. "Trade Liberalisation in SEE: A First View on Eighteen FTAs." Mimeo.
- Minić, J., and J. Kronja. 2007. "Regional Co-operation for Development and European Integration." European Movement Serbia, Belgrade.
- Ministarstvo finansija Republike Srbije. 2008. "Analiza makroekonomskih i fiskalnih kretanja u 2007 godini." Beograd.
- Ministarstvo privrede, Rep. zavod za razvoj, Rep. agencija za razvoj malih i srednjih preduzeća. 2006. "Izveštaj o malim i srednjim preduzećima i preduzetništvu 2005." Beograd.
- Ministarstvo za ekonomske odnose sa inostranstvom RS. 2007. "Izveštaj o međunarodnoj pomoći Republici Srbiji u 2006. Godini." Beograd.
- Ministry for International Economic Relations. 2006. "Investment Promotion and Facilitation Strategy." Belgrade.
- . 2007. "Report on Programming IPA for 2007." Belgrade.
- Moore, M. 2002. "How Trade Liberalisation Impacts Employment." WTO News, speech to International Labour Organisation, Geneva.
- Muller-Jentsch, D. 2007. "Deeper Integration and Trade in Services in the Western Balkans—Building Blocks for a Trade-Driven Growth Strategy." Office for South-East Europe, European Commission and World Bank, February.
- Narodna banka Srbije. 2007. "Godišnji izveštaj 2006." Beograd.
- Novinsko izdavačko preduzeće BIF Press. 2006. "Biznis i finansije, Top 2005." Beograd.
- Nordas, H. K., S. Miroudot and P. Kowalski. 2006. "Dynamic Gains from Trade." OECD Trade Policy Working Papers, 43. Organisation for Economic Co-operation and Development, Paris.
- Organisation for Economic Co-operation and Development (OECD). 2002. "Regulatory Policies in OECD Countries." Paris.
- . 2004. "Regulatory Governance in SEE Countries—Progress and Challenges." Paris.
- . 2006. "Investment Reform Index 2006—Progress in Policy Reforms to Improve the Investment Climate in SEE." Paris.
- Organizacija za evropsku bezbednost i saradnju. 2006. "Inicijativa za demokratsku tranziciju, Studija uspostavljanja biznis inkubatora tehničkih fakulteta." Beograd.
- Policy and Legal Advice Center and Ministry of International Economic Relations of Serbia. 2006. "Sector Studies and Situation Analysis—Manufacture of Wearing Apparel and Fur." Belgrade.
- Popović, S. 2007. "Regionalne perspektive tržišta kapitala jugoistočne Evrope." Međunarodni seminar: Program tržišta kapitala, Beograd.
- Ranis, G., and F. Stewart. 2000. "Strategies for Success in Human Development." In *Journal of Human Development*, 1 (1).
- Republička agencija za razvoj malih i srednjih preduzeća i preduzetništva. 2003. Biznis inkubatori, Beograd.

- Serbian Investment and Promotion Agency. 2006. *Doing Business in Serbia 2006*. Belgrade.
- . 2008. Investments in Serbia (data) [www.siepa.sr.gov.yu].
- Stability Pact for South Eastern Europe. 2005. "Enterprise Development and Employment Generation in SEE: Seeking a Comprehensive Approach." Strategy paper. Vienna.
- . 2008a. "Final Report of the Special Co-ordinator on Regional Ownership and Streamlining of Stability Pact Task Forces and Initiatives." Sofia.
- . 2008b. "SEE Region Enterprise Policy Performance—a Regional Assessment." Sofia.
- Statistical Office of the Republic of Serbia. 2008. Communication RS No. 29, Issue LVIII. Belgrade.
- UN Conference on Trade and Development (UNCTAD) Trust Fund for WTO Accession. 2006. "The Competitiveness of the Serbian Economy." Geneva and Belgrade.
- UN Development Programme (UNDP). 1996. *Human Development Report*. Oxford University Press, New York and Oxford.
- . 2005. Izveštaj o humanom razvoju 2005 Srbija—*Snaga različitosti*. Beograd.
- . 2006. "Smanjenje siromaštva u Srbiji." Beograd.
- . 2007a. "Concept Paper, Serbia NHDR 2007." Mimeo. Belgrade.
- . 2007b. "Public-private partnerships for science-based innovations and knowledge-led economic development: Final considerations and recommendations." Belgrade.
- Uvalić, M. 2005. "Trade Liberalization in SEE—Recent Trends and Some Policy Implications." UN Economic Commission for Europe seminar, Geneva.
- . 2007. "Transition and Development in Southeastern Europe." In *The Balkan Prism—A Retrospective by Policy-Makers and Analysts*, J. Deimel and Wim van Meurs, eds. Verlag O. Sagner, Munich.
- Vlada Republike Srbije. 2003. "Strategija razvoja MSP 2003-2008." Beograd.
- . 2005. "Nacionalna strategija za borbu protiv korupcije." Službeni Glasnik RS br. 109/2005. Beograd.
- . 2006a. "Nacionalna strategija privrednog razvoja Srbije, 2006-2012." Beograd.
- . 2006b. "Strategija regionalnog razvoja Srbije, 2007-2012." Beograd.
- World Bank. 2005a. *Doing Business in 2006*. Washington, DC.
- . 2005b. "First Progress Report on the Implementation of the Poverty Reduction Strategy." Washington, DC.
- . 2006. *Annual Report 2006*. Washington, DC.
- World Economic Forum. 2008. "The Global Competitiveness Report 2007-2008." Geneva.
- Žarković, Z. 2005. Inovativna klima u Srbiji, Novinsko-izdavačko preduzeće BIF Press d.o.o., Biznis i finansije, Mala i srednja preduzeća, Beograd.
- Zdravković, M. 2007. "Stepen sličnosti i komplementarnosti izvozne ponude Srbije sa zemljama jugoistočne Evrope, centralne i istočne Evrope i uvoznom tražnjom EU." Mimeo. Narodna banka Srbije, Beograd.

Chapter 4

- Altman, F. L. 2007. *Sudosteuropa und die Sicherung der Energieversorgung der EU*. SWP-Studie, Berlin.
- Cepit i BOŠ. 2005. *Mreža u razvoju-Info d.o.o. društvo u Srbiji 2005*. Beograd.
- . 2006. *Internet u Srbiji u 2006*. Beograd.
- Commission of the European Communities. 2003. "European Electronic Communications Regulation and Markets 2003: Report on Implementation of the EU Electronic Communications Regulatory Package." Brussels.

- . 2006. "European electronic communications regulation and markets 2005." Brussels.
- . 2008. "Western Balkans: Enhancing the European Perspective." Commission Staff Working Document. SEC (2008) 288, 5 March. Brussels.
- Commission of the European Communities. 2002a. "Directive 2002/22/EC." In the *Official Journal of European Communities*, L 108/51, 24 April.
- . 2002b. "Eighth Report on the Implementation of the Telecommunications Regulatory Package." Brussels.
- . 2003. "Communication to the Council, European Parliament, European Economic and Social Committee and Committee of the Regions." SEC (2003) 1342. Brussels.
- Computer Law Association. 2001. "EU Telecommunications Law: A Primer for IT Lawyers." World Congress, Washington, DC.
- Cullen International. 2007. "Country Comparative Report Supply of Services in Monitoring of South East Europe—Telecommunications Services Sector and Related Aspects." In *Report 3*, March.
- Dulić, D. et al. 2007. *Stanje ljudske bezbednosti u Srbiji*. Izvestaj za 2005-2006, Fond za otvoreno društvo, Beograd.
- Doric Evenson, K. 2007. *Energy in South East Europe: A Snapshot of Kosovo and Serbia*. European Movement in Serbia, Kosovar Institute for Policy research and Development, Freedom House [<http://webzrzs.statserb.sr.gov.yu/axd/drugastrana.php?Sifra=0010&izbor=odel&tab=43>].
- Electronic South Eastern Europe Initiative of the Stability Pact for South Eastern Europe. 2003. "National Information Society Policies, e-SEEurope Initiative Common Guidelines." Brussels.
- Elektromreza Srbije. 2007. Informator o radu Javnog Preduzeća Elektromreza Srbije. Beograd.
- Elektroprivreda Srbije. 2004. "Godisnji izvestaj 2003." Beograd.
- European Commission and the World Bank. 2005. "Regional Infrastructure Strategies and Projects in South East Europe." Office for South East Europe, Brussels.
- EUROSTAT. 2006. "Pocketbook on Candidate Countries and Western Balkan Countries." Brussels.
- Government of the Republic of Serbia. 2005. "Strategy for the Energy Development of the Republic of Serbia up to 2015." Belgrade.
- Holzner, M., C. Ednjard, and V. Gligorov. 2006. *Infrastructural needs and economic development in South Eastern Europe: the case of rail and road transport infrastructure, South East Europe*. Vienna.
- International Energy Agency (IEA). 2000. *World Energy Statistics 2000*. Paris.
- J. Goldemberg and T. B. Johansson, eds. 1995. "Energy As An Instrument for Socio-Economic Development." UN Development Programme, New York.
- Jošanov, B., M. Vidas-Bubanja and B. Travica. 2006. "The Social Aspects of e-Commerce." YUINFO, Belgrade.
- Kijevčanin, M. J., D. Stokić and M. Katić. 2006. *Local Sustainable Development—Challenges for Local Planning*. Standing Conference of Towns and Municipalities, Belgrade.
- Kovačević, A. 2007a. "Energy: Legal, Institutional and Policy Considerations." Unpublished paper. Belgrade.
- . 2007b. "Energy and Poverty: Policy Challenges in Eastern Europe." Presentation at the "Conference on Energy Transformations in Central and East Europe." University of Warwick, Coventry, United Kingdom.
- Mihajlov, A. 2006. "EU Sustainable Development Strategy and Environmental Policy." In *European Strategies and Policies for Local Community*. EU Integration Fund/Fund for Democracy, Belgrade.
- . 2004. *Environmental Cohesion of Western Balkan Countries as the Tool and Condition for EU Accession*. Book of abstracts of the 8th European Association for Comparative Economic Studies Conference, "EU Enlargement: What comes after 2004?" Belgrade,
- Mihajlov, A. et al. 2006. *Sustainable Development and Environment Towards EU in 95+ Steps*. Environmental Ambassadors/Serbian Chamber of Commerce, Belgrade.

- Mihajov A., and M. Ilić. 2007. *Monitoring Procesu Približavanja Srbije EU*. Fond za otvoreno društvo, Belgrade.
- Minić, J., and J. Kronja. 2007. *Regional Co-operation for Development and European Integration*. European Movement in Serbia in cooperation with the Albanian Institute for International Studies, the Center for Institutional Development, the European Movement in Montenegro, the Helsinki Committee for Human Rights, the Institute for International Relations, and the Kosovo Institute for Policy Research and Development.
- Ministry for the Protection of the Natural Resources and Environment of Serbia. 2002. *Serbia 2002 is on the right track*. Belgrade.
- Ministarstvo zdravlja i zaštite životne okoline Srbije. 2005. *Nacionalni program zaštite životne sredine Republike Srbije*. Beograd.
- Organisation for Economic Co-operation and Development (OECD). 2001. "OECD Communication Outlook-Information Society." Geneva.
- Privredna komora Srbije. 2006. *Smernice za poslovanje sa Evropskom unijom—traffick*. Beograd.
- Republički zavod za razvoj. 2006. *Analiza humanog razvoja Republike Srbije*. Beograd.
- . 2005. *Izveštaj o razvoju Srbije*, Beograd.
- Republički zavod za statistiku Srbije. 2005a. *Opštine u Srbiji, 2004*. Beograd.
- . 2005b. *Statistički godišnjak Srbije, 2004*. Republički zavod za statistiku Srbije Beograd.
- . 2006a. *Opštine u Srbiji, 2005*, Beograd.
- . 2006b. *Statistički godišnjak Srbije, 2005*. Republički zavod za statistiku Srbije Beograd.
- . 2006c. *Upotreba informaciono-komunikacione tehnologije u Republici Srbiji*. Beograd.
- . 2007a. *Opštine u Srbiji, 2006*. Beograd.
- . 2007b. *Statistički godišnjak Srbije, 2006*. Republički zavod za statistiku Srbije Beograd.
- Republika Serbia, Ministarstvo za kapitalne investicije. 2005. *Bilateralni sporazumi u oblasti intermodalnog transporta—IMOD X*. Beograd.
- Republika Srbija, Ministarstvo za ekonomske odnose sa inostranstvom. 2006. *Programi prekogranične saradnje u Republici Srbiji*. Beograd.
- Savet ministara EU. 2000. *Lisabonska agenda za razvoj zemalja članica EU*. Brisel.
- Simončić, V. 2005. "Korištenje Medjunarodnih Sredstava u Zaštiti Okoliša—Mogućnosti i Ograničenja." u Zborniku radova Regionalnog simpozijuma za medjunarodnim učešćem *Životna sredina ka Evropi*, Beograd.
- Southeastern Europe Telecommunications and Informatics Research Institute. 2003. "Guide on National e-Strategies in the South East Europe Region: Role of the Telecommunications Policy." Thessalonica.
- South East Europe Transport Observatory (SEETO). 2006. *South East Europe Core Regional Transport Network Development Plan*. Volume 1. Belgrade.
- Stability Pact for South Eastern Europe. 2003. "Memorandum of Understanding on the Regional Electricity Market in South East Europe and Its Integration into the European Union Internal Electricity Market (The Athens Memorandum 2002)." Athens, 8 December [www.seerecon.org/infrastructure/documents/our-rem-see.pdf].
- . 2005. "Treaty Establishing the Energy Community." Athens [www.energy-community.org/].
- . 2002b. "Energy Needs for Sustainable Human Development." UN Development Programme, New York.
- Surčulija, J. *Evropski pravni okvir za elektronske komunikacije*. Centar za razvoj Interneta, Beograd.
- Travica, B., et al. 2007. "E-Commerce in Serbia: Where Roads Cross Electrons Will Flow." In *Journal of Global Information Technology Management* 10 (2).
- United Nations. 2003. *Common Country Assessment*. Belgrade.

UN Development Programme (UNDP). 1990. *Human Development Report 1990: Concept and Measurement of Human Development*. Oxford University Press, New York and Oxford.

———. 1998. "Human Development Under Transition." Bratislava.

———. 2004. *Stuck in the Past, Energy, Environment and Poverty in Serbia and Montenegro*. Belgrade [www.undp.org/energy/stuckpast.htm].

———. 2005. *Pripremni materijali za Strategiju održivog razvoja Srbije, 2005-2007*. CITY.

UNDP and the Stability Pact. 2004. *eSEE Regional Information and Communications Technologies Sector Status and Usage Report: Building an Information Society for All*. Sarajevo.

UN Economic Commission for Europe (UNECE). 2007. "Environmental Performance Review (2003) for Yugoslavia—Serbia and Montenegro, and Draft EPR for Serbia." Geneva.

UN Environment Programme (UNEP), UNDP and the Organization for Security and Co-operation in Europe (OSCE). 2003. *Environmental Security: Transforming risk into cooperation*. Brussels.

Vidas-Bubanja, M. 2001. "Značaj informacione tehnologije za obnovu i razvoj zemlje." *Ekonomski anali*, tematski broj-Privredna kretanja i ekonomska politika u 2001. godini, Beograd.

Vlada Republike Srbije. 2003. *Zakon o telekomunikacijama*. Beograd.

———. 2004a. *Nacrt strategije za razvoj telekomunikacija u Srbiji do 2007*. Godine, Beograd.

———. 2004b. *Rezolucija Narodne skupštine o pridruživanju Srbije EU*. Beograd.

———. 2005a. *Izveštaj o napretku u realizaciji Milenijumskih ciljeva razvoja u Srbiji 2005*. Beograd.

———. 2005b. *Nacionalna strategija Srbije za pristupanje Srbije i Crne Gore Evropskoj uniji*. Beograd.

———. 2005c. *Oblazloženje Zakona o izmenama i dopunama Zakona o telekomunikacija*. Beograd.

———. 2005d. *Studija izvodljivosti za vođenje pregovora između EU i Srbije za zaključenje sporazuma o SSP koju je pripremila Komisija EU i usvojio Savet ministara*. Beograd, april.

———. 2005e. *Zakon o izmenama i dopunama Zakona o telekomunikacija*. Beograd.

———. 2006a. "Nacionalna strategija privrednog razvoja Srbije 2006-2012." Beograd.

———. 2006b. *Politika razvoja sektora telekomunikacija u Republici Srbiji u periodu od 2006. do 2010. godine*. Beograd.

———. 2006c. *Startegija razvoja sektora telekomunikacija u Republici Srbiji u periodu od 2006. do 2010. godine*. Službeni Glasnik RS 36/06, Beograd.

———. 2005. "Strategija regionalnog razvoja Srbije za period 2007-2012." *Službeni glasnik RS*, br. 55/05 i 71/05.

———. 2005. *Strategija i politika razvoja sektora trafficka u Srbiji do 2015. God*, Beograd.

Vlada Republike Srbije, Ministarstvo za zaštitu prirodnih bogatstava i životnu sredinu. 2003. *Nacionalna strategija upravljanja otpadom sa programom približavanja EU*. Beograd.

Vukanović, S., and T. Đukić. 2007. *Strategija razvoja Beograda—deo traffick, radni izveštaj*. Palgo centar, Beograd.

World Bank. 1999. *World Development Report—Knowledge for Development 1998/99*. Washington, DC.

———. 2003. "Environmental Sector, Review for Serbia and Montenegro." Washington, DC.

———. 2005. *Reducing the "Economic Distance" to Market—A Framework for the Development of the Transport System in South East Europe*. Washington, DC.

The European Union CARDS Programmes for the Balkan Region. 2004. Contract No. 52276, *REBIS-GIS, Final Report*, od 31 December. g. [http://siteresources.worldbank.org/INTECAREGTOPOWER/home/20551044/Volume%201%20-%20sum-final.pdf].

Chapter 5

Abdikeeva, A., et al. 2005. *Roma Poverty and the Roma National Strategies: The Cases of Albania, Greece and Serbia*. Macro study. Minority Rights Group International, London

- Aleksic, I., and M. Lukic. 2000. "Serbia – Country Report." In *Women 2000: An Investigation on the Status of Women's Rights in Central and South Eastern Europe and the Newly Independent States*. International Helsinki Federation for Human Rights.
- Voice of Difference - Group for Promotion of Women Political Rights, 2007. Alternative Report for CEDAW: Voice of Difference from Serbia. Belgrade, 30 March
- Amnesty International. 2004. "Kosovo (Serbia and Montenegro): So does it mean that we have the rights? Protecting the human rights of women and girls trafficked for forced prostitution in Kosovo." AI Index: EUR 70/010/2004. London.
- . 2005. "Serbia and Montenegro: A wasted year: the continuing failure to fulfill key human rights commitments made to the Council of Europe." London
- . 2006. "Bosnia and Herzegovina: Behind closed gates: ethnic discrimination in employment." AI Index: EUR 63/001/2006. London
- Argument/Centar za prava manjina. 2006. "Romi – posedovanje ličnih dokumenata." Beograd.
- Bašić, G., and B. Jakšić. 2005. "Umetnost preživljavanja—gde i kako žive Romi u Srbiji." Institut za filozofiju i društvenu teoriju (IFDT), Beograd.
- Beogradski centar za ljudska prava. 2005. "Ljudska prava u Srbiji i Crnoj Gori." Beograd.
- Blagojević, M. ——. 1997. *Roditeljstvo i fertilitet. Srbija 90-ih*. Institut za sociološka istraživanja Filozofskog fakulteta ISIFF: Beograd.
- , ed. 1998. *Ka vidljivoj ženskoj istoriji*. Report for the EU Parliament, no. IV/2002/16/03. Committee on Women's Rights and Equal Opportunities, Brussels.
- . 2007. "Rodni barometer u Srbiji 2006." Socio-ekonomski položaj i kvalitet života žena i muškaraca. AŽIN i Altera MB [www.awin.org.yu].
- Boland, T. 2007. "Impact of EU Membership on the Education System: The Irish Experience." EU Impact Conference, May.
- Branković, B. 2002. "Basic Gender Awareness Program for Primary and Secondary Schoolteachers in Serbia." Panel presentation at the "International Conference on Education Reform in Serbia: First Steps and Forthcoming Challenges." Ministry of Education and Sports of the Republic of Serbia, Belgrade, 5-7 September.
- Commission of the European Communities. 2005. Communication from the Commission on the preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union." Chapter 3.6.2, April. Brussels.
- . 2006. "Recommendation of the European Parliament and of the Council on the establishment of the European Qualification Framework for lifelong learning." Staff Working Document. Annex II, "Principles for Quality Assurance in Education and Training." COM (2006) 479. Brussels.
- . 2007. *Serbia Progress Report*. COM (2007) 663. Brussels.
- . 2008. "Western Balkans: Enhancing the European Perspective." Annex to Communication from the Commission of the European Parliament and the Council, COM (2008) 127. Brussels.
- Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). 2007. Report for Serbia, 775th and 776th meetings. United Nations, New York, 16 May.
- Council of Europe. 2003. *Report of the Committee on Migration, Refugees and Population*. Doc. 9990, October. Strasbourg
- . 2006a. "Action Plan for Persons with Disabilities 2006–2015." Strasbourg
- . 2006b. "Serbia and Montenegro: Compliance with obligations and commitments and implementation of the post-accession co-operation programme." 10th Report, October 2005-January 2006. Strasbourg
- Crosier, D., L. Purser, and H. Smidt. 2007. "TRENDS V: Universities Shaping the European Higher Education Area." European University Association (EUA) Brussels.

Danski savet za izbeglice. 2005. "Povratak u Hrvatsku—rešavanje preostalih pravnih pitanja i pitanja vezanih za incidente, SDF Hrvatska, SDF Srbija, Radionica i kampanja javnog zagovaranja." Beograd, 23 septembar.

Delevic, M. 2007. "Regional Cooperation in the Western Balkans." Institute for Security Studies, Paris.

Dinkić, M. et. al, eds. 2007. "Millennium Development Goals in the Republic of Serbia: monitoring framework." UN Development Programme, Belgrade.

Disability Rights Education and Defense Fund (DREDF Index of Various National Legislation On Disability [www.dredf.org/symposium/index.html]).

Edwards, M. B., and L. Mestheneos. 2006. "Feasibility Study on the Development of a Regional Migration Centre." Grupa 484, Belgrade

Eide, Kai 2005. "A comprehensive review of the situation in Kosovo." Special Envoy of the UN Secretary General. S/2005/635, 7 October. New York

European Agency for Reconstruction. 2002. *Assessment of Equipment Needs in Hospitals and Health Centers in Serbia*. Report No. PID11507, January. Belgrade.

European Commission. 2002. "EU Support for Roma Communities in Central and Eastern Europe." Enlargement Information Unit, Brussels.

_____. 2002. The Copenhagen Declaration , "Declaration of the European Ministers for Vocational Education and Training and the European Commission on Enhanced European Co-operation in Vocational Education and Training." Copenhagen, 29-30 November [http://ec.europa.eu/comm/education/copenhagen/copenhagen_declaration_en.pdf].

_____. 2003. "Waste of Talents: turning private issues into a public debate." Enwise Report, ISBN 92-894-6750-9 [http://europa.eu.int/comm/research/science-society/women/enwise/events_en.html].

European Commission 2004. "The Situation of Roma in an Enlarged European Union." Employment and Social Affairs, Brussels

European Commission 2005a. "Progress Report Croatia." Brussels

European Commission. 2005b. "Progress Report Serbia and Montenegro." Brussels.

European Commission. 2005c. "Report On Social Inclusion: An analysis of the National Action Plans on Social Inclusion (2004–2006)." Brussels

European Commission. 2005d. "Third Report on Croatia." Adopted on 17 December 2004 by the European Commission against Racism and Intolerance. Brussels

European Council. 2005. "European Council on Refugees and Exiles: Serbia & Montenegro Country Report 2004." Brussels

European Roma Rights Centre. 2001. "Government Programmes on Roma." Budapest.

_____. 2003. "Anti-Discrimination Law." Budapest.

_____. 2005. "In the aftermath of ethnic cleansing: Continued persecution of Roma, Ashkalis, Egyptians and others perceived as 'Gypsies' in Kosovo." Memorandum. Roma Rights Quarterly, Central and Eastern Online Library, www.ceeol.com).

European Union. 1996. Amsterdam Treaty of the European Union [www.europarl.europa.eu/topics/treaty/pdf/amst-en.pdf].

European University Association. 2007. TRENDS V

Fila, V. 2007. "Implementacija akcionih planova za unapređenje položaja Roma i kalendar događanja za narednu godinu in Ljuan Koka, Izazovi dekade Roma." Služba za ljudska i manjinska prava, Sekretarijat za sprovođenje nacionalne strategije Roma, Beograd.

Fond za otvoreno društvo. 2007. IPA Vodič kroz Instrumente za pretpristupnu pomoć EU 2007-2013, Evropski pokret u Srbiji, Beograd.

Global Commission on International Migration (GCIM.)2005. "Migration in an Interconnected World: New Directions for Action." Geneva.

- Government of the Republic of Serbia. 2006. "The Serbian National MDGs: Strengthened Health Systems Save More Lives." Belgrade.
- Greig, A., M. Kimmel and J. M. Lang. 2000. "Masculinities and Development: Broadening Our Work Towards Gender Equality." Monograph Series on Gender in Development, No-10. UN Development Programme, New York.
- Grupa 484. 2006. "Godišnji izveštaj o stanju ljudskih prava izbeglica, interno raseljenih lica, povratnika iz Zapadne Evrope, tražilaca azila i žrtava trgovine ljudima, Beograd
- . 2005a. "Ljudska prava izbeglica, raseljenih lica, povratnika i azilanata u Srbiji i Crnoj Gori." Belgrade
- . 2005db "Ostanak izbeglica u Srbiji: Integracija i zagovaranje za korisnike koji napuštaju kolektivne centre: Završni izveštaj sa preporukama." Beograd.
- Udruženje za društvenu istoriju, 2005. "Studije o izbeglištvu." Belgrade
- The Helsinki Committee for Human Rights in Bosnia and Herzegovina. 2006. "Human Rights Report on Bosnia and Herzegovina, January-December 2005."
- HERA (Network for Combating Human Trafficking in Central and Southern Europe) and ASTRA (Central and Eastern European Women's Network for Sexual and Reproductive Health and Rights). 2007. "Report on Human Trafficking." Belgrade
- Human Rights Watch. 2006a. "Country Summary for Bosnia and Herzegovina." New York
- . 2006b. "Country Summary for Croatia." New York
- . 2006c. "Country Summary for Serbia and Montenegro." New York
- Institut za strateške studije i prognoze. 2003. Istraživanje o domaćinstvima Roma, Aškalija i Egipćana, izbjeglica i interno raseljenih lica u Crnoj Gori. Beograd.
- Institut za zaštitu zdravlja Srbije. 2005. "Godišnji izveštaj o imunizacijama u Srbiji: 2005." Beograd.
- International Federation for Human Rights (FIDH). 2005. "Serbia: Discrimination and Corruption: The Flaws in the Health Care System." International fact-finding mission. Paris
- International Organization for Migration (IOM) and GARP. 2005. Program pomoći vlade Savezne Republike Nemačke pri repatrijaciji; REAG, Program reintegracije i emigracije za azilante u Nemačkoj— Program pružanja finansijske pomoći izbeglim licima, Januar.
- Jakšić, B. 2005. "Uslovi života romske porodice u Srbiji." In *Umetnost preživljavanja – gde i kako žive Romi u Srbiji*, G. Bašić, and B. Jakšić, eds. Institute for Philosophy and Social Theory, Belgrade.
- Jelinčić, J. ed. 2007. "Evropeizacija Srbije." Fond za Otvoreno društvo, Beograd.
- Jović, A. 2007. "Strategija za smanjivanje siromaštva, in Izazovi dekade Roma, Služba za ljudska i manjinska prava." Sekretarijat za sprovođenje nacionalne strategije Roma, Beograd.
- Kancelarija Vlade Republike Srbije za pridruživanje Evropskoj Uniji. 2004. Regionalna politika Evropske Unije, Beograd.
- Kancelarija Vlade Srbije za pridruživanje Evropskoj Uniji. 2005. Nacionalna strategija Srbije za pristupanje Srbije i Crne Gore Evropskoj Uniji, Beograd.
- Koka, L. 2007. "Izazovi dekade Roma, Služba za ljudska i manjinska prava." Sekretarijat za sprovođenje nacionalne strategije Roma, Beograd.
- Lajh, D. 2002. "Stability Pact Slovenia: NGOs Evaluation Study." [www.mirovni-institut.si/eng_html/pub_staff.htm].
- Limanowska, B. 2002. "Trafficking in Human Beings in South Eastern Europe: Current situation and responses to trafficking in human beings in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Federal Republic of Yugoslavia, the Former Yugoslav Republic of Macedonia, Moldova and Romania." Unicef, UNOHCR, OSCE/ODIHR, Belgrade
- Macura, V. 1996. "Bedniji od najbednijih ili kratak opis stanja trideset i jedne romske enklave u Beogradu gledano sa urbanisticko-geografskog stanovista." Zbornik radova, SANU, Beograd

- Mailman, N. 2005. "Kosovo: UN delay in responding to lead poisoning threatens Roma." Refugees International, Washington, DC.
- Matković, G. 2005. "Overview of Poverty and Social Exclusion in the Western Balkans." Paper prepared for the conference, "Western Balkans Forum on Social Inclusion and Millennium Development Goals," Tirana, 23-24 June.
- Međuagencijska radna grupa za interno raseljena lica. 2004. "Analiza situacije interno raseljenih lica sa Kosova u Srbiji i Crnoj Gori: zakon i praksa, oktobar.
- Međunarodni komitet Crvenog krsta (MKCK). 2005. "Situacija interno raseljenih lica u Srbiji i Crnoj Gori", Beograd
- Mesić, M., and D. Babić. 2007. "Održivost manjinskog povratka u Hrvatskoj" UN High Commissioner for Refugees, Zagreb
- Minic, J. ed. 2007. "Regional Cooperation for Development and European Integration." European Movement in Serbia, Belgrade, Podgorica, Pristina, Sarajevo, Skopje, Tirana, Zagreb.
- Ministarstvo za ljudska i manjinska prava. 2006. "Nacrt strategije za reintegraciju povratnika na osnovu sporazuma o readmisiji." Beograd.
- Multanen, E. 2003. "Adekvatno uključivanje izbeglica i raseljenih lica u Strategiju za smanjenje siromaštva." Grupa 484, Beograd.
- Nikolić-Ristanović, V. 2000. "Od žrtve do zatvorenice, Nasilje u porodici i kriminalitet žena." VDS i IKSI, Beograd.
- . 2002. "Porodično nasilje u Srbiji, Viktimološko društvo Srbije." Prometej, Beograd.
- Norwegian Refugee Council. 2005a. Database Profile of Internal Displacement: Serbia and Montenegro. Oslo/www.nrc.no.
- . 2005b. "IDPs from Kosovo: stuck between uncertain return prospects and denial of local integration." Internal Displacement Monitoring Centre, formerly the Global IDP Project
- Open Society Institute. 2005. "Left Out: Roma and Access to Health Care in Eastern and South Eastern Europe Public Health Programme." New York
- . 2006. "Equal Access to Quality Education for Roma: Monitoring Report for Bulgaria, Hungary, Romania and Serbia." In *Equality for Roma in Europe—A Roadmap for Action*, L. Hollo, ed. New York (64).
- Fond za otvoreno društvo, 2007. "Jednaka dostupnost kvalitetnog obrazovanja za Rome u Srbiji." Monitoring reports. Beograd
- Organization for Security and Co-operation in Europe (OSCE). 2005a. "Access to housing and property rights in Kosovo." OSCE and the Ministry of Environment and Planning Working Group, Belgrade
- . 2005b. "Izvješće o povratku izbjeglica u Hrvatsku i statusu provedbe sarajevske Ministarske deklaracije iz siječnja 2005." Godine o povratku izbjeglica.
- . 2005c. "OSCE Mission to Croatia concerned returnees may lose homes." Zagreb.
- . 2006. "Roma Housing and Settlements in South-Eastern Europe—Profile and Achievements in Serbia in a Comparative Framework, Summary and Recommendations." Office for Democratic Institutions and Human Rights, Warsaw.
- Papić, Ž. 1994. "The Women's Movement in Former Yugoslavia: 1970s and 1980s." In *What can we do for ourselves*. East European Feminist Conference and Centre for Women's Studies, Research and Communication, Belgrade.
- Pavlović, D. 2005. "Nations in Transit 2005: Serbia and Montenegro with an addendum on Kosovo." Freedom House, Budapest.
- Pawlowsky, K. 2004. "Rediscovering Higher Education in Europe." UN Educational, Scientific and Cultural Organization, UNESCO and National Louis University, Bucharest.
- Ranis, G. and F. Stewart. 2000. "Strategies for Success in Human Development." In *Journal of Human Development*, 1 (1).

- Refugees International. 2005. "Kosovo: Roma returns stalled by security concerns, politics and discrimination." Washington DC.
- Reichart, S. 2006. *The Rise of Knowledge Regions: Emerging Opportunities and Challenges for Universities*. European University Association (EUA), Brussels.
- Kopaonička škola prirodnog prava. 2002 "Zbirka članaka." Kopaonik.
- Srpski demokratski forum (SDF) Hrvatska. 2005. Analiza «Road Map», prijedloga Vlade RH o rješenju izbjegličkog pitanja, Zagreb, Septembar.
- Sekretarijat za evropske poslove Vlade Republike Makedonije [www.sei.gov.mk/prasalnik/].
- Serbian Statistical Office and UN Development Programme (UNDP). 2005. "The Position of Women in the Labour Market of Serbia." In *Women and Men in Serbia*. UNDP and Gender Equality Council, Belgrade, 55.
- Secretary General to the Security Council (SGSC). 2005. "Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo." S/2005/335: 05-33918 (E), 23 May. New York
- Stanković, F. 2006. "Entrepreneurialism at the University of Novi Sad." In *Higher Education in Europe*, 31 (2).
- . 2007. "Higher Education Market and Consequences for Serbia." In *Higher Education Management and Development in Central, Southern and Eastern Europe*, A. Puisits and A. Pellert, eds. Waxman Verlag GmbH, Muenster.
- Strategies, Training and Advocacy for Reconciliation (STAR). 2002. "Finalni izveštaj." Zagreb
- Stewart, R. G., and F. A. Ramirez. 2000. "Economic Growth and Human Development." In *World Development*, 28 (2).
- Stojanović, J. et al. 2007. "Equal Access To Quality Education For Roma." Open Society Institute, Belgrade
- Surtees, R. 2005. "Second Annual Report on Victims of Trafficking in South Eastern Europe." International Organization for Migration, Geneva.
- Svetska banka. 2006. "Procena tržišta rada u Srbiji." Beograd.
- Tatić, D. ———, ed. 2003. "Ključ za jednakost." Centar za samostalni život invalida Srbije, Beograd.
- . 2006. "Uvod u Međunarodnu konvenciju o pravima osoba sa invaliditetom." Centar za samostalni život invalida Srbije, Beograd.
- Tatić, D., et al. 2007. "Izveštaj o položaju osoba sa invaliditetom u Srbiji: Analiza pravne regulative i prakse." Linker, 4 Beograd.
- Templton, M. N., ed. 2001. "On the Margins—Roma and Public Services in Romania, Bulgaria, and Macedonia." Report to the Open Society Institute. New York.
- Terdevci, F. 2005. *Kosovo Explosive Tensions*. Transitions Online, University of Buffalo
- Trkulja, J. ed. 2003. "Prava osoba sa invaliditetom." Centar za unapredjenje pravnih studija, Beograd
- Tuetsch, C. 2005. "Kosovo's Burdensome Path to Economic Development and Interethnic Coexistence: FAST Risk Profile Kosovo." Swisspeace, Bern.
- United Nations. 1993. "United Nations Standard Rules for Equalization of Opportunities for Persons with Disabilities." New York
- . 2005a "Concluding Observations of the Committee on Economic, Social and Cultural Rights, Serbia and Montenegro." Thirty-fourth session, 25 April–13 May. E/C.12/1/Add.108. New York
- . 2005b. "Ombudsperson Institution in Kosovo: Fifth Annual Report 2004–2005." Addressed to the Special Representative of the Secretary-General of the United Nations. New York.
- . 2007. "Serbia Multiple Indicator Cluster Survey 2005: Monitoring the situation of children and women." O. Petrovic, ed. Belgrade.
- UNICEF Serbia. 2007. "Breaking the Cycle of Exclusion—Roma Children in South East Europe." Belgrade.
- UNICEF, Office of the High Commissioner for Human Rights, Government of the Republic of Serbia. 2006. "Millennium Development Goals in the Republic of Serbia: Monitoring Framework, National

Plan of Action for the improvement of the position of women and strengthening of gender equality (2007-2010)." [www.awin.org.yu].

UN Development Programme (UNDP). 2005. *Human Development Report Serbia 2005: The Strength of Diversity*. Belgrade.

———. 2006. "At Risk: Roma and the Displaced in Southeast Europe. Roma Settlements—living conditions and potential for Roma integration in Serbia." Bratislava.

UNDP Serbia. 2006. "At Risk: Social Vulnerability of Roma, Refugees and IDPs in Serbia." Belgrade.

UNDP and the Gender Equality Council. 2006. *The Position of Women in the Labour Market of Serbia*. Belgrade.

UN General Assembly. 2005. "The Report of the Representative of the Secretary-General on the human rights of internally displaced persons." Prepared by Walter Kalin. Submitted in accordance with General Assembly resolution 58/177 and Commission on Human Rights resolution 2005/46,. New York, 7 September.

UN High Commissioner for Refugees (UNHCR). 2001. "Komesarijat za izbeglice Republike Srbije." Registracija izbeglica, Beograd

———. 2005a. "Collective Accommodation of Refugees and IDPs in Serbia and Montenegro (as of 1 November 2005)." Geneva

———. 2005b. "IDPs in Serbia and Montenegro (other than Kosovo) by Current Place of Asylum (as of 1 November 2005)." Geneva

———. 2005c. "Operations in Serbia and Montenegro." Briefing note. Geneva

———. 2005d. "Position on the Continued International Protection Needs of Individuals from Kosovo." Geneva

———. 2005e. "Refugees in Serbia and Montenegro (other than Kosovo) by Country of Origin and Current Place of Asylum (as of 1 November 2005)." Geneva

———. 2005f. "Update on Conditions for Return to Bosnia and Herzegovina." Geneva.

———. 2006a. "Asylum Levels and Trends in Industrialized Countries 2005." Geneva

———. 2006b. *The State of the World's Refugees*. Geneva

———. 2007. "Analiza položaja interno raseljenih lica sa Kosova u Srbiji." Praxis, Beograd

UNHCR, OSCE and Humanitarian Centre for Refugees. 2007. "Integration of Refugees in Serbia." Belgrade

US Department of State. 2005. "Country Report for Serbia and Montenegro 2004." Washington DC .

Vlada Republike Srbije. 2003a. „Nacionalna strategija za rešavanje problema izbeglica i raseljenih lica." Beograd

———. 2003b. "Strategija za smanjenje siromaštva." Beograd.

———. 2005. "Strategija za pridruživanje EU." Beograd.

———. 2006. "Plan za sprovođenje prioriteta iz Evropskog partnerstva." Beograd.

Walter, Kalin. 2005. Statement to the press by the UN Secretary-General's Representative for the Human Rights of Internally Displaced Persons. 24 June.

World Bank. 2002. "Constructing Knowledge Societies: New Challenges for Tertiary Education." Belgrade

———. 2003. "Project appraisal document on a proposed credit to Serbia and Montenegro." Report no. 2: 5656-YU Serbia and Montenegro. Serbia Health Project, Belgrade

World Health Organization (WHO). Constitution. The Preamble. Geneva.

———. 2001. *Macroeconomics and Health. Investing in health for economic development*. Geneva

———. 2005. Regional Office for Europe [www.euro.who.int/Document/HSM/healthsys_savelives.pdf].

———. 2006. "Gaining Health: the European Strategy for Prevention and Control of Non-Communicable Disease, Copenhagen, 31. World Health Organization- Comnstitution - The Preamble

Chapter 6

Aucoin, Louis, and Eileen Babbitt. 2006. *Transitional Justice: Assesment Survey of Conditions in Former Yugoslavia*. UN Development Programme, Country Office for Serbia and Montenegro, Belgrade.

Belgrade Centre for Human Rights. 2007. *Human Rights in Serbia 2006—Legal Provisions and Practice Compared to International Human Standards*. Belgrade.

———. 2008. *Human Rights in Serbia 2007—Legal provisions and practice compared to international human rights standards*. Belgrade.

Bureau of International Narcotics and Law Enforcement Affairs. 2008. *Drug and Chemical Control*. Volume I of *The 2008 International Narcotics Control Strategy Report*. Washington, DC.

Centre for Development of Legal Studies. 2001. *Trafficking of men, women and children*. Belgrade.

Center for Liberal-Democratic Studies. 2001. *Corruption in Serbia*. Belgrade.

Collett, Elizabeth. 2005. *Towards a European Area of Freedom, Security and Justice: External border control—Security before freedom?* European Policy Center, Issue 14, Brussels

Commission of the European Communities. 2003a. "Communication from the Commission: Governance and Development." COM (2003) 615 final, 20 October. Brussels.

———. 2003b. "Communication from the Commission: On a comprehensive EU policy against corruption.» /*COM/2003/0317 final*/. Brussels.

———. 2006a. «Communication from the Commission: Policy priorities in the fight against illegal immigration of third-country nationals.» COM (2006) 402 final, 19 July. Brussels.

———. 2006b. «Communication from the Commission: The Western Balkans on the road to the EU: consolidating stability and raising prosperity.» COM (2006) final, 27 January. Brussels.

———. 2007a. «Communication from the Commission: Applying the Global Approach to Migration to the Eastern and South-Eastern Regions Neighbouring the European Union." COM. (2007), 247 final. 16 May. Brussels.

———. 2007b. "Proposal for a Council Decision on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2006/56/EC (presented by the Commission)." COM (2007) 660, 6 November. Brussels.

———. 2007c. *Serbia 2007 Progress Report*. Commission staff working document. COM (2007) 663, 6 November. Brussels.

———. 2008. «Communication from the Commission: Western Balkans: Enhancing the European perspective.» COM (2008) 127, 5 March. Brussels.

Council of Europe. Statistics on the conventions of the Council of Europe that Serbia has signed and ratified [www.coe.org.yu/eng/articles/serbia-and-coe/signed-ratified-documents/], [www.coe.org.rs/eng/tdoc_sr/serbia_and_coe/?conid=28].

———. 2001. "Recommendation (2001) 11 of the Committee of Ministers to member states concerning guiding principles on the fight against organized crime." Strasbourg.

Council of Europe and the European Commission. 2005a. "A situation report on organized and economic crime in South Eastern Europe. CARDS (Community Assistance for Reconstruction, Development and Stabilisation) Regional Police Project, Strasbourg.

———. 2005b. "Meeting of Ministers of Interior and Senior Officials from South-eastern Europe on the Regional Strategy on Tools against Organised and Economic Crime." Brijuni Island, 22-23 September.

———. 2006. *Situation Report on Organised and Economic Crime in South-eastern Europe*. Strasbourg. CARPO Regional Project, Strasbourg.

———. 2007. *Update of the 2006 Situation Report on Organised and Economic Crime in South-Eastern Europe*. CARPO Regional Project, Strasbourg.

- Council of Europe and Institute for International Studies. 2003. *Cross-border co-operation in the Balkan-Danube area—An analysis of Strengths, Weaknesses, Opportunities and Threats*. Gorizia
- Council of the European Union. 2003. *A Secure Europe in a Better World*. European Security Strategy. Brussels, 12 December.
- . 2005. "Strategy for the external dimension of JHA: Global Freedom, Security and Justice." 14366/05, 11 November. Brussels.
- . 2006. "Action Oriented Paper on Improving Cooperation, on Organised Crime, Corruption, Illegal Immigration and Counter Terrorism, between the EU, Western Balkans and relevant ENP countries." 9272/06, 12 May. Brussels.
- . 2007. "Framework Decision on Racism and Xenophobia." Luxembourg, 19-20 April.
- Crisis Group Europe. 2005. *EU Visas and the Western Balkans*. Crisis Group Europe Report N°168, 29 November. Brussels
- European Commission for Democracy through Law (Venice Commission). 2007. "Opinion on the Constitution of Serbia." CDL-AD (2007) 004. Adopted by the commission at its 70th plenary session, Venice, 17-18 March.
- European Monitoring Centre for Drugs and Drug Addiction. 2006. *The State of the Drugs Problem in Europe: Annual Report 2006*. Lisbon.
- Europol. 2006a. *OCTA EU Organised Crime Threat Assessment 2006*. The Hague.
- . 2006b. *Trafficking of women and children for sexual exploitation in the EU: The involvement of Western Balkans Organised Crime 2006*. Crimes against Persons Unit, The Hague.
- EU-Western Balkans Forum. 2003. "Joint Conclusions." Justice and Home Affairs Ministerial Meeting, Brussels, 28 November.
- EU-Western Balkan Summit. 2003. *The Thessaloniki Declaration of the EU-Western Balkan Summit—Agenda for the Western Balkans: Moving towards European integration*. Thessaloniki, 21 June [http://ec.europa.eu/enlargement/index_en.htm].
- Friedrich Ebert Stiftung. 2006. *Fighting Corruption in Serbia, between the national strategy and the action plan*. Belgrade.
- Freedom House. 2007. *The Freedom in the World 2007 Edition: Country Report Serbia* [www.freedomhouse.org/template.cfm?page=22&country=7334&year=2007].
- Freedom House, European Movement in Serbia and the Kosovo Institute for Political Research and Development. 2005. *A Shared European Vision: Free movement of goods and people in Kosovo and in Serbia*. Skopje.
- Global Integrity. 2006. *2006 Global Integrity Report* [www.globalintegrity.org/reports/2006/Serbia/index.cfm].
- Government of the Republic of Serbia. Documents [www.srbija.sr.gov.yu].
- . Adopted laws and laws undergoing adoption [www.parlament.sr.gov.yu].
- The Government of the Republic of Serbia. 2006a. «Report on the implementation of the UN programme of action to prevent, combat and eradicate the illicit trade in small arms and light weapons, in all its aspects for 2005/2006.» [<http://disarmament.un.org/CAB/nationalreports/2006/Serbia%202006.pdf>].
- . 2006b. «Strategy of integrated border management in the Republic of Serbia.» [www.srbija.sr.gov.yu].
- . 2007. "Action plan for implementation of priorities of the European Partnership." 06-4751/2007-1. Adopted by the Government on 2 August [www.srbija.sr.gov.yu].
- Group of States Against Corruption (GRECO). 2006. *Evaluation Report on the Republic of Serbia*. Joint First and Second Evaluation Round adopted at the 29th Plenary Meeting, Strasbourg, 19-23 June.
- Human Rights Watch. 2007. *Nedovršeni posao—Veće za ratne zločine*. New York.

- International Bank for Reconstruction and Development and the World Bank. 2006. *Global Economic Prospects: Economic Implications of Remittances and Migration*. Washington DC.
- International Commission on the Balkans. 2005. *The Balkans in Europe's Future*. Report of the commission, April. Sofia.
- International Court of Justice. 2007. "Case concerning the application of the Convention on the Prevention and Punishment of the Crime of Genocide (Bosnia and Herzegovina v. Serbia and Montenegro)." Judgement, 26 February, General List No. 91. The Hague,
- International Organization for Migration (IOM). 2005. *The Second Annual Report on Victims of Trafficking in South-Eastern Europe of the Regional Clearing Point for South Eastern Europe*. Belgrade.
- Kaufmann Daniel, Aart Kraay and Massimo Mastruzzi. 2007. *Governance Matters VI: Aggregate and Individual Governance Indicators for 1996-2006*. World Bank, Washington, DC.
- Kron, Ana. 2007. "Missing Persons and Models of Regional Cooperation." Policy paper 03. UN Development Programme, Belgrade.
- Stability Pact: Initiative against *Organised Crime*. 2002. «Defeating Organised Crime in SEE.» The London Statement. Ministerial conference, 25 November.
- Luif, Paul, and Henriette Riegler. 2006. *The external dimension of the EU's area of freedom, security and justice in relation to the Western Balkan countries*. Study No. EP/ExPol/B/2006/16 for the Directorate-General for External Policies of the Union, European Parliament, final version, 28 September. Brussels.
- Mental Health Commission, Ministry of Health, Republic of Serbia. 2007. *National Strategy of Mental Health and the Action Plan*. Adopted by the Government on 19 January. Belgrade.
- Milinković, Branko. 2006. *Jučerašnji neprijatelji, sutrašnji partneri* (Yesterday's Enemies, Tomorrow's Friend). In *Evropski Forum*, 11-12.
- Organization for Security and Co-operation in Europe (OSCE). 2006. *From policy to practice: Combating trafficking in human beings in the OSCE region*. SEC/GAL/152/06. Warsaw.
- OSCE Mission to Serbia and UN Interregional Crime and Justice Research Institute (UNICRI). 2006. *A Report on Money Laundering and Predicate Crime in Serbia 2000-2005*. Belgrade.
- South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC). 2005. *SALW and Private Security Companies in South Eastern Europe: A Cause or Effect of Insecurity?* Second edition. Belgrade.
- . 2006. *Analysis of national legislation on arms export and transfer in the Western Balkans*. Belgrade.
- . 2007. *Firearms Possession and Domestic Violence in the Western Balkans: A Comparative Study of Legislation and Implementation Mechanisms*. Belgrade.
- State Secretariat for Economic Affairs (SECO). 2007. *Development Financing and the Remittance Market in Serbia and Switzerland*, A survey commissioned by SECO. Bern
- Stewart, Frances. 2004. "Development and Security." Working Paper 3. Center for Research on Inequality, Human Security and Ethnicity, Queen Elizabeth House, Oxford University, Oxford
- Strategic Marketing Research. 2005. "Public Opinion Survey on Organized Crime in Serbia." International conference on perceptions and strategies for fighting organized crime, "What is 'organized crime' today?" The Red House Centre for Culture and Debate, Sofia, 21-22 April.
- United Nations. 2004. *A more secure world: Our shared responsibility*. Secretary-General's High-level Panel on Threats, Challenges and Change, New York.
- UN Development Programme (UNDP). 1990. *Human Development Report 1990: Concept and Measurement of Human Development*. Oxford University Press, New York and Oxford.
- . 1994. *Human Development Report 1994: New Dimensions of Human Security*. Oxford University Press, New York and Oxford.
- . 2002. *Human Development Report 2002: Deepening Democracy in a Fragmented World*. Oxford University Press, New York and Oxford.

———. 2005a. *Human Development Report 2005: International cooperation at a crossroads: Aid, trade and security in an unequal world*. Oxford University Press, New York and Oxford.

———. 2005b. *Living with the legacy—SALW Survey Republic of Serbia*. Small Arms Control in Serbia and Montenegro project, Belgrade.

UN Children's Fund (UNICEF) and Terres des Hommes. 2006. *Action to prevent child trafficking in South Eastern Europe: A Preliminary Assessment*. Geneva.

UN Economic and Social Council (ECOSOC). 2002. "Report of the United Nations High Commissioner for Human Rights to the Economic and Social Council: Recommended Principles and Guidelines on Human Rights and Human Trafficking.» E/2002/68/Add.1.

UN Interim Administration Mission in Kosovo (UNMIK). 2007. "Fact Sheet: Kosovo in April 2007." Pristina.

UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and UNDP. 2006. *Governance for the Future: Democracy and Development in the Least Developed Countries*. New York.

UN Office on Drugs and Crime (UNODC). Relevant UN conventions regarding fighting organized crime and corruption [www.unodc.org].

———. 2002. *Global Programme against Transnational Organized Crime: Results of a pilot survey of forty selected organized criminal groups in sixteen countries*. Global Programme against Transnational Organized Crime, Vienna.

———. 2006. *2006 World Drug Report*. Vol. 1: Analysis. Vienna.

———. 2007a. "Statistics on drug trafficking trends in Europe and worldwide." UNODC/HONEURO/2007/CRP.1. From the 7th Meeting of Heads of National Drug Law Enforcement Agencies, Europe, Vienna, 22 May.

———. 2007b. *2007 World Drug Report*. Vienna.

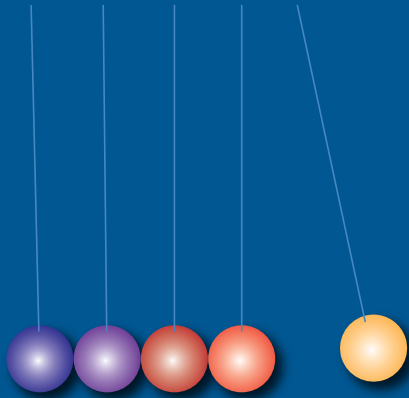
UNODC and the World Bank. 2007. *Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities, and Action Plan*. Washington, DC.

UN Security Council. 2004. "Report of the Secretary General: The rule of law and transitional justice and conflict and post-conflict societies." New York, 23 August.

US Department of State. 2007. *Victims of Trafficking and Violence Protection Act of 2000: Trafficking in Persons Report 2007*. Office to Monitor and Combat Trafficking in Persons, Washington, DC.

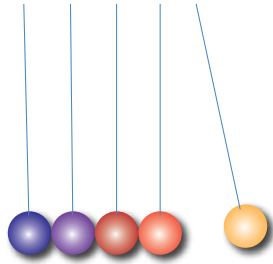
World Bank. 2006. *Serbia-Labor Market Assessment*. Report No. 36576-YU. Human Development Sector Unit, Washington, DC.

World Bank Institute. 2007. *Governance Matters 2007: Worldwide Governance Indicators 1996-2006*. Country data report for Serbia. Washington, DC.



ANNEX

**HUMAN DEVELOPMENT
INDICATORS**



ANNEX

1. HUMAN DEVELOPMENT INDEX – HDI

1.1. Methodology

The HDI was calculated by using the standard methodology, at the national and regional/local level (province and districts). The definitions of individual indices are presented along with the results for the relevant index. The key sources of data for the calculation of the human development indices include the documents, statements and publications of the Serbian Statistical Office. Apart from the official statistical data, the calculations made use of expert¹⁹⁸ estimates of purchasing power parity (PPP) adjusted to the GDP of Serbia expressed in EURO, converted into PPP USD (according to PPP ratios published by OECD).

1.2. Basic findings

HDI is a composite index measuring the development of a certain territory. It includes three basic dimensions of human development:

- a) General quality of life, expressed as life expectancy;
- a) Literacy rate and the education enrollment ratio, as the key long-term development factor (literacy rate and combined primary, secondary and higher education enrollment ration);
- a) Economic welfare expressed as production, or gross domestic product of the territory.

The Human Development Index is the simple average of three basic indices

$$\text{HDI} = (I_1 + I_2 + I_3) / 3,$$

I_1 – Life expectancy index

I_2 – Education index

I_3 – GDP index

The three basic indices measure relative performance according to the principle

$$(I - I_{\min}) / (I_{\max} - I_{\min})$$

The minimum and maximum goalposts for individual indices must be defined.

I_1 – Life expectancy index

Life expectancy in 2004 = 72.5

Life expectancy MIN = 25

¹⁹⁸ Source: The Vienna Institute for International Economic Studies, WIIW.

Life expectancy MAX = 85

$$I_1 = (72.4 - 25) / (85 - 25) = 0.792$$

I₂ – Education index

The education index is a weighted arithmetic mean of the adult literacy index, weighted with 2/3, and the gross enrollment rate, weighted 1/3. Data on adult literacy ratio are available from the 2002 Census, and gross enrollment data from are estimates for 2005.

$$I_2 = (2 * I_p + I_0) / 3$$

Adult literacy rate 2002 = 96.6

Adult literacy rate MIN = 0

Adult literacy rate MAX = 100

$$I_p = (96.6 - 0) / (100 - 0) = 0.966$$

Primary education enrollment is the ratio of children enrolled in primary education and the total children population aged from 7 to 14. Secondary and higher education enrollment ratios are calculated in a similar manner. And finally, the education enrollment ratio is the average of the three indices.

Education enrollment index 2004 = 74.5

Education enrollment index MIN = 0

Education enrollment index MAX = 100

$$I_0 = (74.2 - 0) / (100 - 0) = 0.745$$

$$I_2 = (2 * 0.966 + 0.745) / 3 = 0.892$$

I₃ – GDP Index

The GDP Index is the result of multiplying the difference in logarithmic values of GDP indicators¹⁹⁹ and the relevant values:

Gross domestic product (PPP) 2004 = 7788 US\$

Gross domestic product (PPP) MIN = 100 US\$

Gross domestic product (PPP) MAX = 40,000 US\$

$$I_3 = (\log(7788) - \log(100)) / (\log(40,000) - \log(100)) = 0.727$$

Gross domestic product (GDP) expressed in purchasing power parity (PPP) in USD is the expert estimate by WIIW originally expressed in PPP EUR and converted into PPP USD using the OECD assessment of the EUR/USD purchasing power parity. We note the absence of regular official and internationally verified GDP estimates expressed as PPP. Also, the most recent revision of the GDP series by official statistics (used to calculate the stated estimates) makes the GDP index not comparable with calculated indices published in the preceding years.

Finally, the HDI is calculated as the average of the three above defined indices:

$$HDI = (0.792 + 0.892 + 0.727) / 3 = 0.804$$

Table 7 presents the increase of the HDI in Serbia in the period 1999 – 2005. The first two index components (life expectancy and education) generally do not vary significantly over short time intervals of only several years; there is also a problem of statistical monitoring

¹⁹⁹ This with the base of ten, $\log_{10}(x)$.

(one component – the literacy rate – is available only from population census which is done once in 10 years). Yet, there is a clear moderate increase in the education index and the life expectancy index. We have noted earlier that there are major problems in terms of availability of internationally comparable calculations of GDP for Serbia expressed as PPP, and even the problem of monitoring the very time frame of the calculation for Serbia²⁰⁰. Despite the issue of comparability of the calculation, there is a clear real growth of GDP in the period under review, meaning that the growth of GDP is a decisive factor of the significant increase of HDI. According to the achieved HDI for 2005 Serbia is approaching the countries with high HDI (values exceeding 0.8).

Table A1: HDI in the period between 1999 – 2005

Year	Education index	Life expectancy index	GDP index	HDI
1999	0.850	0.773	0.563	0.729
2002	0.885	0.780	0.651	0.772
2004	0.891	0.790	0.678	0.786
2005	0.892	0.792	0.727*	0.804

* The data for GDP 2005 includes also the increase due to the revision of the official calculation of GDP (the revision for the first time includes the input rent of the population and the improved calculation of added value in the state sector).

When comparing human development in countries of South-East Europe, Serbia in terms of HDI ranks fifth, before Bosnia and Herzegovina (0.803) and Macedonia (0.801), but lagging behind Bulgaria (0.824) and Romania (0.813). The socialist legacy in the region resulted in the fact that the human potential is higher than the actual achieved economic development measured as GDP per capita (PPP US\$).

Table A2: Human development in SE Europe 2005

	B i H	Bulgaria	Croatia	Hungary	Macedonia	Romania	Serbia
Life expectancy	74.5	72.7	75.3	72.9	73.8	71.9	72.7
Literacy rate (%)	96.7	98.2	98.1	99.4	96.1	97.3	96.6
Combined enrollment ratio (%)	69	81.5	73.5	89.3	70.1	76.8	74.5
GDP as purchasing power (PPP US\$), per capita	7.032	9.032	13.042	17.887	7.200	9.060	8.176
Life expectancy index	0.825	0.795	0.839	0.799	0.814	0.782	0.773
Education index	0.874	0.926	0.899	0.958	0.875	0.905	0.892
GDP index	0.710	0.752	0.813	0.866	0.714	0.752	0.727
Human development index	0.803	0.824	0.850	0.874	0.801	0.813	0.804
Difference in GDP rank and HDI rank in the world	17	11	4	2	11	3	6

Source: UNDP for countries in the region.

²⁰⁰ The consequence of the lack of reliable calculation of GDP PPP and the latest upward review of the GDP series by the Serbian Statistical Office.

1.3. Intra-country differences in the level of human development

The disaggregated calculation of HDI for the year 2005 confirms the within the country differences in development measured by HDI. The city of Belgrade, which in terms of its population and economy is a region by itself, is the leader in all aspects of human development.

Table A3: HDI and its components, by regions, Serbia 2005

	REGION			Republic of Serbia
	Belgrade	Vojvodina	Central Serbia (excl. Belgrade)	
Education index	1.002 ¹	0.878	0.835	0.892
Life expectancy index	0.800	0.773	0.798	0.792
GDP index	0.804	0.751	0.662	0.727
HDI	0.869	0.801	0.765	0.804
* The education index is higher than 1 due to migrations, inflow of pupils and students to the educational institutions in Belgrade				

According to the level of HDI, Vojvodina ranks second, although it has the lowest life expectancy index.

Table A4: HDI by districts, 2005

	Education index	Education index	Education index	HDI	Rank by HDI
City of Belgrade	1.002	0.800	0.804	0.869	1
Severno-bački	0.894	0.760	0.738	0.797	4
Srednje-banatski	0.873	0.767	0.726	0.789	6
Severno-banatski	0.831	0.758	0.744	0.778	11
Južno-banatski	0.836	0.763	0.741	0.780	8
Zapadno-bački	0.836	0.773	0.731	0.780	9
Južno-bački	0.955	0.790	0.800	0.848	2
Sremski	0.787	0.787	0.678	0.750	19
Mačvanski	0.831	0.788	0.693	0.771	13
Kolubarski	0.812	0.795	0.657	0.755	18
Podunavski	0.789	0.790	0.599	0.726	24
Braničevski	0.812	0.795	0.690	0.765	15
Šumadijski	0.910	0.798	0.666	0.791	5
Pomoravski	0.858	0.798	0.678	0.778	10
Borski	0.800	0.783	0.621	0.735	22
Zaječarski	0.871	0.807	0.641	0.773	12
Zlatiborski	0.832	0.815	0.663	0.770	14
Moravički	0.813	0.812	0.717	0.781	7
Raški	0.857	0.797	0.625	0.760	16
Rasinski	0.815	0.808	0.650	0.758	17
Nišavski	0.924	0.800	0.717	0.814	3
Toplički	0.810	0.792	0.599	0.734	23
Pirotski	0.774	0.807	0.660	0.747	20
Jablanički	0.837	0.787	0.580	0.735	21
Pčinjski	0.727	0.787	0.609	0.708	25

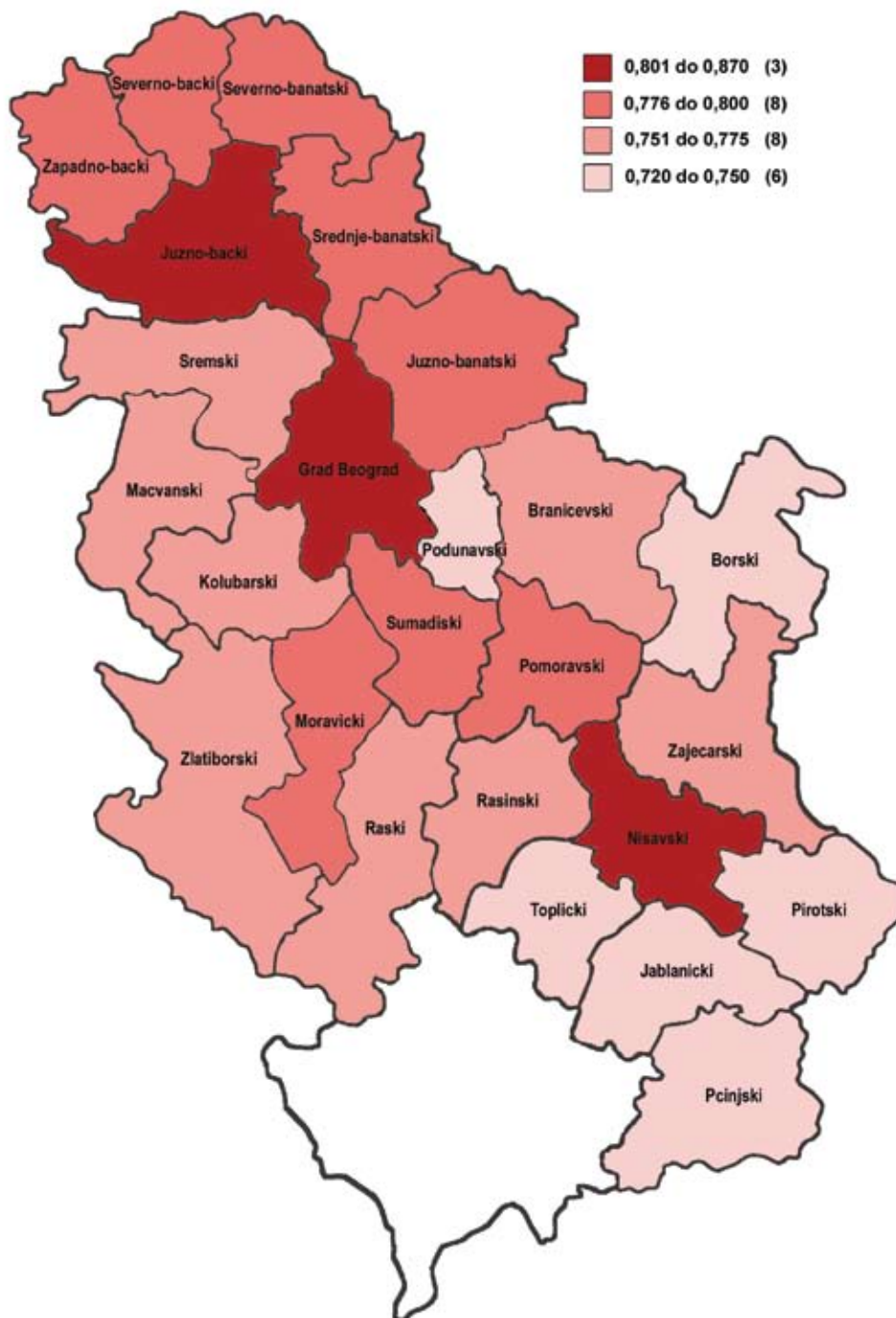
The education enrollment index and the life expectancy index are improving in more than one half of all the districts in Serbia, and the GDP index is increasing in all districts with the exception of the Podunavski district. This results in increased HDI in all districts except the Podunavski district. The HDI for 2005 indicates the pattern typical of Serbia with high development in the districts around the major city centers (Belgrade, Novi Sad, and Niš).

The values of HDI at regional level within the Republic of Serbia for the year 2005 spread over a wide interval due to significant differences in the NI (national income) per capita values²⁰¹. The difference between the most and the least developed districts has already been established based on economic indicators used for monitoring, planning and comparison of the level of development. The elements of HDI which determine the social development of districts rank them according to the human potential of sustainability. Less than a half (11) of all the districts in Serbia have a balanced level of economic and social development /underdevelopment, while in 14 districts there is a balance between the two which is identified by one of the two factors for the improvement of the current situation.

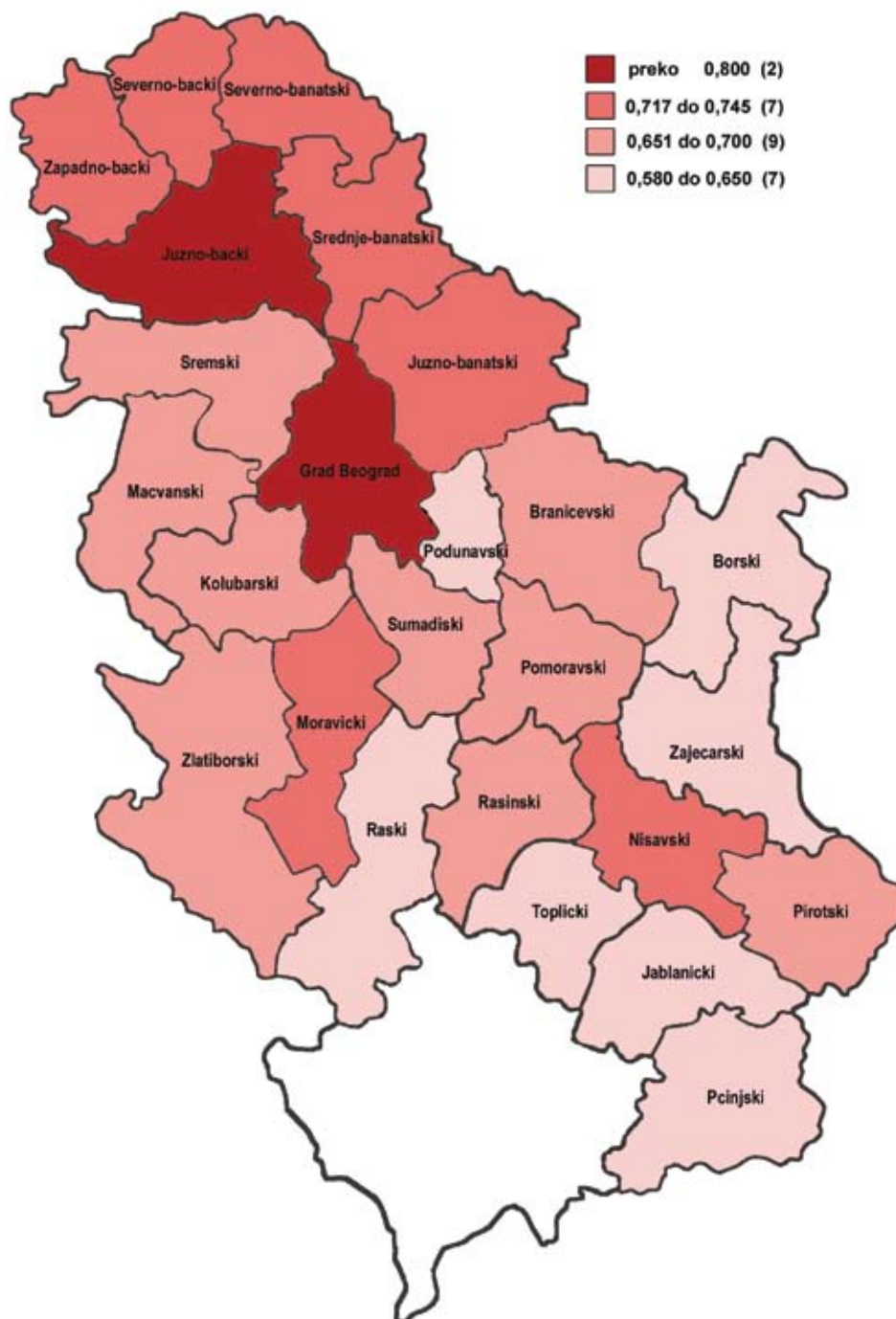
The high level of human development in 2005 exists in the Južno-bački district and the city of Belgrade, being also economically the most developed regions in 2005 (in terms of NI per capita). The underdeveloped districts demonstrate an equally strong correlation between the two factors, which confirms that in order to achieve overall development, each individual factor of development is required, but not sufficient on its own. Economically underdeveloped Jablanički, Borski, Podunavski, Toplički, Pčinjski and Raški districts also have low values of HDI, and such equal underdevelopment of human and economic capital still allows for diversification of the elements comprising the index.

²⁰¹ Due to lack of data for regional GDP, the GDP/capita has been substituted by national income per capita (NI/capita). Another remark related to methodology that needs to be made is that the NI for the year 2005 was calculated excluding VAT and it is not comparable to previous years.

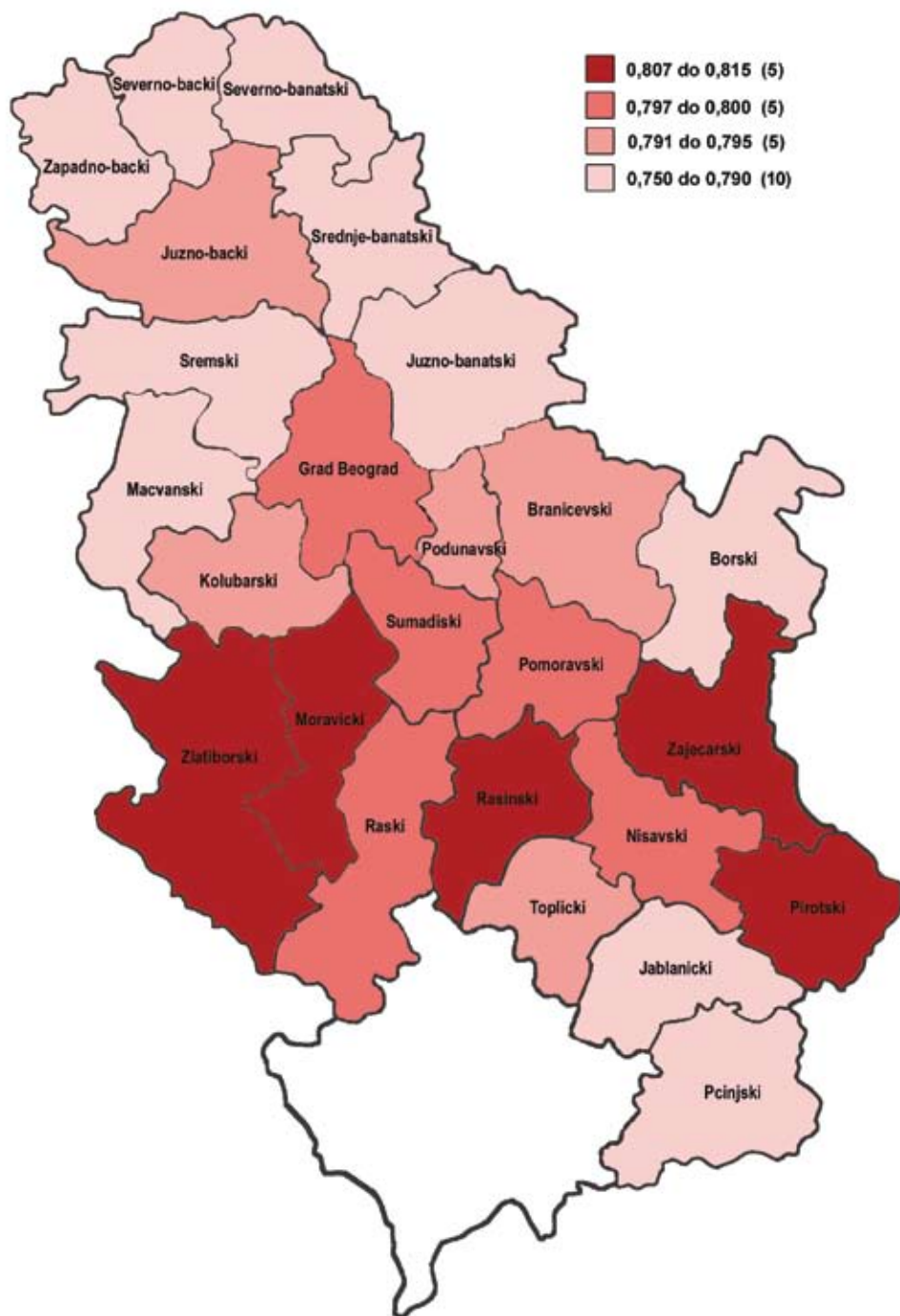
DISTRICTS BY HDI, 2005



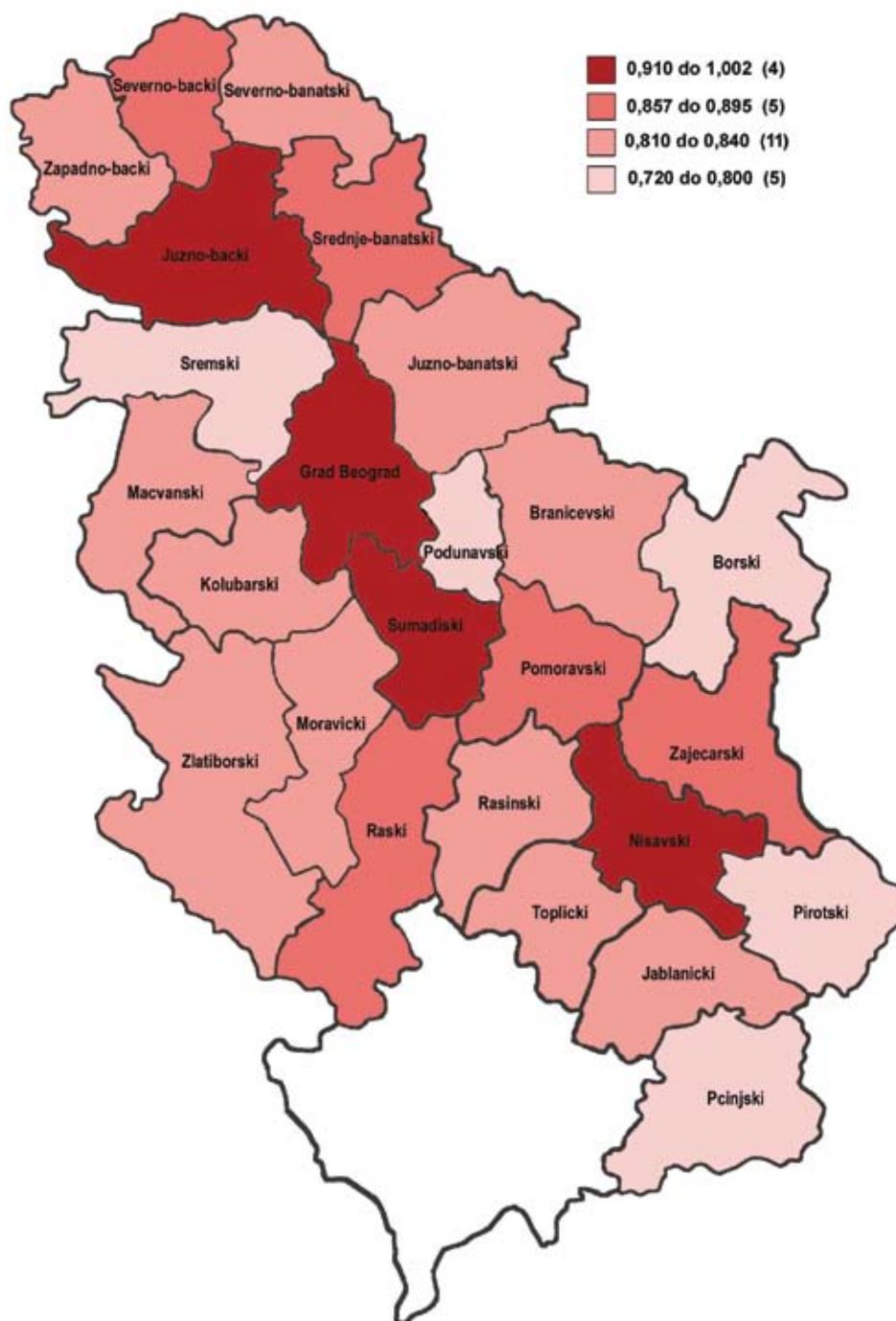
GDP per capita index by districts, 2005



Life expectancy index by districts



Education index by districts



1.4. Gender-related development index – GDI

The GDI (Gender-Related Development Index) adjusts the HDI for the existing gender inequality in development between men and women. The greater the inequality, the lower is the GDI relative to HDI. GDI is calculated by measuring the same components as for HDI, provided that these are gender segregated. Each individual index is a harmonic mean of the relative index by gender. The weights in the harmonic mean are the shares of men and women in the total population. The GDI is the simple arithmetic mean of the three basic indices.

$$GDI = (I_1 + I_2 + I_3) / 3$$

Table A5: Equally distributed life expectancy index

	Population estimate 2005, share	Life expectancy*	Life expectancy, MIN	Life expectancy, MAX
Women	0.514	75.05	27.5	87.5
Men	0.486	69.73	22.5	82.5

* Estimate for children born in the period 2001-2003, SSO

$$I_f = (75.05 - 27.5) / (87.5 - 27.5) = 0.793$$

$$I_m = (69.73 - 22.5) / (82.5 - 22.5) = 0.787$$

$$I_1 = (0.514 * (0.793)^{-1} + 0.486 * (0.787)^{-1})^{-1} = 0.790$$

Table A6: Equally distributed adult literacy index

	Population estimate 2005, share	Literacy index, 2002*	Literacy index, MIN	Literacy index, MAX
Women	0.514	94.3	0	100
Men	0.486	98.9	0	100

* Data available for the year 2002, according to the 2002 Census

$$I_{21f} = (94.3 - 0) / (100 - 0) = 0.943$$

$$I_{21m} = (98.9 - 0) / (100 - 0) = 0.989$$

$$I_2 = (0.514 * (0.943)^{-1} + 0.486 * (0.989)^{-1})^{-1} = 0.965$$

Table A7: Equally distributed gross enrollment index

	Population estimate 2005, share	Estimated enrollment index, 2005	Education index, MIN	Education index, MAX
Women	0.514	0.776	0	100
Men	0.486	0.717	0	100

$$I_2 = (0.514 * (0.776)^{-1} + 0.486 * (0.717)^{-1})^{-1} = 0.746$$

$$I_3 = (2 * 0.965 + 0.746) / 3 = 0.892$$

Table A8: Equally distributed income index

	Population estimate 2005, share	Economically active population 2005*, share	Estimated ratio of average wages for women compared to men, 20056
Women	3822.7	0.446	0.891
Men	3618.0	0.630	1.000

* Labour Force Survey (LFS) for the year 2005, SORS.

It is assumed that the average pay ratio between men and women and the level of economic activity per gender reflects the specific share of women/men to generating the gross domestic product. By applying adequate procedures based on this assumption, calculations are made of values of GDP added value in PPP USD for women and men. Finally, I_f and I_m are the GDP (PPP USD) indices for women and men:

$$I_f = (\log(5863) - \log(100)) / (\log(40000) - \log(100)) = 0.680$$

$$I_m = (\log(9822) - \log(100)) / (\log(40000) - \log(100)) = 0.766$$

$$I_3 = (0.514 * (0.680)^{-1} + 0.486 * (0.766)^{-1})^{-1} = 0.719$$

$$GDI = (0.790 + 0.892 + 0.719) / 3 = 0.800$$

Table A9: GDI trend and its components

	Education index	Life expectancy index	GDP index	GDI
1999	0.850	0.790	0.554	0.731
2002	0.885	0.793	0.642	0.773
2004	0.885	0.790	0.671	0.781
2005	0.892	0.790	0.719	0.800

Table 14 presents the trends of GDI and its components in the period 1999-2004. There is a visible improvement in equality leading also to increased GDI, and its convergence towards the current HDI values. We note that the biggest improvement in gender equality has been achieved in the economic activity domain. We note the methodological problems in calculating this index in Serbia and the changes in sources for gender segregated pay statistics²⁰².

1.5. Gender empowerment measure – GEM

The GEM index measures the share of men and women in political and economic domains in the country. GEM is the simple arithmetic average of three basic indices.

$$GEM = (I_1 + I_2 + I_3) / 3$$

I_1 – Parliamentary participation index

Of the total 250 parliamentary seats in the Serbian parliament, 51 are taken by women (20.4%).

$$I_1 = (0.514 * (0.204)^{-1} + 0.486 * (1 - 0.204)^{-1})^{-1} = 0.319$$

The calculated index is divided by the ideal share of 50%:

$$I_1 = 0.319 / 0.50 = 0.639$$

²⁰² For some years, use was made of the Living Standard Survey (The World Bank and the SSO), in 2005, new, methodologically reviewed Labor Force Surveys were used, made by SSO.

I₂ – Economic activity index

Of the total number of officials and managers (managerial posts), 24.1% are taken by women. Similarly, women make up 53.7% of professionals, technical associates and technicians.

$$I_{211} = (0.514 * (0,241)^{-1} + 0.486 * (1-0.241)^{-1})^{-1} = 0.361$$

$$I_{221} = (0.514 * (0,537)^{-1} + 0.486 * (1-0.537)^{-1})^{-1} = 0.498$$

$$I_{21} = 0.361/0.5 = 0.722$$

$$I_{22} = 0.498/0.5 = 0.997$$

$$I_2 = (0.722 + 0.997)/2 = 0.859$$

I₃ – GDP share index

It was estimated that in 2005 women generated a gross domestic product of 5,863 PPP US\$ per capita, while the index generated by men was 9,822 PPP US\$.

$$I_{3f} = (5,863 - 100) / (40,000 - 100) = 0.144$$

$$I_{3m} = (9,822 - 100) / (40,000 - 100) = 0.244$$

$$I_3 = (0.514 * (0.144)^{-1} + 0.486 * (0.244)^{-1})^{-1} = 0.180$$

$$GEM = (0.639 + 0.859 + 0.180)/3 = 0.559$$

The GEM index for 2005 demonstrates a strong growth of 20% compared to 2004. This is a result of the significant increase in the number of women parliamentarians and reduced disparities in average wages for women and men²⁰³. The number of women officials and managers is mildly stagnating (the results are based on a survey of a sample, LFS 2004/2005, and such minor changes may be attributed to errors resulting from sample).

Table A10: GEM and its components, 2004/2005

	2004	2005	change %
Parliamentary participation index	0.390	0.639	63.8%
Economic activity index	0.874	0.859	-1.7%
GDP share index	0.135	0.180	33.4%
GEM	0.466	0.559	20.0%

1.6. Parameters of inequality in consumption and income in Serbia²⁰⁴

The Lorence curve and the Gini coefficient are often used as the most reliable indicators of inequality in the distribution of income.²⁰⁵ The Lorence curve measures the quantitative ratio of the percentage of income recipients and the percentage of total income which is distributed in the year under review. As there is no absolute equality or inequality in income distribution, the curve will spread differently to the right side of the diagonal line. A more curved curve means a greater degree of inequality.

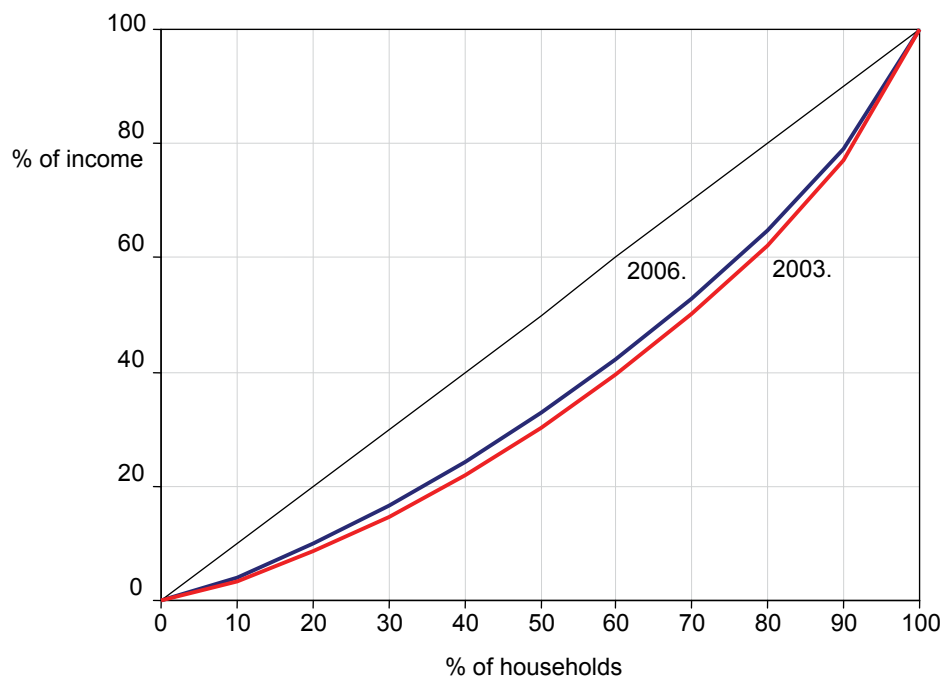
Long-term efficiency of the economy and a more balanced equality in income distribution are complementary. The results of the survey indicate an **increase of living standards among the poorest population within the overall income distribution.**

²⁰³ Source: LSS 2004 and 2005

²⁰⁴ Strategy of Regional Development of the Republic of Serbia 2007-2012, The Republic Development Bureau.

²⁰⁵ The Gini coefficient works with values from 0 to 1, where 0 indicates absolute inequality and 1 absolute equality in income distribution.

Graph A1: Lorenz curve 2003–2006.



On the basis of data from the Household Budget Survey for the year 2006 (source: RSO) the poorest decile of the population consumed 3.9% of income, and the wealthiest decile consumed 21.0% of income. Compared to the year 2003, there is an increase in the share of the poorest deciles in total consumption of 0.5%, while the wealthiest decile reduced its share by 1.9%.

The Gini coefficient is another measure of inequality in income distribution. Its value ranges from 0 to 1. The greater the coefficient, the greater is the inequality in income distribution. **The results indicate that there has been an increase in the standard of living of the population in the year 2006 compared to previous years** (the value of the Gini coefficient is the lowest in the period under review at 0.25).

Table A11: Gini coefficient of consumption in Serbia, 2003-2006

Year	Gini coefficient
2003	0.28
2004	0.31
2005	0.29
2006	0.25

Source: RZR based on data of SSO

Table A12: Gini coefficient by countries

Country	Census year	Gini coefficient
Albania	2002	0.28
Bosnia and Herzegovina	2001	0.26
Bulgaria	2003	0.29
Croatia	2001	0.29
Czech Republic	1996	0.25
FYR Macedonia	2003	0.39
Estonia	2003	0.36
Hungary	2002	0.27
Latvia	2003	0.38
Lithuania	2003	0.36
Poland	2002	0.34
Romania	2003	0.31
Slovakia	1996	0.26
Slovenia	1998	0.28

Source: Human Development Report 2006

MAIN SOCIO-ECONOMIC INDICATORS IN SERBIA WITH REGIONAL COMPARIOSN (NEIGHBOURING COUNTRIES)

After severe political and economic crisis in the preceding decade, Serbia has for several years now entered a phase of relatively stable economic trends and developments. Achieving a fully balanced development, reducing inequalities among the population and regional inequalities is a very complex task. We will look into a number of socio-economic indicators of Serbia relevant to development and will compare them with the same indicators for the countries in the region. We will also compare Serbia with the benchmark territory of the EU, whose indicators, for the most part, are the desired values to which Serbia aspires.

1. THE MAIN MACROECONOMIC INDICATORS

We will consider the trends of the most frequently analyzed macroeconomic indicators²⁰⁶ in Serbia, comparing them to those of the neighboring countries and the reference levels of the EU.

Table A13: Serbia: Selected economic indicators

	2000	2001	2002	2003	2004	2005	2006	2007
GDP, RSD bn, nom.	397.7	783.9	1020.1	1,171.6	1,431.3	1,750.0	2,139.8	2,393.0
annual change in % (real)	4.5	4.8	4.2	2.5	8.4	6.2	5.8	7.5
GDP/capita (EUR at exchange rate)	1,007	1,757	2,242	2,408	2,643	2,833	3,424	3,971
GDP/capita (EUR at PPP - wiiw)	4680	5020	5380	5530	6170	6690	7230	-
LFS - employed persons, th. Oct	3,093.7	3,105.6	3,000.2	2,918.6	2,930.8	2,733.4	2,700	2,630
Annual change in %	-0.3	0.4	-3.4	-2.7	0.4	-6.7	-1.2	-3.6
LFS - unemployed, th. pers., Oct	425.6	432.7	459.6	500.3	665.4	719.9	760	693
LFS - unemployment rate in %, Oct	12.1	12.2	13.3	14.6	18.5	20.8	20.9	18.1
Reg. unemployment rate in %, end of period	-	-	30.5	31.9	29.1	30.0	31	29.8
Average gross monthly wages, RSD	3,799	8,691	13,260	16,612	20,555	25,514	31,745	38,744
annual change in % (real, net)	5.5	16.5	29.9	13.6	10.1	6.4	11.4	17.8
Consumer prices, % p.a.	79.6	93.3	16.6	9.9	11.4	16.2	11.6	11

Source: wiiw Database incorporating Statistical Office of the RS and Republic Institute for Development

GDP has a significant growth trend, and in recent years it is increasing at the rate exceeding 6% in real terms. This growth is a result of increased domestic demand and the trend of increasing international trade, accompanied by increasing productivity and gradual removal of price disparities (in the preceding period significantly below the price levels in the EU, causing additional nominal increased growth due to this trend).

²⁰⁶ There is a number of alternative sources of data and calculations of relevant indicators (the Serbian Statistical Office, the Ministry of Finance, the IMF, etc.). In this case we have opted to use the data of the WIIW, which collects data from official national of the countries under review, and derives specific additional calculations. Another advantage is the availability of relatively comparable data for numerous countries in the region.

Table A14: GDP in Serbia and neighboring countries, PPP EUR

	2000	2001	2002	2003	2004	2005	2006
Albania	3,310	3,580	3,740	3,940	4,100	4,420	4,610
BiH	4,860	5,120	5,320	5,460	6,180	6,150	6,460
Bulgaria			6,100	6,760	7,330	7,890	8,740
Croatia			9,380	9,930	10,680	11,380	12,400
FYR Macedonia	5,140	4,990	5,200	5,330	5,660	6,110	6,400
Hungary			12,710	13,230	13,930	14,690	16,040
Montenegro	4,640	4,710	4,910	4,990	5,350	5,650	5,990
Romania			6,060	6,510	7,400	8,030	9,000
Serbia	4,680	5,020	5,380	5,530	6,170	6,690	7,230
Source: WIIW							

In terms of GDP expressed as PPP EUR Serbia ranks fifth (2005) in the group with its neighbors. In terms of the speed of growth (period 2002-2006) Serbia ranks third, after Romania and Bulgaria.

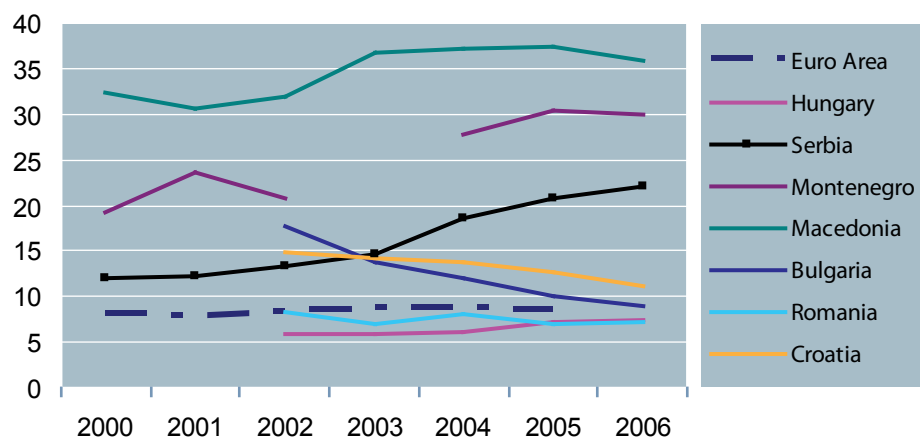
This growth is not accompanied by growth of employment; on the contrary, there is a decrease in total employment. We should note that this refers to total employment as a survey data²⁰⁷ include also informal employment (the grey economy and farming). In terms of formal employment, it is stagnant, without visible growth, which is a result of privatization and lack of major green-field investment which would generate a significant number of new jobs. In this respect, the unemployment rate increased to the high 22% in 2006, making the issue of unemployment one of the most challenging current issues facing Serbia. Another feature is a significant change in the economic structure, so in terms of type of ownership, the share of employment in the private sector²⁰⁸ is increasing from 45% in 2001 to 60% in 2006. Serbia has seen an increase in productivity (the average annual increase of productivity was 5.5% in the period 2001-2005²⁰⁹) along with a significant share of the state/social ownership in total employment.

²⁰⁷ LFS-Labor Force Survey, SORS

²⁰⁸ LSS (SSO), total employment including informal economy

²⁰⁹ Strategy of Economic Development of the Republic of Serbia from 2006 to 2012, Republic Development Bureau.

Graph A2: Unemployment trends in Serbia and neighboring countries



Source: WIIW, based on national Labor Force Surveys

Serbia, together with Macedonia and Montenegro, exhibits a clear trend of increasing unemployment, while in other countries unemployment is stable or visibly declining (note that we do not have data available on the level or trend of unemployment in B&H and Albania). Serbia, with unemployment at 22%, differs considerably from the European average (the Euro zone) at about 8%.

On the other hand, there is a sharp increase of salaries over the recent years of about 15% on the average annually, which also exceeds the increase in production which over the same period is somewhat over 5% annually (gross salaries in Serbia in 2006 is about EUR 380, compared to EUR 150 in 2001). Apart from certain real reasons behind this (strong negotiating position of workers/trade unions in certain segments of state and public enterprises), this discrepancy is partly a result of methodology issues in monitoring salaries in Serbia²¹⁰ and similar methodological problems also exist in the region²¹¹ (bias in evaluating salaries due to unrealistically high share of the state sector in the sample of enterprises).

Table A14: Gross salaries in Serbia and in neighboring countries, monthly averages in EUR, 2001-2006

	2001	2002	2003	2004	2005	2006
Albania	134	149	155	191	216	227
BiH	306	337	367	382	408	447
Bulgaria		132	140	150	166	181
Croatia		724	743	799	844	906
FYR Macedonia	294	312	326	339	348	375
Hungary		504	541	578	638	648
Montenegro	176	251	271	303	326	377
Romania		170	177	202	267	326
Serbia	146	219	255	283	308	378

Source: WIIW

The rapid growth of salaries in Serbia changes the rank of Serbia from 6th in 2002 to 4th in 2006 among the countries under review (neighbors).

²¹⁰ Arandarenko, Stanić, Labor Costs in Serbia 2000-2005, World Bank, 2006.

²¹¹ Arandarenko, Vukojevic, Labor costs in the Western Balkans, Working paper, World Bank, 2007.

Inflation in Serbia is still high (the annual average in 2006 at 11.6%, and 6.6% at year end), although it has been reduced several fold since the beginning of the decade. Measures used to curb inflation are proving to be effective (measures of monetary policy by NBS), the base inflation is relatively low, at 5.9% at 2006 year end (compared to end of preceding year). One of the significant inflation generators in 2006 and preceding years was the elimination of disparities in administratively controlled prices (although frequent grounded criticisms regarding monopolistic behavior of public enterprises, irrespective of the grounded questions regarding disparities in relation to global prices and profitability of operations, there are also risks of the existing high levels and increasing trends of public expenditures and the usual risks of foreign shocks (ex. prices of energy).

The issue of inflation in Serbia is especially strong when viewed in relation to its neighbors. Serbia during recent years is among the countries with highest inflation.

Table A15: Annual inflation in Serbia and in neighboring countries (average current inflation in relation to preceding year)

	2000	2001	2002	2003	2004	2005	2006
Albania	0.1	3.1	5.2	2.2	3.0	2.4	2.3
BiH	4.9	3.2	1.3	1.1	0.7	2.9	7.4
Bulgaria			5.8	2.3	6.1	5.0	7.3
Croatia			1.7	1.8	2.1	3.3	3.2
EU							
FYR Macedonia	5.8	5.5	1.8	1.2	-0.4	0.5	3.2
Hungary			5.3	4.7	6.8	3.6	3.9
Montenegro	20.2	21.8	16.0	6.7	2.4	2.3	3.0
Romania			22.5	15.3	11.9	9.0	6.6
Serbia	79.6	93.3	16.6	9.9	11.4	16.2	11.6
<i>Source: WIIW</i>							

Serbia also exhibits a significant dis-balance in foreign trade, with imports of goods twice as high as exports. The deficit in the current transactions account in 2006 reached EUR 2.5 billion, despite the considerable increase of exports. So far, there are no difficulties in covering this deficit, having in mind the current increase of foreign direct investments and inflow based on debts (despite this deficit in the trade of goods and services, the situation in Serbia is such that capital inflows exceed this deficit and this results in the surplus in the balance of payments and increase of foreign exchange reserves). Yet, the increase of foreign debt is a reason for concern, as in 2006 it increased to EUR 15 billion (due to new debts in the private sector. At the same time, the state is decreasing its foreign public debt). Of course, the deficit to a great extent results from high inflows based on debts of the private sector (invested to a great level in imported goods). Such a situation is a consequence of a great number of approved loans, very low access to such financing in Serbia in the preceding period, and the low initial debt of the private sector at the beginning of the decade. A significant inflow of money from abroad along with the control over the increase of national money supply causes strong real appreciation of the national currency. This results for quite some time in a stable exchange rate of the national currency in relation to the EUR, despite the relatively high inflation in Serbia.

Table A16: Current account

	2000	2001	2002	2003	2004	2005	2006
Current account, EUR mn	-167	-318	-1323	-1301	-2279	-1812	-2500
Current account in % of GDP	-0.6	-2.4	-7.9	-7.2	-11.6	-8.6	-9.8
Gross reserves of NB, excl. gold, EUR mn	429.9	1,138.6	2,076.8	2,728.2	3,008.0	4,753.7	9,000
Gross external debt, EUR mn	11,658.6	12,608.9	10,767.6	10,858.3	10,354.5	13,064.0	15,000
Gross external debt in % of GDP	44.1	95.6	64.0	60.3	52.5	61.9	59
FDI net, EUR mn	55	184	504	1,204	777	1,247	2,100
Exports of goods, BOP, EUR mn	1,794	2,032	2,348	2,599	2,997	3,664	5,000
Annual growth rate in %	-	13.3	15.5	10.7	15.3	22.2	36
Imports of goods, BOP, EUR mn	3,519	4,608	5,774	6,413	8,341	8,130	10,150
Annual growth rate in %	-	31.0	25.3	11.1	30.1	-2.5	25
Exports of services, BOP, EUR mn	459	685	795	906	1,171	1,289	1,650
annual growth rate in %	-	49.3	16.0	13.9	29.3	10.1	28
Imports of services, BOP, EUR mn	305	413	657	720	1,020	1,287	1,680
Annual growth rate in %	-	35.2	59.1	9.5	41.7	26.2	30
Average exchange rate RSD/EUR (ECU)	15.04	59.46	60.68	65.05	72.57	82.91	84.06
Purchasing power parity RSD/USD, wiiw	9.90	18.20	21.80	24.00	26.20	29.40	32.30
Purchasing power parity RSD/EUR, wiiw	11.30	20.80	25.30	28.30	31.10	35.10	39.80

Source: wiiw Database incorporating national statistics

The current account deficit in Serbia of about 10% of the GDP is a contentious issue causing many debates. However, relative to the neighboring countries, this deficit is not among the excessively high ones, as it is exceeded by the deficits in five neighboring countries, especially in view of the increasing and already excessively high deficits in Montenegro, B&H and Bulgaria. Not that this means that the situation is satisfactory, but rather that the whole region has a significant dis-balance.

Table A17: The current account deficit in Serbia and in neighboring countries (as a share of GDP)

	2000	2001	2002	2003	2004	2005	2006
Albania	-4.4	-5.3	-9.4	-7.9	-4.9	-7.4	-10.5
BiH	-7.7	-13.7	-19.4	-21.1	-19.8	-21.8	-19.8
Bulgaria			-2.4	-5.5	-6.6	-12.0	-15.8
Croatia			-8.6	-7.1	-4.9	-6.3	-7.6
FYR Macedonia	-2.0	-7.1	-9.5	-3.2	-7.7	-1.4	2.0
Hungary			-7.0	-7.9	-8.4	-6.9	-5.8
Montenegro		-15.7	-12.6	-7.3	-7.6	-9.1	-17.1
Romania			-3.3	-5.8	-8.4	-8.7	-10.3
Serbia	-0.6	-2.4	-7.9	-7.2	-11.6	-8.6	-9.8

Source: WIIW

In terms of the inflow of FDI per capita (below EUR 300 in 2006), it should be noted that Serbia is not a champion in attracting foreign investments. The inflow is lower only in Albania, B&H and Macedonia. Still, there is a trend of increase in the inflow of FDI per capita in Serbia. For Serbia to achieve accelerated growth and employment, further efforts are needed to increase the attractiveness of Serbia for foreign investments and improve its ratings.

Table A18: Inflow of FDI per capita annually, in EUR

	2000	2001	2002	2003	2004	2005	2006
Albania	51	75	46	51	89	71	86
BiH	42	35	74	88	139	109	91
Bulgaria			125	237	353	402	534
Croatia			269	402	223	321	639
FYR Macedonia	93	242	41	42	62	39	137
Hungary			314	187	360	605	484
Montenegro		17	145	62	81	612	560
Romania			56	90	239	241	421
Serbia		25	67	161	104	167	282

Source: WIIW

And finally, in terms of macroeconomic indicators for Serbia, we will take a look at its fiscal position (including all levels of government – national, provincial, local, and those relevant to social funds as major consumers of public revenues).

Table A19: Fiscal trends

All in GDP shares*	2003	2004	2005	2006**
Total revenue	43.4	45.2	45.2	44.3
Current revenue	42.9	44.8	44.7	43.7
Tax revenue (excl. other taxes)	37	38.5	38.7	37.8
Personal income tax	6.4	5.9	5.9	6
Social security contributions	10.6	11.7	11.8	11.5
Corporate income tax	0.5	0.5	0.6	0.9
Retail sales tax / VAT	11.5	12.1	13.5	12.3
Excises	5.3	5.6	4.5	4.5
Taxes on international trade	2.6	2.6	2.4	2.5
Nontax revenue and other taxes	5.9	6.3	6	5.9
Capital revenue	0.4	0.5	0.5	0.5
Total expenditure and net lending	46.7	45.3	44.4	44.9
Current expenditure	43.5	42.4	41.2	39.3
Wages and salaries	10.3	10.1	10.7	9.9
o/w: severance payments	0	0	0.3	0.2
Goods, services, and other current	8.7	8.7	7.8	7.3
Interest payment	1	1.4	1.6	1.4
Subsidies and other current transfers	23.7	22.2	21.1	20.8
Capital expenditure	2.6	2.8	2.8	5.2
Overall balance (cash basis)	-3.2	0	0.8	-0.6

Source: IMF Article IV Report, June 2006

*We note that GDP estimates by the IMF are considerably lower than the estimates in the official national statistics, but we use them for the purposes of regional comparisons (as comparable IMF aggregate values are available also for the countries in the region). Also, the IMF aggregate values of public revenues are higher than the official national statistics because they include also the expenditures and the so-called own sources of financing of budget beneficiaries (ex. specific taxes, etc.), meaning that these aggregate indicators of expenditures have a greater coverage and are therefore more reliable.

** As projected by IMF mission in June 2006

Over the preceding period Serbia is achieving stable public revenues at a relatively high levels relative to the gross GDP (about 44% of GDP). The major sources of public revenues are social contributions and VAT (together they make up more than one half of total public revenues). On the expenditures side, about 20% of GDP is spent for rights resulting from pension insurance (pension insurance, health care insurance and unemployment insurance), 10% refers to the payroll of the public administration, while total public expenditures make up 45%. Over the recent years Serbia has managed to score a fiscal surplus, but since 2006 it again has a certain level of fiscal deficit (considerably below the Maastricht criterion of 3% of GDP).

A clearer picture of the scope of government expenditures in Serbia is arrived at when comparing it to the region. Serbia is among the countries with high public expenditures (relative to GDP²¹²), and the level of expenditures is higher only in Hungary, Croatia (with high fiscal deficits) and B&H (with a high inflow of donations). When comparing Serbia to the EU, these expenditures are somewhat lower than the EU average of 47% of GDP.

Table A20: General Gov't expenditures (GDP share)

	2003	2004	2005
Hungary	49.8	49.5	50.7
Bulgaria	38.2	37.2	38.3
Romania		31.1	31.1
Croatia	51.3	50.2	49.0
Albania	29.0	29.6	28.3
Montenegro	39.9	39.9	40.4
Serbia	46.7	45.3	44.4
Bosnia and Herzegovina	52.4	50.4	50.2
Macedonia	34.5	33.2	35.3
Selected countries average	42.7	40.7	40.9
EU-27 average	47.4	46.9	46.9

Source: IMF reports and EUROSTAT

Serbia funds these high expenditures through the high tax burden on the private sector (business and citizens), and so the fiscal results of the government are maintained within acceptable intervals (surplus over the past years). However, since 2006, Serbia is operating with a certain fiscal deficit (0.6% of GDP in 2006) which is comparable to the regional average, and significantly lower than the current EU average. Such a fiscal strategy has a negative effect on the current development potential of the Serbian economy (relatively high tax burden).

Table A21: General Gov't overall balance (GDP share)

	2003	2004	2005
Albania	-4.9	-5.1	-3.4
Bi H	-2.0	-0.4	0.9
Bulgaria	-0.4	1.8	2.3
Croatia	-6.1	-4.8	-4.1
FYR Macedonia	-1.0	0.0	0.2
Hungary	-7.3	-6.5	-7.6
Montenegro	-4.9	-3.5	-2.6
Romania		-1.0	-0.8
Serbia	-3.2	0.0	0.8
Selected countries average (simple)	-3.2	-1.8	-0.8
EU-27 average	-3.1	-2.7	-2.4

Source: IMF reports and EUROSTAT

²¹² We note once again that SSO has reviewed and increased the estimates of the GDP which results in reducing the overall share of government expenditures.

2. INDICATORS OF PROGRESS MADE IN TRANSITION

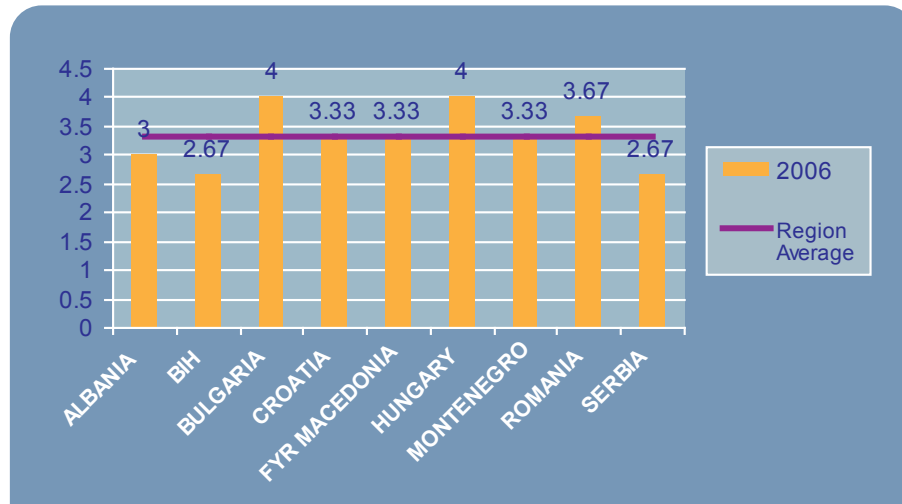
Over the past five years of economic transition, the Republic of Serbia has completed the first stage of reforms, in which it achieved macroeconomic stability and set the foundations for the second stage of reforms, which will focus on economic growth and structural adjustments. Legal security of enterprises has been enhanced and the business environment has been improved, which is of special significance for foreign investors. The average annual transition index increased from 1.6 in 2000 to 2.7 in 2006.

The European Bank for Reconstruction and Development (EBRD) by using transitional indicators summarizes the progress made in structural and institutional reforms in 2006 for 28 transition countries (this text looks only at those from Europe). Comparison of the average annual transition indicators among the twenty European transition economies in 2006 indicates that there are 16 countries that are ahead of Serbia (the index of Serbia is 2.7) with indicators ranging between 2.9 and 4; while only Belarus, B&H and Montenegro ranked lower than Serbia. Hungary has the highest indicator (4) and with such an indicator it is closest to the developed market economies. The group of countries that have achieved greatest progress in transition, apart from Hungary, include Estonia, the Czech Republic, Slovakia and Poland (3.9 – 3.7). Ahead of Serbia in terms of progress in implementing reforms are Moldova and Albania (2.9), Ukraine and Russia (3.0).

The analysis of individual EBRD indicators in 2006 indicates that Serbia won the highest ranking (4) for price liberalization, which is the standard for developed market economies; 3.7 for privatization of small enterprises, where transition progressed best, and 3.3 for foreign trade regime (trade liberalization and foreign exchange system). Serbia in 2006 made progress in two areas: (1) privatization of small enterprises, and (2) competition policies. However, the lagging behind is greatest in competition policies, with the lowest indicator (1.7). Average progress has been made in privatization of big enterprises (2.7), reform of the banking sector (2.7) and company restructuring (2.3). Modest progress (ranked 2) has been made in market security and non-banking financial institutions and infrastructure reforms. **The EBRD transition indicators confirm that Serbia has successfully completed the first stage of transition.**

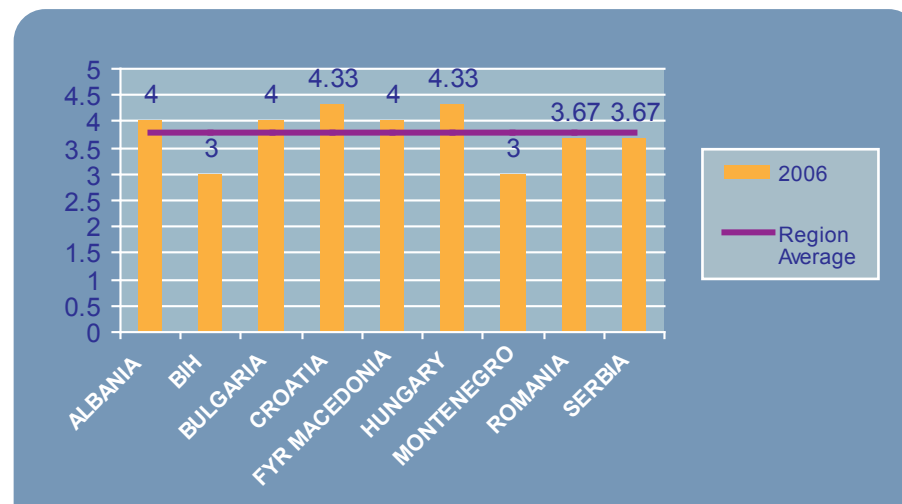
Below is a brief overview of the position of Serbia in the process of transition, using EBRD indicators by individual areas, and comparing them with neighboring countries. The high values of indicators illustrate the better results that the country has achieved (maximum values exceed the value of 4).

Graph A3: Large scale privatization indicator, 2006



Despite the progress made in privatization over the past years, Serbia mostly lags behind its neighbors. In 2006 the indicator for big privatizations is below the regional average (Serbia 2.67, and regional average 3.33). The situation is better in privatization of small enterprises, the indicator for Serbia is similar to the regional average, with progress in 2006 relative to the preceding year.

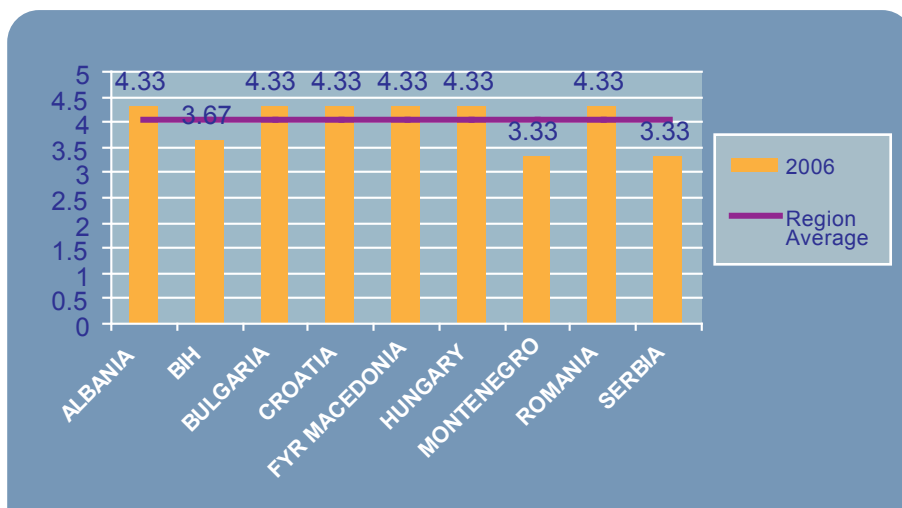
Graph A4: Small scale privatization indicator, 2006



Another area in which Serbia lags behind is restructuring of companies, with slow progress relative to the preceding period.

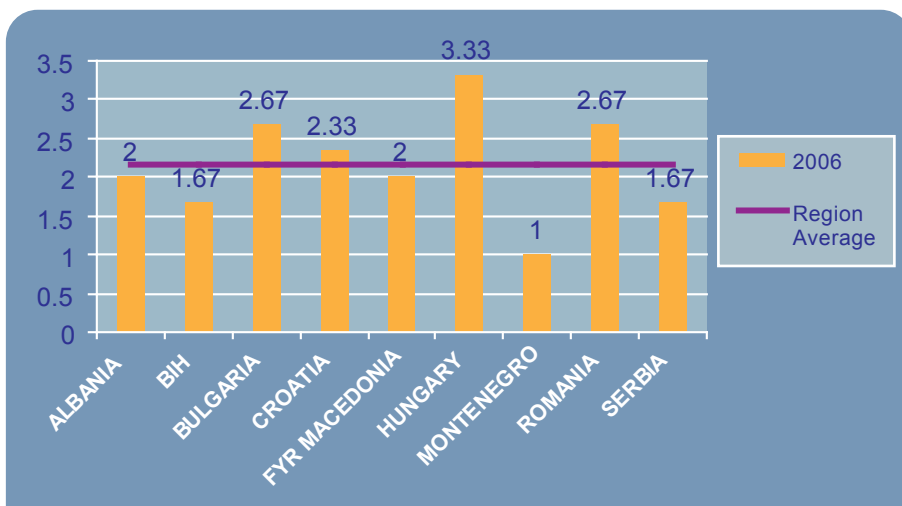
The issue of price liberalization has been resolved across the region for quite some time now, including Serbia – the indicator is high at 4, and the regional average is 4.18.

Graph A5: Trade & Forex system indicator, 2006



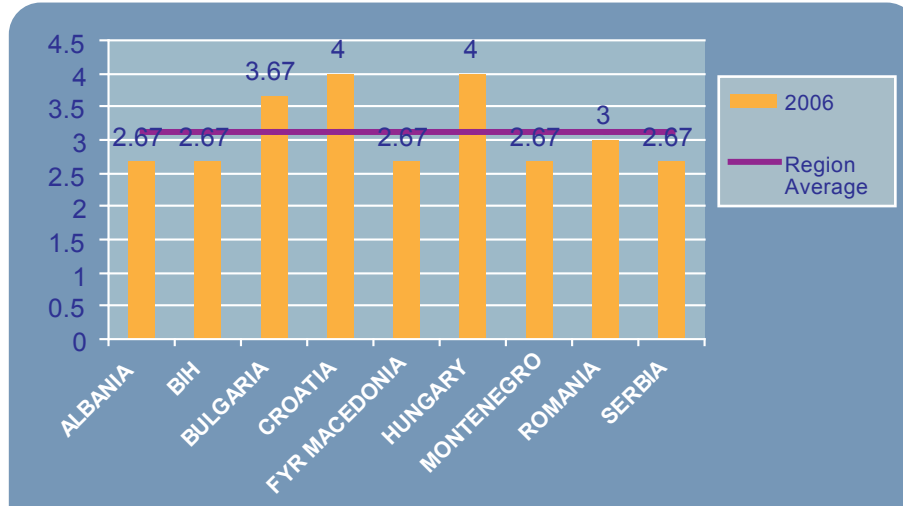
Foreign trade regime and international capital transactions are an area in which Serbia has made slow and insufficient progress compared to its neighbors – the indicator for Serbia is 3.33, and this is the lowest indicator for 2006.

Graph A6: Competition policy indicator, 2006



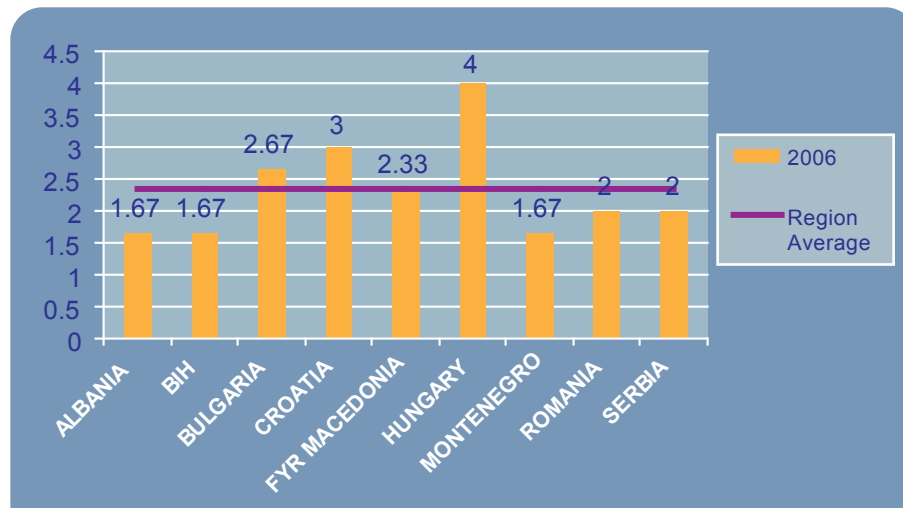
Competition policy is a contentious issue across the region, the average indicator is only 2.15 in 2006, and the indicator for Serbia is below the regional average – as low as 1.67 (only Montenegro has a lower indicator of competition policy).

Graph A7: Banking reform & Interest rate liberalisation, 2006



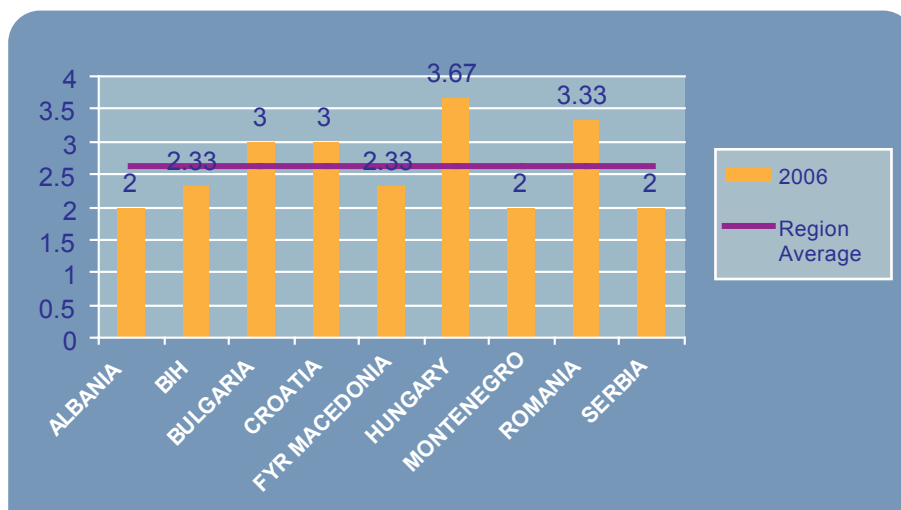
In terms of banking sector reform and interest rate liberalization, Serbia was assigned the indicator 2.67, somewhat below the regional average. The whole region lags behind in terms of development of the financial markets and non-banking financial institutions, and the average indicator in 2006 is only 2.33, Serbia being below this average with 2.00.

Graph A8: Securities markets & non-bank financial institutions, 2006



There is a similar lack of progress in the region in terms of infrastructure development – the regional average is 2.67, and Serbia ranks last in 2006 with 2 (together with Montenegro and Albania). Some areas of transition have been listed above, but this is not an exhaustive list of possible comparisons in the region.

Graph A9: Overall infrastructure reform indicator, 2006



CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

316.42 : 141.7(497.11) "2008"
341.232(4-12)

REGIONAL Cooperation : Serbian Human
Development Report 2007/2008 [authors
Jelica Minić ... [et al.] ; editor Jelica
Minić]. - Belgrade : United Nations
Development Programme (UNDP), 2008 (Beograd :
Klik print). - 233 str. : ilustr. ; 30 cm

Izv. stv. nasl. : Regionalna saradnja. - Tiraž
200. - Napomene i bibliografske reference uz
tekst. - Bibliografija: str. 186-205.

ISBN 978-86-7728-102-1

1. Minić, Jelica [аутор] [уредник]

а) Хумани развој - Србија - 2008 б)

Регионална сарадња - Југоисточна Европа

COBISS.SR-ID 151782924



United Nations Development Programme
Internacionalnih brigada 69, 11000 Belgrade, Serbia