

# EVALUATION 2005/3

## INDEPENDENT EVALUATION OF THE SDC/seco MEDIUM TERM CONCEPT 2002–2006 IN SERBIA & MONTENEGRO

DEZA DIREKTION FÜR ENTWICKLUNG UND ZUSAMMENARBEIT  
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Staatssekretariat für Wirtschaft  
Secrétariat d'Etat à l'économie  
Segretariato di Stato dell'economia  
State Secretariat for Economic Affairs  
**s e c o**



# **Independent Evaluation of**

## **The SDC / seco**

### **Medium Term Concept 2002-2006**

#### **in Serbia & Montenegro**

Commissioned by the Evaluation + Controlling Division  
of the Swiss Agency for Development and Cooperation (SDC)

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**Berne, December 2005**

## Independent Evaluation Process

Independent Evaluations were introduced in SDC in 2002 with the aim of providing a more critical and independent assessment of SDC activities. Joint SDC/seco programs are evaluated jointly. Independent Evaluations are conducted according to DAC Evaluation Standards and are part of SDC's concept for implementing Article 170 of the Swiss Constitution which requires Swiss Federal Offices to analyse the effectiveness of their activities. SDC's **Comité Stratégique (COSTRA)**, which consists of the Director General, the Deputy Director General and the heads of SDC's six departments, approves the Evaluation Program. The **Evaluation + Controlling Division (E+C Division)**, which is outside of line management and reports directly to the Office of the Director General, commissions the evaluation, taking care to recruit evaluators with a critical distance from SDC.

The E+C Division identifies the primary intended users of the evaluation and invites them to participate in a **Core Learning Partnership (CLP)**. The CLP actively accompanies the evaluation process. It comments on the evaluation design (Approach Paper). It provides feedback to the evaluation team on their preliminary findings and on the draft report.

The CLP also discusses the evaluation results and recommendations. In an **Agreement at Completion Point (ACP)** it takes a stand with regard to each evaluation recommendation indicating whether it agrees or disagrees and, if appropriate, indicates follow-up intentions. The CLP also identifies **Lessons Learned (LL)** which are generic lessons applicable in similar contexts. In a COSTRA meeting, SDC's Senior Management discusses the evaluation findings and the CLP's ACP and Lessons Learned. In a **Senior Management Response**, it expresses its opinion and final decisions for SDC. In joint SDC/seco evaluations, seco Senior Management also expresses its opinion in a Senior Management Response. The Stand of the CLP, Lessons Learned and the Senior Management Response are published with the Final Evaluators' Report. The Senior Management Response forms the basis for future rendering of accountability.

For further details regarding the evaluation process see the Approach Paper in the Annex.

### Timetable

| Step                                   | When            |
|--|-----------------|
| Evaluation Program approved by COSTRA  | January 2004    |
| Approach Paper finalized               | February 2005   |
| Implementation of the evaluation       | March-July 2005 |
| Agreement at Completion drafted by CLP | August 2005     |
| Senior Management Response in COSTRA   | November 2005   |

# I Evaluation Abstract

|                        |  |
|------------------------|--|
| <b>DONOR</b>           | SDC - Swiss Agency for Development and Cooperation and seco – State Secretariat for Economic Affairs |
| <b>REPORT TITLE</b>    | SDC/seco Medium Term Concept 2002-2006 in Serbia & Montenegro  |
| <b>SUBJECT NUMBER</b>  | E – 05.06  |
| <b>GEOGRAPHIC AREA</b> | 067  |
| <b>SECTOR</b>          | 10001; 15040; 15050; 16201; 21001; 23001; 32130; 51001; 60040  |
| <b>LANGUAGE</b>        | EN   |
| <b>DATE</b>            | December 2005  |
| <b>COLLATION</b>       | 80 pages and 5 annexes   |
| <b>EVALUATION TYPE</b> | 1.1; 2.4; 3.2  |
| <b>STATUS</b>          | C  |
| <b>AUTHORS</b>         | Oxford Policy Management, UK   |

## **SUBJECT DESCRIPTION:**

Swiss assistance to Serbia & Montenegro (SCG) which began in 1991 has evolved from emergency assistance through reconstruction and economic assistance to a fully consolidated long term program jointly conducted by the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (seco). The SDC/seco program has activities in the areas of Institutional Reform, Public Services, Education and Private Sector. The evaluation covered the period 2000-2004 during which CHF 150 million were invested. The main focus of the evaluation was on the programming level: relevance and effectiveness of strategies, policies, objectives and steering. The purpose of the evaluation was to render accountability by submitting SDC/seco activities to independent assessment and to improve future performance through learning from experience.

## **EVALUATION METHODOLOGY:**

The sequence of the methodology was as follows:

- A desk study of SDC/seco and other documents;
- A one week visit to Switzerland for discussion of key issues with SDC, seco, other Swiss actors, and a selection of consultants who have worked on the Serbia & Montenegro programme;
- A three week visit to Serbia & Montenegro to review the programme with as many stakeholders as possible in the time available, ending with a workshop (to which all interviewees were invited) to present and discuss preliminary findings; and
- Preparation of a draft final report for discussion at a review meeting, followed by the production of a final report.

## **MAJOR FINDINGS:**

The SDC/seco program has been in line with Swiss foreign policy objectives and has adapted well to the changing environment in SCG. The program started on a broad front to test where Swiss support could be most effective and then built on the successes. This was a sound strategy in a new and rapidly changing environment. However, the early program appears to have been over-ambitious in relation to the availability of resources to monitor interventions and to decide whether to expand or close them with the result that there has been insufficient pruning and consolidation.

Interventions in the **Institutional Reform** sector present mixed results. Successful reform of institutions requires long-term and sustained support, together with engaged local partners. The largest program in the sector is yielding concrete results and is highly valued by the stakeholders. It provides a sound basis on which to extend Swiss support to the decentralisation process generally and to capacity building at the local government level.

In the **Public Services** sector, the trams program has brought real benefits for the population. The main effect has been to create goodwill through the speedy provision of practical support to the capital. By contributing to improving the cost-effectiveness of the domestic electricity network and facilitating the restructuring of the power sector, the National Dispatch Center project is highly relevant to improving the reliability and accessibility of power supplies.

The **Education** Sector program is coherent, focused and visible, and the Swiss are viewed to be the major and most influential donor. The program provides a link between transition and poverty reduction as it promotes access for vulnerable and socially excluded groups. The involvement of the NGO sector as a partner broadens the base of reforms and helps to protect its sustainability against political changes.

Except for one project which had to be closed down and which had negative repercussions on the perception of the Swiss program, the initial outcomes of the other **Private Sector** projects are generally encouraging. The coherence and impact in this sector could be enhanced by the development of an overall strategy to identify further interventions that would complement the impact of existing projects. The principle of including SCG in regional and global initiatives and the principle of using multi-donor vehicles has been fully appropriate.

The overall conclusion is that projects have generally been well-targeted and professionally implemented, although it is too early to assess effectiveness, except in a few instances.

#### **LESSONS LEARNED:**

The utility of the Medium Term Concept as an operational framework for the Serbia & Montenegro programme has diminished over the years since it was developed (in October 2001), and should be replaced by a new Cooperation Strategy. Most of the objectives and indicators in the Medium Term Concept lack the specificity to give real direction and operational guidance. The future programme should build on the strengths of the existing programme, but be consolidated to meet a more focused set of objectives, with meaningful and measurable indicators against which progress can be assessed.

The SDC and seco programmes have been largely complementary, but not integrated into an overall strategy. SDC and seco are two different organisations with different mandates, and there are a number of obstacles to their close cooperation at a country level. Our perception is that, to a large extent, they operate independently of each other. The coherence of the programme could be increased by delegating greater responsibilities to the cooperation office in SCG, which is the one place where the SDC and seco programmes can be drawn together into a more integrated whole.

## **II Agreement at Completion Point Stand of the Core Learning Partnership (CLP) and of Senior Management regarding Main Recom- mendations**

### **A General appreciation of the evaluation**

#### **By the CLP:**

This is the first SDC/seco independent country programme evaluation. It has been a useful learning exercise. The evaluation report is concise, to the point, easy to consult and use, well formulated, and provides an independent assessment of the programme, which has had a stimulating effect. Many lessons learned and recommendations in this evaluation concern issues that go beyond the country programme level although they have strong repercussions at the program level. They need to be addressed at SDC and seco senior management level (see Recommendation 1 below).

#### **By Senior Management:**

**seco:** We welcome - and wish to underline the importance of - such a joint SDC/seco independent evaluation, particularly at the time of preparing the discussion on the future strategic orientation of the Swiss cooperation in a specific partner country. While the exercise was a rather dense and time-consuming exercise, it brought some useful analysis, assessment and recommendations. However we consider that the report and recommendations focus excessively on the review of processes, organisation, good practices and resource management without addressing sufficiently key issues related to the nature, quality, priorities and impact of the Swiss cooperation programme; we are missing such stimulating views. We should therefore learn from this exercise for the definition and preparation of TORs of future similar independent country programme evaluations.

**SDC:** We feel that the independent evaluation provides a good foundation for planning the new cooperation strategy. We support the view of the CLP that a considerable part of the lessons learnt and recommendations go beyond the country programme level. Furthermore, issues of operational steering and resources management have to be considered against the backdrop of the current decentralisation process.

## B Recommendations

### For SDC and seco

#### Recommendation 1

##### Country evaluations:

- The decision to combine this evaluation with the review of the MTC was sound, as it provided a double purpose for the evaluation, potentially increasing its value (especially for those engaged in managing the country programme).

**We recommend** that future country programme evaluations should be combined with a review that is part of the normal programming cycle for the country.

- The methodology for the evaluation was satisfactory, except that it might usefully have included a second visit to Berne following the field visit, so that new issues that arose during the field visit could have been discussed with headquarters staff.

**We recommend** that future country evaluations on the lines of our evaluation should include a second visit to Berne after the field visit.

#### Stand of the CLP

- It is SDC-seco policy to time independent evaluations with decision-making processes. The formulation of a new cooperation strategy is always preceded by an evaluation / review process. A certain freedom should prevail in the choice of the appropriate evaluation tools and approaches: internal review, external review, external evaluation or independent evaluation. Evaluations undertaken by other donors should also be taken into consideration in order to avoid duplications and take advantage of external and different points of view.
- Evaluation results need to be taken up at the respective SDC and seco management level. In this evaluation many findings and recommendations have a strong institutional aspect which can only partly be addressed at the level of the country programme (e.g. transition from humanitarian aid to development cooperation, engagement of SDC's F-Department, harmonisation of procedures between seco and SDC, delegation of decision-making power to the COOF). Such institutional issues should be dealt with by COSTRA and seco management while the effective monitoring of their implementation could be delegated to the "Comité de pilotage Est".
- Regarding methodology, a second visit to Berne by the evaluation team leader after the field mission is essential. The presence of the country director and of the head of the geographic division when formulating the CLP response is equally essential.

#### Lessons Learned

- The Approach Paper/TORs for evaluations should specify the level, scope and addressees of the expected recommendations.
- Evaluation processes should be designed in such a way that they also become an institutional learning process. Dissemination should involve SDC-seco colleagues who are not involved in the evaluated operations or country programme in order to promote exchange of knowledge and experience across country desks and divisions.



## Senior Management Response

**seco:** We agree with the Recommendation and the Stand of the CLP. However, regarding the methodology of the evaluation we consider that some additional "fine-tuning" is still required between SDC and seco to clarify what is actually meant by an independent evaluation, particularly as regards the time allocated for the briefing and explanation in Berne of the evaluators, the organisation of the field visits and contacts during the mission. We definitely endorse the proposal for the evaluators to have a final discussion in Berne prior to the drafting of their report.

**SDC:** Due consideration needs to be given to matters of efficiency and effectiveness. We feel that results should be accessible to a larger group. An independent evaluation shall be combined with other "moment fort" in country programme steering.

### Recommendation 2

The utility of the **Medium Term Concept (MTC)** has diminished since the initial workshop to develop it in October 2001, to the point at which it should be replaced.

**We recommend** that

- The MTC should be replaced (not supplemented) by a new Cooperation Strategy on the lines of the Guidelines issued by the SDC in March 2005.
- There is no need for an additional "medium-term strategic framework" as envisaged by the March 2005 Guidelines. In our view, a Cooperation Strategy, supplemented by Annual Programmes, is sufficient as a framework.
- The new Cooperation Strategy should become effective from 1 January 2006, as we perceive greater benefits in having it in place as soon as possible, rather than spending additional time refining a draft document.
- The strategy should be for 3-4 years.
- Consideration should be given to producing a "rolling" strategy that is reviewed each year (eg as part of the workshop to prepare the Annual Programme) and rolled forward for an additional year.
- The new Cooperation Strategy should be developed by the main parties involved in the programme (especially SDC/seco and the COOF), but we suggest that it should be steered primarily by the COOF, as the COOF is in the best position to take an overall strategic view across the SDC and seco programmes.

### Stand of the CLP

- It is agreed that a new cooperation strategy – to be elaborated between September and November 2005 - will replace the now outdated MTC. The new cooperation strategy will be established as a three year "rolling" document in the sense that the status of its progress will be reviewed periodically and the strategy adapted accordingly during the annual planning process. In addition, the strategy will be more fully evaluated after 5 years to assess its overall validity and to determine whether fundamental adjustments are necessary.
- The formulation process of the new cooperation strategy with Serbia and Montenegro has been kept short so that it can enter into force by the beginning of 2006. The process will include consultations both between and within the Swiss institutions and with the local partners, so as to reach a Swiss and local consensus over its content and ensure a high degree of relevance as well as ownership.
- The COOF will lead the process in close coordination with SDC and seco Headquarters (HQs), taking into account overarching considerations of the Swiss government's Western Balkans Regional Strategy/Concept (working title) which is in the process of elaboration.

## Lessons Learned

- Plan more time for the internal review preceding an evaluation and do it with the participation of all involved Swiss stakeholders and other (national, international) stakeholders as appropriate.
- With regard to the elaboration of programmes in difficult contexts (post-conflict, politically volatile, new cooperation engagement, etc.) focus on task completion, invest less effort in form and choose a shorter duration of validity for the concept/strategy.

## Senior Management Response

**seco:** We endorse the Recommendation and the Stand of the CLP. At seco, we have gathered experience over the past two years and a half with the instrument of Country Strategy Notes, which foresees a four year rolling plan. This experience has been extremely satisfactory and seco will share with SDC and COOF the lessons learned and experiences gained during the process of formulating the new joint SDC-seco Cooperation Strategy for Serbia and Montenegro.

**SDC:** In a rapidly changing context, the planning horizon for concrete strategic planning should not exceed 3 years. The new cooperation strategy will focus on the period 2006 to 2008. The cooperation strategy shall be established along the guidelines of March 2005. Strategic steering shall be done in annual time steps and shall remain a task shared by HQ and the COOF.

## Recommendation 3

**We recommend** that the **new Cooperation Strategy** should (see Section 5 paragraphs 141-150 for further detail):

- Have clear objectives that are realistic in the context of the scale of the Swiss programme;
- **Clarify the balance** that will be given in the strategy **between transition and poverty reduction**;
- Consolidate the programme in accordance with these objectives to give the programme greater focus and coherence to maximise its impact;
- **Include measurable indicators** against which progress can be assessed;
- Build first on the strengths of the existing programme;
- Consider **taking a proactive role in donor coordination** in the education sector, including the possible pooling of funds (eg with CIDA and GTZ), with a possible medium term objective of **moving towards a sector-wide approach**;
- Assess the skills and levels of the administrative resources required to implement the strategy (in Berne and Belgrade) and, as far as possible, plan to **adjust the necessary resources to meet the requirements**;
- **Include an element of flexibility** (in programmes and projects) to respond to the changing environment;
- Continue to **concentrate most of the projects geographically**, except for projects requiring little or no active management or monitoring by SDC/seco/COOF (eg projects managed by third parties), or possibly special relatively large projects.

## Stand of the CLP

- The evaluators propose a sound process and sequencing for elaborating the new cooperation strategy, in particular with regard to the sequencing of decision-making. The CLP also endorses a strategy that adopts greater sector concentration and a consolidation of the program while retaining geographical concentration.
- Transition and poverty reduction will gradually become an integral part of the Serbia and Montenegro stabilisation and association process with the European Union. In line with the overall objectives of Swiss cooperation with Eastern Europe, the programme will support transition processes while retaining poverty reduction and prevention as a key priority.

- The old MTC did not propose any specific monitoring tool (as this was supposed to be developed at the level of the Annual Planning, see MTC p. 27). The formulation process of the new cooperation strategy includes steps to define a realistic log frame with adequate indicators. This will be done with the support of an expert.
- When and where possible and desired by other involved partners, Switzerland will continue taking a pro-active role in donor coordination and advocate joint donor-partner programming and monitoring. The context in Serbia and Montenegro is not appropriate for a sector wide approach considering the limited time-horizon, comparatively small volume of external aid (<4% of GDP)<sup>1</sup> and the specificity of the European integration process and associated EAR support. In addition, bilateral and multilateral grants will progressively be replaced by concessionary loans.
- In the course of programming, SDC and seco HQs and the COOF will carefully analyse the financial and human resources needed for the implementation and envisage joint and mandated operations with other donors and institutions. Management capacities will carefully be assessed in terms of skills and work-load related to strategic, operational, financial and administrative tasks.

### Lessons Learned

- Work in fields that do correspond to the country's priorities, i.e., the EU integration process and poverty reduction.

### Senior Management Response

**seco:** We generally agree with the general thrust of the Recommendation, while endorsing the nuance and remarks of the CLP. Moreover, we consider that the evaluators insufficiently recognize that there is also a "political" dimension in the rationale for the cooperation strategy of Switzerland with Serbia and Montenegro (member of our constituency at the BWI). In addition, we regret that the evaluation has not been more straightforward in stimulating concretely the discussion regarding the absolute necessity to have more focus, and to reduce the number of themes and sectors of the Swiss cooperation programme. Finally, we question the notion of "proactive role in donor coordination" as defined by the evaluators; such a notion, and more generally the question of the Swiss involvement in donors' coordination, requires some further discussion and clarification between SCD, seco and COOF.

**SDC:** Recommendations from the evaluation team and the stand of the CLP provide a good foundation for the new cooperation strategy. Given the limited resources available, the new cooperation strategy will have to provide a clear geographic and thematic focus. Donor harmonisation, PRS and MDGs shall be addressed explicitly.

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<sup>1</sup> Data for 2004 for Serbian Republic only (calculations were made by COOF based on Serbian Statistics):  
 GDP Serbia: USD 18bn (CSD 1.022.635,4 mio). Total external aid (grants and loans): USD 661.07 mio = 3.67% of GDP. Total grant aid (excluding loans from EBRD and EIB) USD 292.43 mio = 1.62 % of GDP  
 Total Swiss aid: USD 12.91= 0.071% of GDP.

#### Recommendation 4

We believe that the coherence and impact of the programme could be increased by **delegating greater responsibilities to the COOF**, as this is the one place where the SDC and seco programmes can be drawn together into a more integrated whole.

**We recommend** that consideration is given to the following arrangements (see Section 6 paragraphs 180-183 for further detail):

- Define a **core programme** which would be the primary **responsibility of the COOF** to implement (with the non-core programmes continuing to be led mainly from Berne);
- Establish a **specific plan for each sector** in the core programme, that would be developed by SDC, seco and the COOF, and formally endorsed in Berne;
- **Delegate the implementation** of the sectoral plans **to the COOF**, including decision-making powers on specific projects, at least up to some substantial ceiling;
- Strengthen the COOF to perform its enhanced role by **transferring resources** from Berne to Belgrade;
- Provide further ad hoc support to the COOF from Berne and elsewhere as necessary;
- Consider whether changes are required in the recording of project commitments and disbursements to **enable the COOF to monitor disbursements** across the whole spread of projects in the core programme;
- **Monitor** implementation at **the strategic**, but not the operational, **level from Berne**.

#### Stand of the CLP

- The issue of more decentralisation and the delegation of greater responsibilities from Berne to COOFs is an ongoing discussion already being held in different contexts: e.g., the recent independent evaluation of relations between Berne and COOFs (ZEKO), the MTR of the SDC Strategy 2010 and the DAC Peer Review. An SDC O-Department Working group is also presently addressing this issue. We understand that the evaluators' proposal is a specific approach that some bilateral agencies have adopted to delegate more responsibility to the COOF (e.g. DfID) and which is practised to a certain extent in SDC's E-Department. The topic deserves to be explored in depth and discussed at a broader level, e.g. at the occasion of the next coordinator's seminar in 2006. SDC and seco management will need to ensure that decisions in this respect are communicated and implemented.
- The terminology of core vs. non-core programme is misleading; the issue is more one of defining who takes primary responsibility for different components of the program. The COOF must have knowledge of all Swiss government activities (particularly all O-and H-Department and seco activities) and represent them, but may take primary responsibility for only some of them.
- A major issue in this context is the allocation of resources between headquarters and field offices. The COOF must have the necessary resources and training to enable it to fulfil its responsibilities. HQs and COOF need to ensure that resources and staff skills are commensurate with allocated tasks.
- More specifically, COOF would like to receive the contractual arrangements (consultancy mandates, full budgets, financial and operational reporting requirements) contracted by SDC and seco HQs with implementing partners. In addition, implementing partners should be required to send their progress reports simultaneously to SDC and seco HQs and to the COOF, so as to allow a joint and efficient project monitoring.

## Lessons Learned

- The recent SDC decentralisation chart (Matrix of SDC's O-Department) that describes clearly who does what at what stage of the PCM process is extremely useful.
- The interaction between COOF and HQs (seco and SDC) should be considered as a triangle, in which the third actor is the implementing partner. Successful processes are characterized by clear identification of tasks and responsibilities at every stage of PCM for each of the three partners, including who has the lead responsibility and the necessary competence to perform the respective role.
- A clear annual programme defined jointly between COOF and SDC and seco HQs also contributes to successful management of the programme and projects. Good personal relations between people and frequent and transparent communication complete the ingredients of success

## Senior Management Response

**seco:** We endorse the position expressed by the CLP; we cannot subscribe to the rather theoretical concept presented in the Recommendation 4. One key issue is certainly to discuss further on the notion of delegating more "responsibility" (policy, financing, implementation) versus more "tasks". Further discussions are foreseen between SDC and seco. At seco, the efforts undertaken with the introduction of agreed "Vereinbarungen" with COOF on the respective role and responsibilities of HQ and COOF, need to be further strengthened and expanded. Any process of decentralisation and delegation of tasks/responsibility to COOF should also imply an adequate analysis and review of the capacity and resources; it is not only a quantitative exercise, but of course also a qualitative issue that requires in-depth discussion on eventual additional specialised training or technical backstopping of personnel at COOF.

**SDC:** The general decentralisation process currently facilitates the delegation of tasks, competencies and responsibilities. The process will continue in 2006; strengths and weaknesses shall be discussed in the coordinator's seminar in 2006. Care has to be given to the need to have similar management procedures in all cooperation offices of the Department of Cooperation with Eastern Europe (DCE). Financial planning has been improved for SDC programmes in 2005 and provides a clear steering tool for COOF as well as for headquarters. Since the new cooperation strategy is only valid for 3 years, clear strategic sectoral orientation shall be retained in this document.

## Recommendation 5

We believe that projects could be developed and prepared with greater efficiency, and that cooperation between the COOF and SDC/seco headquarters could be strengthened, if there is greater clarity concerning the stages of the **project cycle** leading up to credit approval.

**We recommend** that SDC and seco should consider the introduction of **common practical guidelines for project cycle management** for use by SDC, seco and the COOF, focusing especially on the early stages of project identification and preparation leading up to credit approval, together with training as appropriate. If common guidelines cannot be agreed, both SDC and seco should ensure that there is total clarity on the steps in their separate project cycles for the same early stages of the cycle.

## Stand of the CLP

- A certain degree of harmonisation of procedures between SDC and seco, and within SDC, i.e., between its O- and the H-Departments, is necessary. The issue of harmonisation has also been raised in the context of the recent DAC Peer Review. The SDC/seco working group responsible for elaborating and overseeing the implementation of the Swiss action plan on harmonisation should also consider addressing further harmonisation of PCM processes.

- The overall guidelines for PCM are already clearly defined both within SDC and seco. Problems arise when planning processes are not clearly defined and understood by all involved participants. Therefore, the COOF will promote more participatory PCM approaches. At the same time, sound PCM skills are a prerequisite for work at all management levels in COOF and at HQs. It is the responsibility of line and COOF management to ensure that the concerned staff has the necessary skills.
- For seco the decision to engage in multilateral or regional programmes is often taken at HQ. The involvement and monitoring responsibilities of the COOF have to be decided on a case by case basis and be clearly defined (see Recommendation 12 regarding Service Agreements).

### Lessons Learned

- It is important to take the time and to create space to come together to openly discuss relevant issues and exchange experiences. For example, the joint SDC (including the Thematic Division) – seco – COOF Private Sector Development Workshop held in Budva in June 2004 led to improved mutual understanding and cooperation between the various participants.
- A clear distinction between common and separate tasks and processes is helpful. Cooperation and collaboration have to create value added. The more an approach / process is participatory, the better it has to be planned and organised and necessary resources have to be made available.

### Senior Management Response

**seco:** We cannot endorse the Recommendation which reflects neither the actual situation as regards project cycle management at seco / SDC nor the efforts undertaken by the two agencies over the past 12 months in addressing the challenges of the Paris Declaration (harmonisation). We fully support the position expressed by the CLP.

**SDC:** PCM tools have been developed and are in use. Furthermore, the current decentralisation process includes PCM as one of its main elements. We endorse the stand of the CLP.

### Recommendation 6

Many donors insist on a clear **separation of roles for consultants and experts**, so that a consultant/expert that helps to prepare a project cannot bid for its implementation, and those involved in implementation cannot be involved in monitoring. Our evaluation reveals that SDC/seco have a more relaxed policy on the separation of roles that may hinder the effective implementation of some projects.

**We recommend** that SDC and seco should review their policies on the separation of the roles and responsibilities of experts/consultants at the main stages in the project cycle, especially project identification/preparation, project implementation/management, and project monitoring.

### Stand of the CLP

- The CLP agrees with the thrust of this recommendation. A strict separation of roles between implementation and evaluation / controlling is essential and is in fact adhered to as a matter of principle. In specific cases, the limited available expertise may not allow for a strict separation between project planning and implementation. In these situations, consultancy mandates may cover both stages, but are attributed only on the basis of competitive bidding processes for each phase. Engaging the same consultant for planning and monitoring or planning and implementation but not implementation and evaluation/controlling is admissible.

- With regard to the Serbia and Montenegro Programme, stricter adherence to the procurement policies already has started and will continue, ensuring that the principle of separation of roles and responsibilities will be upheld as well as more diversity in the choice of consultants. This will result in more professionalism, innovation and independence.  
The recently created database of consultants (Swiss, international and regional) will be further built up, in close cooperation with neighbouring COOFs, so as to develop regional cross-fertilisation and exchange of knowledge.

### Lessons Learned

- The experience of the electricity project shows that creating a chart of tasks and responsibilities for all involved stakeholders can be a precious tool for ensuring the smooth running of the project.

### Senior Management Response

**seco:** While we agree that there is scope for further improving the situation on the procurement in general, we do not accept the statement on the "relaxed policy" of seco in this regard. We have made considerable efforts in establishing a clear and solid practice in the transparent and competitive procurement of goods and services (in accordance with our published Guidelines). We totally reject the underlying imputation by the evaluators that we may occasionally mandate implementing experts/consultants of a project to undertake themselves the evaluation of their own performance! Still we accept that in some specific cases, the experts mandated to plan/prepare a project may also receive the mandate for implementation; this is related to certain realities (limited available expertise, project idea initiated by the concerned expert/organisation, etc.) but is decided and approved on a case-by-case by seco Operations Committee; efforts are always made to ensure as much competition as possible.

**SDC:** In the early stage of programme development, planning, backstopping, advising and reviewing roles have not been separated in one case (MSP). An individual consultant has been mandated by SDC and the implementing contractor. However, procurement rules are clear and are applied. As expressed by the CLP, in certain subject matters, there is limited expertise available. Planning and implementation may then be mandated to the same consultant.

### Recommendation 7

Our evaluation revealed mixed views among Swiss parties about the relevance of the **visibility of the programme in SCG** (we have not addressed the issues relating to visibility in Switzerland). **We recommend** that SDC and seco should consider the extent, if any, to which the visibility of the Swiss development assistance programme in SCG is a matter of concern, and whether any **measures** are required **to improve its visibility**. SDC and seco should also consider whether there should be greater standardisation of Swiss agency names and logos to **simplify the branding of the Swiss programme**.

### Stand of the CLP

- Visibility is not a goal in itself. Some projects are inherently visible, e.g., the trams in Belgrade, whereas others may need to keep a low profile. Also, visibility needs to be balanced with other objectives such as harmonisation. In any case, there is potential to improve the general visibility of the Swiss programme. To this end, a PR agency was hired in spring 2005 to give the Swiss programme a professional public image. The PR agency will develop a PR strategy for 2006. Also, the COOF will launch a website in September 2005.

- Aside from the issue of visibility, the Swiss government needs to convey a clear and coherent image. For local and international partners in Serbia and Montenegro, the multiplicity of Swiss government actors is confusing. For example, the DPIV programme, which is managed from Skopje, has its own brand. Its activities are not well known in Serbia and Montenegro, neither by the COOF nor probably the public. A single logo for the entire Swiss cooperation programme would help the public to understand that the COOF implements a programme financed by the Swiss government. seco, SDC and DPIV should appear under the 'brand name' of the Swiss Cooperation programme with Serbia and Montenegro.
- Guidelines approved by SDC's senior management are already provided in the "CD-Box". The COOF will address this issue in accordance with the guidelines (i.e., "CD-Box") with the aim of conveying a clear message to the public of the Swiss government program.
- The logo issue is also being discussed at the level of the Swiss Federal Administration. It will be up to SDC and seco managements to communicate and ensure implementation of new decisions.

### Lessons Learned

- Visibility is not a goal in itself. It has to be clear why, when and for what we want or need visibility.

### Senior Management Response

**seco:** We fully endorse the Recommendation. We believe that the decision taken by the Federal Council to introduce a unique "logo" for the Swiss administration in general should be translated also in the field of development cooperation and assistance to Eastern Europe. This is particularly true for the communication/visibility in our partner countries. We believe that SDC and seco should use a unique "Swiss Government" logo in our partner countries. In the meantime, any "transitory" step undertaken by the COOF in the field of "corporate design" must be discussed in detail not only with SDC HQ but of course also with seco HQ.

**SDC:** We endorse the recommendation of the evaluation team. The decision to use a single government logo has already been taken. Implementation will be addressed in the coming months.

### For SDC

#### Recommendation 8

We understand that the **transition from humanitarian aid to a development assistance programme** is becoming a more frequent event than in the past.

**We recommend** that SDC's H and O Depts should jointly review the conclusions in Section 6 (paragraphs 157-162) and in Annex E to assess whether there are lessons that might be gained from the experience in SCG that should be applied in other partner country contexts.

### Stand of the CLP

- At the level of the objectives, there is a conflict of goals in Humanitarian Assistance (HA): Humanitarian aid aimed at rapid action with immediate results versus a process oriented approach emphasising more the development of local (management) capacity.
- At the activity level, in the course of an HA-programme, one has to define sufficiently in advance whether it is a one shot humanitarian action or a medium or long term activity focusing on development objectives. Decisions have to be taken in consultation with different departments and in accordance with the country and regional strategies of the H- and O-Departments.



- The following lessons follow out of the conclusions of the evaluation:
  - When the HA project has a long term development perspective:
    - The O- and H-Departments should set up a working group to define a road map and accompany the transition from HA to development in close consultation with the field staff (COOF, HA Project Office, Swiss and local partners).
    - The local staff who will be in charge of the future OZA programme should be actively involved in its design. This is key to ensuring a successful transition.
  - If HA activities are to be transferred to development cooperation:
    - The transfer of responsibility from HA (expatriate) staff to local staff must be organised 12-18 months before the end of the Humanitarian assistance and still within the framework of the Humanitarian programme. Expatriate staff should already then take on the role of coach / adviser.
    - All legal and operational documents related to the new programme, to be prepared by the COOF, ought to be ready to enter into force when HA project closes.

### Senior Management Response

**SDC:** The continuum-contiguuum dimension is an important issue which needs to be examined on a case-by-case basis between the implicated divisions. The conclusions of the CLP do not have general validity and SDC will not convene a working group

### Recommendation 9

SDC publishes many **guidelines** that are of a general nature, providing broad principles rather than practical advice or concrete directions.

**We recommend** that SDC considers in broad terms the **cost-effectiveness of its general guidelines and frameworks**, and assesses whether it applies an appropriate balance of time and resources to the preparation of general guidelines and frameworks, compared with practical tools and operational guidelines that are useful on a day-to-day basis at the operational level.

### Stand of the CLP

- The CLP agrees with the recommendation and notes that the COSTRA has already decided to reduce the number of strategic documents and guidelines being drafted in Berne.
- Line management needs to take greater responsibility for ensuring that decisions made by senior management are implemented and that the approved guidelines and procedures are enforced. They also need to ensure that their staff have the necessary skills to implement the guidelines and procedures.

### Lessons Learned

- On a practical level, investing more time and resources in exchanging experiences regarding projects, approaches, partners, on various topics is more useful than producing guidelines and policies. The IntraWeb is an excellent tool for exchanging experiences and learning together
- Elaborating guidelines in a participatory way (i.e., involving both the field and headquarters) enhances ownership.

## Senior Management Response

**SDC:** Cost-effectiveness is part of SDC's motto and is guiding SDC operations. At the country level, there needs to be an appropriate balance between strategic and operational guidelines and frameworks. However, the wealth of thematic, concept and strategy documents has been developed during many years; it represents a valuable resource distinct from practical tools and operational guidelines.

### Recommendation 10

Our evaluation suggests that the **role of the Thematic Department in SDC** is not always clear, and that the best use may not be being made of the resources in this division. Our meetings with members of Thematic Division indicated that they tend to be used only in a marginal capacity, and, in the case of the Conflict Prevention and Transformation Division, not at all.

**We recommend** that SDC should review the extent to which the Thematic Department is, and is not, used in support of country programmes, and assess:

- **whether efficient use is made of the Thematic Department's special skills; and**
- **whether there is a need to improve the effectiveness of this use.**

## Stand of the CLP

- The CLP agrees with the recommendation. Collaboration with the Thematic Department should move from ad-hoc support on request during the so-called 'moments forts' to active participation from the very beginning in processes such as elaboration of the country cooperation strategy, project identification, design and planning, and programme evaluations.
- Thematic Department Divisions should be able to put staff at the disposal of the country programme at the level of 10-20% staff position over a defined period.
- The inputs to be delivered by the Thematic Divisions are formulated in the Service Agreements ('Leistungsvereinbarungen') which are an integral part of the annual programmes.

## Lessons Learned

- Involve the thematic divisions right from the beginning of a new project idea and take advantage of their technical knowledge and knowledge of best practices from other country programmes.
- Continuity is necessary for effective and efficient support.
- In cases where external resources have to be mobilized due to the lack of capacities or competencies in the Thematic Department – the concerned Thematic Division should be kept informed in order to ensure that it can fulfill its role of knowledge management and exchange of experiences.

## Senior Management Response

**SDC:** The support by the Thematic Department is appreciated and may be provided in a structured manner during the life cycle of a project/programme. The use of Service Agreements included in the annual programmes shall be enhanced. The percentage of Thematic Department staff time devoted to a country program cannot be generically defined at 10-20% as proposed by the CLP but must rather be decided on a case-by-case basis in the context of the particular Service Agreement.

## Recommendation 11

The way in which **the Municipal Support Program (MSP)** has been implemented has imposed, and continues to impose, an **undue administrative burden on the COOF**.

**We recommend** that SDC/COOF should actively investigate a way in which the MSP can be implemented without imposing an undue administrative burden on the COOF. The aim should be that the **consultants are responsible for project management** issues such as the employment of staff, procurement of equipment and managing project funds, and the **COOF's role is limited to reviewing, monitoring and controlling** the project.

## Stand of the CLP

The COOF's Administration Division currently invests 35% of its capacity in providing administrative support to the MSP. Operational involvement by the COOF is high as well and does not correspond to the COOF's normal line of tasks when project management is outsourced. The COOF will undertake the following:

- Concerning administrative tasks: The COOF will clarify with ITECO whether administrative tasks currently performed by COOF are in line with the contractual arrangements with the implementing agency and plan their transfer to the MSP office in Kraljevo. An eventual request for additional payment for these services may need to be examined. Advice will be given orally during the first weeks after the transfer.
- Concerning MSP operations: The Swiss programme officer will clarify and put in writing the type and timing of COOF contributions to the project and only perform the tasks that are the COOF's responsibility according to the agreement.

In view of reaching a sustainable workload for the COOF, the COOF aims to transfer more responsibilities and tasks to the municipal partners in the future. More and better donor coordination needs to be achieved at the municipal level as well. The COOF will contribute to such improvements in its sphere of influence.

## Lessons Learned

- Address the problems clearly.
- Draft a list of tasks and name those responsible (project or COOF).

## Senior Management Response

**SDC:** We endorse the recommendations of the evaluation team and support the solution proposed by the CLP.

## For seco

### Recommendation 12

**Cooperation between the COOF and seco** has improved in recent years but remain strained. **We recommend** that measures should be taken to improve cooperation between seco and the COOF so that the roles and responsibilities of each organisation are clear, and based on the principle that each task is undertaken by the organisation best place to do so. Measures that should be considered include:

- The **extension of the “Service Agreement” approach** that has been used for the National Dispatch Centre project to other suitable projects;
- **Strengthening the expertise in the COOF**, either through recruitment or through the secondment of someone to the COOF from seco;
- **More visits by COOF staff to seco** in Berne at appropriate times in the project cycle.

### Stand of the CLP

- Expertise is to be strengthened in both directions through institutionalising dialogue between seco and COOF at and beyond the project level and stepping up participation of seco in programming exercises at COOF (during moments forts). seco also intends to increase investments in the training of national and Swiss staff in charge of managing and monitoring the seco programme in COOF.
- A measure has already been taken in this regard: COOF's expertise and ownership of the seco program is reinforced by the fact that the seco projects (both in the private sector development and infrastructure domains) are now under the responsibility of one single person (national programme officer) who attended a seco training in Berne in June 2005. This has already facilitated communication and helped clarify the responsibility lines between COOF and seco-HQ.
- seco will introduce a chart of tasks and responsibilities ("Service Agreement" type) in the project management cycle of its projects as standard procedure with a view to build a common, shared basis for knowledge and ownership on the whole project cycle.

### Senior Management Response

**seco:** We fully endorse the Recommendation and the Stand of the CLP, which we find appropriate and useful. In addition, we would like to emphasise that the improvement of the situation will also require regular in-depth discussion – eventually at the time of the annual tripartite (SDC-seco-COOF) programming – on the overall allocation of COOF resources taking into consideration not only the policy orientation of SDC (for example in the field of CD or administrative decentralisation) but also the respective actual priorities and needs for the implementation of the activities/projects/programmes of both agencies in the country; seco still expects to receive a support commensurate with its annual financial contribution to the overall cost of COOF. Finally, as agreed with SDC, seco will be more active in the preparation of the annual qualification/assessment of the Country Directors in Eastern Europe: this is an important dimension to ensure a balanced assessment of the global ownership by the Country Directors of the Swiss (SDC + seco) cooperation programme.

**Additional Lessons Learned concerning the MTC Serbia and Montenegro or similar contexts:**

In post-conflict or new programmes situations the following sequencing may prove useful:

1. start with urgent measures with significant impact,
2. broaden the front (sectors and geographic focus) to test alternatives,
3. concentrate on areas with needs, real progress, strong partners, "comparative advantage" etc.
4. prune back the remainder of the program.

In general, in project planning and implementation, always apply principles of

1. alignment (country ownership),
2. harmonization,
3. flexibility.

**Lessons Learned concerning independent evaluations**

- Transparency and agreement on the proposed list of interviewees and project visits should be established prior to the start of evaluations.
- Even when the focus is on the programming level, a few (representative) projects should be appraised in more depth in order for the evaluation's assessment and recommendations to be more concrete.

# **IV Evaluators' Final Report**

## **SDC/seco Medium Term Concept 2002-2006 in Serbia & Montenegro**

Commissioned by the Evaluation + Controlling Division  
of the Swiss Agency for Development and Cooperation (SDC) and  
the State Secretariat for Economic Affairs (seco)

**Oxford, United Kingdom 29 July 2005**

Oxford Policy Management, UK  
[www.opml.co.uk](http://www.opml.co.uk)

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## Abbreviations

|        |  |
|--------|--|
| AAEN   | Alternative Academic Network   |
| ASTRA  | Anti Sex Trafficking Agency  |
| BFM    | Federal Office for Migration   |
| BWI    | Bretton Woods Institutions   |
| CAFAO  | EU Customs and Fiscal Assistance Office to Serbia and Montenegro       |
| CHF    | Swiss francs   |
| COOF   | Country Office, Belgrade   |
| DCE    | Department of Cooperation with Eastern Europe                          |
| EAR    | European Agency for Reconstruction                                     |
| EBRD   | European Bank for Reconstruction and Development                       |
| EFM    | European Fund for Montenegro (managed by KfW)                          |
| EFS    | European Fund for Serbia (managed by KfW)                              |
| EIB    | European Investment Bank   |
| EPS    | Electric Power Industry of Serbia                                      |
| ERCU   | Educational Reform Coordination Unit                                   |
| FIAS   | Foreign Investment Advisory Service                                    |
| H Dept | SDC's Department of Humanitarian Aid and Swiss Humanitarian Aid Unit   |
| HELP   | Hilfe zur Selbsthilfe e.V.   |
| HA     | Humanitarian Assistance  |
| HO     | Belgrade Housing Office  |
| HQ     | Headquarters   |
| IDA    | International Development Association                                  |
| ICL    | Institute of Comparative Law   |
| IFC    | International Finance Corporation (part of the World Bank group)       |
| IDP    | Internally displaced person  |
| MFA    | Ministry for Foreign Affairs (of Serbia)                               |
| MIER   | Ministry of International Economic Relations (of Serbia/SCG)           |
| MoES   | Ministry of Education and Sports (of Serbia)                           |
| MSP    | Municipal Support Programme  |
| MTC    | Medium Term Concept  |
| NGO    | Non government organisation  |
| NHLO   | Network of Humanitarian Legal Offices                                  |
| O Dept | SDC's Department for Cooperation with Eastern Europe and the CIS       |
| OSCE   | Organisation for Security and Cooperation in Europe                    |
| PA IV  | Political Affairs Division IV, Federal Department of Foreign Affairs   |
| PCM    | Project Cycle Management   |
| PDP    | Professional Development of Educational Personnel project              |
| PRSP   | Poverty Reduction Strategy Paper                                       |
| SAC    | The World Bank's Structural Adjustment Credit                          |
| SAP    | The EU's Stabilisation and Association Process for the Western Balkans |
| SCG    | Serbia and Montenegro  |
| SDC    | Swiss Agency for Development and Cooperation                           |
| SEAF   | Small Enterprises Assistance Fund                                      |
| seco   | State Secretariat for Economic Affairs                                 |
| SEDA   | Sandzak Economic Development Agency                                    |
| SIEPA  | Serbian Investment and Export Promotion Agency                         |
| SIPPO  | Swiss Import Promotion Programme                                       |
| SKGO   | Standing Conference of Towns and Municipalities                        |
| SLGRP  | Serbian Local Government Reform Programme                              |
| SME    | Small and Medium Enterprise  |
| SOFI   | Swiss Organisation for Facilitating Investments                        |
| SP-SEE | Stability Pact for South East Europe                                   |

|       |   |
|-------|---|
| TCP   | Trade Cooperation Programme                                     |
| UNHCR | United Nations High Commissioner for Refugees                   |
| WEHU  | seco's Trade Cooperation and Clean Technology Transfer Division |
| WEIF  | seco's Investment Promotion Division                            |
| WTO   | World Trade Organisation  |

## Executive Summary

The purpose of this “Independent Evaluation of the SDC/seco Medium Term Concept 2002-2006 in Serbia & Montenegro” is described in the Approach Paper as twofold:

- “To render accountability by submitting SDC/seco activities to independent assessment
- To improve future performance through learning from experience” (particularly in relation to the future of the SCG MTC, cooperation issues, and lessons for similar partner country contexts).

The scope of the evaluation is limited to the years 2000 to the present, and to the development assistance programme over this period, together with some examples of projects in the transition from humanitarian aid to development assistance.

### Accountability

We estimate that the total Swiss aid programme to SCG over the period 2000–2004 was a little under CHF 150 million, of which 48% was from seco, 32% was humanitarian aid, and the balance of 20% comprised SDC O Dept projects and SDC regional programmes.

The programme has been in line with Switzerland’s foreign policy objectives, and has adapted well to the changing environment in SCG. There was a rapid, and financially substantial, response to the fall of Milosevic in October 2000, and to the subsequent change of government. The early assistance was well targeted on poverty reduction, and on areas where it could potentially have a significant impact at the macroeconomic level. Quick-disbursing projects were implemented to bridge the gap between the humanitarian aid programme and the start-up of a conventional development assistance programme, and financial support was provided to help re-integrate SCG into the international financial community.

During 2001 a conventional development assistance programme started on a broad front. The intention in many cases was to test out in a relatively small way where Swiss support could be most effective, and then to build on the successes. This is in principle a sound strategy in a new and rapidly changing environment, but requires sufficient administrative resources to monitor the interventions and to decide whether to expand or close them. The early programme appears to have been over-ambitious in relation to the availability of such resources, with the result that there has been insufficient pruning and consolidation of the programme to optimise overall effectiveness.

The Swiss response to the various political changes in SCG since 2000 has generally been to seek pragmatic ways of continuing with valued projects and programmes. We consider this approach to be appropriate because many reforms cannot be achieved quickly, and governments in transition countries tend to come and go. In many situations, a long-term vision, and an ability to remain engaged by adapting to changing political environments, is necessary and commendable if a lasting impact is to be made.

We have reviewed, at a programming level, the main sectors that have been supported under the MTC (Institutional Reform, Public Services, Education, and Private Sector), and some of the projects in each sector. Of these four sectors, the largest in financial terms has been the Private Sector (comprising a combination of seco and SDC projects), followed by Public Services (seco projects only), Institutional Reform and Education (both SDC projects only).

Interventions in the **Institutional Reform** sector were launched on a broad front, and present a picture of mixed results. The successful reform of institutions generally requires long-term and sustained support, together with engaged local partners. The largest programme in the sector (and SDC's largest project in SCG) is the MSP, which is yielding concrete results and is highly valued by the main stakeholders. Despite various early difficulties during implementation, the MSP provides a sound base on which to extend Swiss support to the decentralisation process generally and to capacity building at the local government level.

In contrast with the institutional reform sector, the **public services** sector has been highly concentrated with just three (relatively large) projects: the provision of surplus trams from Basel for use in Belgrade, an electricity spare parts programme, and the rehabilitation of the National Dispatch Centre (which is the largest single project in the programme). The tram project has yielded benefits to public transport users in Belgrade, but perhaps its main value has been to create goodwill through the speedy provision of practical support in the capital, together with visibility for the Swiss programme. The National Dispatch Centre project is a core element in both the full integration of the SCG power grid into the European network, and the reform programme for the domestic electricity industry. It is still at the construction phase but is expected to make a significant contribution to improving the reliability and accessibility of power supplies, which forms an important constraint to economic growth

The **education sector** is identified in the MTC as a core priority sector supporting and consolidating transition. The SDC programme is generally coherent, focused and visible, and the Swiss are widely viewed to be the major and most influential donor. The programme contributes to the reform agenda by supporting the enhancement of the quality of education. It also provides a link between transition and poverty reduction, as it promotes equal access for all, including vulnerable and socially excluded groups, especially Roma children. Its core focus is the quality of teaching and school development. This is supported by institutional development assistance at the central, regional and local levels. The involvement of the NGO sector as a partner in the programme broadens the base of reforms and helps to protect its sustainability against political changes.

The **private sector** programme is the one sector where there is a mix of seco and SDC projects. In assessing the programme, we have distinguished between the regional projects and the specific SCG programme. We fully endorse the principle of including SCG in various regional and global initiatives, and the principle of using multi-donor vehicles for the provision of assistance where appropriate (both for efficiency and support for donor harmonisation). One consequence of using such vehicles is that the visibility of much Swiss assistance to the private sector is greatly diminished in SCG, but this is a political and not a development issue. The overall SCG perception of Swiss assistance to the private sector is tainted by the failure of the most visible specific SCG project, SEDA, but the initial outcomes of the other specific SCG private sector projects are generally encouraging. The coherence and impact of the private sector programme could be enhanced by the development of an overall strategy to identify further interventions that would complement, and/or enhance the impact of, the existing projects. The formulation of such a strategy will require close cooperation between SDC, seco and the COOF.

The overall conclusion from our review of the main sectors in the MTC is that projects have generally been well-targeted and professionally implemented, although it is too early to assess effectiveness, except in a few instances. The characteristics of the relatively successful projects and programmes include:

- A participatory approach;
- Strong local partners (combined with effective foreign assistance);
- Clear objectives, measurable indicators, explicit milestones, and effective monitoring, but implemented with sufficient flexibility to adapt to changing circumstances;
- Sustained support at the project level, and coherence at the sector level;

- An appropriate balance between a demand-driven and supply-driven approach to build up trust, and then build on that trust to drive forward the reform agenda;
- A clear specification and separation of the roles and responsibilities of experts/consultants during the main stages in the project cycle.

### **Future of the SCG Medium Term Concept**

The preparation of the MTC was generally considered to be a valuable exercise, especially the workshop in October 2001, but the utility of the MTC as an operational framework for the SCG programme has diminished over the succeeding years. The structure of the MTC is complex, and we suspect that it represents an attempt to provide a framework for the many interventions that had already been, or were in the process of being, initiated in the first year or two of the evolution of the SCG development assistance programme, rather than presenting a strategy. This may be appropriate in the early stages of transition, but does not form the basis for a coherent programme in the medium to longer term. We believe that there is significant scope for increasing the coherence of the programme now that it is more mature.

We recommend that the MTC should be replaced by a Cooperation Strategy on the lines of the Guidelines issued by the SDC in March 2005. The new Strategy should become effective from 1 January 2006, as we perceive greater benefits in having it in place as soon as possible, rather than spending additional time refining a draft document. We suggest that it should be for 3 or 4 years, and on a "rolling" basis, so that it can then be reviewed a year later and amendments made as necessary.

The March 2005 Guidelines suggest that the Cooperation Strategy should be "complemented by a medium-term strategic framework at the programme level, serving as a "business plan", i.e. as an internal management tool for operational, result-oriented planning". We are unclear why such an additional document is required. As outsiders, our perception is that SDC has too many broad guidelines and frameworks, and too few practical tools that are useful to those involved in day-to-day operations at the programme level. In our view, a Cooperation Strategy, supplemented by Annual Programmes, is sufficient as a framework.

The new Cooperation Strategy should be developed by the main parties involved in the programme (especially SDC/seco and the COOF), but we suggest that it should be steered primarily by the COOF, as the COOF is in the best position to take an overall strategic view across the SDC and seco programmes. The Strategy should set out clear objectives, and establish meaningful and measurable indicators against which progress can be assessed. Most of the objectives and indicators in the MTC lack the necessary specificity to give real direction and operational guidance.

Assuming that the financial size of the programme in the next few years has been decided, we suggest that five main sets of issues should be addressed: the sectors to be supported, the level of pro-activity in each sector, the geographical dimension, the balance between national and local projects, and the most appropriate approaches and instruments. Our suggestions for the future strategy include:

- Hard decisions are required on the development needs to be supported (e.g. the balance between transition and poverty reduction), and the programme should then be pruned and consolidated to meet a more focused set of objectives;
- The specific programme should build on existing strengths (e.g. the MSP and the education sector), while leaving some flexibility to respond to special opportunities;
- Although there are likely to be some SDC/seco/COOF resource constraints, such resources should, as far as possible, be made available to serve the chosen programme, rather than adjusting the programme to the resources available;

- The programme should, *ceteris paribus*, continue to be relatively concentrated geographically, to encourage cooperation across projects, facilitate the start-up of new projects, and reduce the costs of project monitoring.

## Cooperation issues

The most important cooperation issues arise in the triangle of relations between SDC, seco and the COOF. The SDC and seco programmes in SCG have been largely complementary, but not integrated into an overall strategy. SDC and seco are two different organisations with different mandates, and our perception is that, to a large extent, they operate independently of each other.

The coherence and impact of the programme could be increased by delegating greater responsibilities to the COOF, as this is the one place where the SDC and seco programmes can be drawn together into a more integrated whole. One approach would be:

- To define a core programme which would be the primary responsibility of the COOF to implement (with the non-core programmes continuing to be led mainly from Bern);
- To establish a specific plan for each sector in the core programme, that would be developed by SDC, seco and the COOF, and formally endorsed in Bern;
- To delegate decision-making powers on specific projects to the COOF, at least up to some substantial ceiling;
- To strengthen the COOF to perform its enhanced role by transferring resources from Bern to Belgrade;
- To provide further ad hoc support to the COOF from Bern and elsewhere as necessary;
- Possibly to change the arrangements for recording commitments and disbursements on projects so that the COOF can monitor disbursements across the spread of SDC and seco projects in the core programme;
- To monitor implementation at the strategic, but not the operational, level from Bern.

There have also been difficulties in the relationships between the COOF and seco, although the situation has improved over the past few years. The COOF does not feel fully informed or involved in seco projects, and seco does not consider that they receive the level of support from the COOF that reflects their 50% funding of its costs. At the root of the problems are the different instruments, approaches and processes of SDC and seco, which are largely explained by the different mandates and staffing levels. The broad consequence is that SDC projects tend to be developed in SCG with full COOF participation, while seco projects tend to be driven from Bern, because the necessary expertise is in Bern.

Measures that might be taken to improve seco/COOF cooperation further include:

- The extension of the "Service Agreement" approach that has been used for the National Dispatch Centre project to other suitable projects;
- Strengthening the expertise in the COOF, either through recruitment or through the secondment of someone to the COOF from seco;
- More visits by COOF staff to seco in Bern at appropriate times in the project cycle.

Our review of the humanitarian aid/development assistance transition suggests that the approach adopted was largely pragmatic rather than systematic, with the result that some opportunities for building more effectively on the humanitarian aid programme may have been missed. A more systematic approach - at the level of the overall humanitarian aid programme - might have been:

- To review each component of the humanitarian aid programme and make decisions on its preferred future course, and on any opportunities for building on its contacts, facilities or status;

- For each component that is planned to include a transition element from H Dept to O Dept, to appoint a designated person with specific responsibility to oversee the transition on behalf of SDC; and
- To prepare a skeletal transition plan giving the key milestones, timetable and responsibilities, and review it during the normal round of meetings on the Annual Programme.

Ultimately, however, the success or failure of such transitions will depend on the quality and effectiveness of the new management. There is a limited amount that SDC can do to ensure sustainability, but its role should be to hand over responsibility through an orderly and supportive process, as well as organising the respective roles and responsibilities of H and O Depts and the COOF in an efficient manner.

### **General lessons for similar partner country contexts**

The effectiveness of the administrative resources (i.e. in SDC/seco/COOF) is a critical factor in establishing a new programme, or a major change of direction, in similar partner country contexts (i.e. when there is a radical change of government such as in SCG in 2000). It is important to build harmonious teams among the key players, and address the needs of both SDC and seco if it is envisaged that both organisations will be substantially involved in the future programme. The early steps in the project cycle from project identification and preparation through to credit approval should be clearly set out, and a clear division of responsibilities between the COOF and SDC/seco HQ established. There should also be greater emphasis on practical tools and guidance for practitioners, with the emphasis on simplicity and essentials, backed by suitable training.

In the early transition situation, it should be possible to identify some valuable fast-disbursing projects and programmes to kick-start the programme and build up credibility with the new government. New conventional development assistance projects should generally start on a small scale, and then be expanded or closed depending on their effectiveness. A strategy of starting with a variety of interventions to test the appropriateness of local partners may be appealing, but the consequences for monitoring should be carefully considered, so that timely decisions can be made on whether to expand or close each project. As the programme matures, it should be pruned and consolidated to focus on some clear objectives and priorities, combined with measurable indicators that provide meaningful yardsticks for assessing progress.

# 1. Main recommendations

## For SDC and seco

### Country evaluations:

- The decision to combine this evaluation with the review of the MTC was sound, as it provided a double purpose for the evaluation, potentially increasing its value (especially for those engaged in managing the country programme). **We recommend** that future country programme evaluations should be combined with a review that is part of the normal programming cycle for the country.
- The methodology for the evaluation was satisfactory, except that it might usefully have included a second visit to Bern following the field visit, so that new issues that arose during the field visit could have been discussed with headquarters staff. **We recommend** that future country evaluations on the lines of our evaluation should include a second visit to Bern after the field visit.

The utility of the **MTC** has diminished since the initial workshop to develop it in October 2001, to the point at which it should be replaced.

### **We recommend** that

- The MTC should be replaced (not supplemented) by a new Cooperation Strategy on the lines of the Guidelines issued by the SDC in March 2005.
- There is no need for an additional “medium-term strategic framework” as envisaged by the March 2005 Guidelines. In our view, a Cooperation Strategy, supplemented by Annual Programmes, is sufficient as a framework.
- The new Cooperation Strategy should become effective from 1 January 2006, as we perceive greater benefits in having it in place as soon as possible, rather than spending additional time refining a draft document.
- The strategy should be for 3-4 years.
- Consideration should be given to producing a “rolling” strategy that is reviewed each year (e.g. as part of the workshop to prepare the Annual Programme) and rolled forward for an additional year.
- The new Cooperation Strategy should be developed by the main parties involved in the programme (especially SDC/seco and the COOF), but we suggest that it should be steered primarily by the COOF, as the COOF is in the best position to take an overall strategic view across the SDC and seco programmes.

### 1. **We recommend** that the **new Cooperation Strategy** should (see Section 5 paragraphs 141-150 for further detail):

- Have clear objectives that are realistic in the context of the scale of the Swiss programme;
- Clarify the balance that will be given in the strategy between transition and poverty reduction;
- Consolidate the programme in accordance with these objectives to give the programme greater focus and coherence to maximise its impact;
- Include measurable indicators against which progress can be assessed;
- Build first on the strengths of the existing programme;
- Consider taking a proactive role in donor coordination in the education sector, including the possible pooling of funds (e.g. with CIDA and GTZ), with a possible medium term objective of moving towards a sector-wide approach;
- Assess the skills and levels of the administrative resources required to implement the strategy (in Bern and Belgrade) and, as far as possible, plan to adjust the necessary resources to meet the requirements;



- Include an element of flexibility (in programmes and projects) to respond to the changing environment;
  - Continue to concentrate most of the projects geographically, except for projects requiring little or no active management or monitoring by SDC/seco/COOF (e.g. projects managed by third parties), or possibly special relatively large projects.
2. We believe that the coherence and impact of the programme could be increased by **delegating greater responsibilities to the COOF**, as this is the one place where the SDC and seco programmes can be drawn together into a more integrated whole. **We recommend** that consideration is given to the following arrangements (see Section 6 paragraphs 180-183 for further detail):
- Define a core programme which would be the primary responsibility of the COOF to implement (with the non-core programmes continuing to be led mainly from Bern);
  - Establish a specific plan for each sector in the core programme, that would be developed by SDC, seco and the COOF, and formally endorsed in Bern;
  - Delegate the implementation of the sectoral plans to the COOF, including decision-making powers on specific projects, at least up to some substantial ceiling;
  - Strengthen the COOF to perform its enhanced role by transferring resources from Bern to Belgrade;
  - Provide further ad hoc support to the COOF from Bern and elsewhere as necessary;
  - Consider whether changes are required in the recording of project commitments and disbursements to enable the COOF to monitor disbursements across the whole spread of projects in the core programme;
  - Monitor implementation at the strategic, but not the operational, level from Bern.
3. We believe that projects could be developed and prepared with greater efficiency, and that cooperation between the COOF and SDC/seco headquarters could be strengthened, if there is greater clarity concerning the stages of the **project cycle** leading up to credit approval. **We recommend** that SDC and seco should consider the introduction of common practical guidelines for project cycle management for use by SDC, seco and the COOF, focusing especially on the early stages of project identification and preparation leading up to credit approval, together with training as appropriate. If common guidelines cannot be agreed, both SDC and seco should ensure that there is total clarity on the steps in their separate project cycles for the same early stages of the cycle.
4. Many donors insist on a clear **separation of roles for consultants and experts**, so that a consultant/expert that helps to prepare a project cannot bid for its implementation, and those involved in implementation cannot be involved in monitoring. Our evaluation reveals that SDC/seco have a more relaxed policy on the separation of roles that may hinder the effective implementation of some projects. **We recommend** that SDC and seco should review their policies on the separation of the roles and responsibilities of experts/consultants at the main stages in the project cycle, especially project identification/preparation, project implementation/management, and project monitoring.
5. Our evaluation revealed mixed views among Swiss parties about the relevance of the **visibility of the programme in SCG** (we have not addressed the issues relating to visibility in Switzerland). **We recommend** that SDC and seco should consider the extent, if any, to which the visibility of the Swiss development assistance programme in SCG is a matter of concern, and whether any measures are required to improve its visibility. SDC and seco should also consider whether there should be greater standardisation of Swiss agency names

and logos to simplify the branding of the Swiss programme.

### For SDC

6. We understand that the **transition from humanitarian aid to a development assistance programme** is becoming a more frequent event than in the past.  
**We recommend** that SDC's H and O Depts should jointly review the conclusions in Section 6 (paragraphs 157-162) and in Annex E to assess whether there are lessons that might be gained from the experience in SCG that should be applied in other partner country contexts.
7. SDC publishes many **guidelines** that are of a general nature, providing broad principles rather than practical advice or concrete directions.  
**We recommend** that SDC considers in broad terms the cost-effectiveness of its general guidelines and frameworks, and assesses whether it applies an appropriate balance of time and resources to the preparation of general guidelines and frameworks, compared with practical tools and operational guidelines that are useful on a day-to-day basis at the operational level.
8. Our evaluation suggests that the role of the Thematic Division in SDC is not always clear, and that the best use may not be being made of the resources in this division. Our meetings with members of Thematic Division indicated that they tend to be used only in a marginal capacity, and, in the case of the Conflict Prevention and Transformation Division, not at all.  
**We recommend** that SDC should review the extent to which the Thematic Division is, and is not, used in support of country programmes, and assess:
  - whether efficient use is made of the Division's special skills; and
  - whether there is a need to improve the effectiveness of this use.
9. The way in which **the MSP** has been implemented has imposed, and continues to impose, an **undue administrative burden on the COOF**.  
**We recommend** that SDC/COOF should actively investigate a way in which the MSP can be implemented without imposing an undue administrative burden on the COOF. The aim should be that the consultants are responsible for project management issues such as the employment of staff, procurement of equipment and managing project funds and the COOF's role is limited to reviewing, monitoring and controlling the project.

### For seco

10. **Cooperation between the COOF and seco** has improved in recent years but remain strained.  
**We recommend** that measures should be taken to improve cooperation between seco and the COOF so that the roles and responsibilities of each organisation are clear, and based on the principle that each task is undertaken by the organisation best placed to do so. Measures that should be considered include:
  - The extension of the "Service Agreement" approach that has been used for the National Dispatch Centre project to other suitable projects;
  - Strengthening the expertise in the COOF, either through recruitment or through the secondment of someone to the COOF from seco;
  - More visits by COOF staff to seco in Bern at appropriate times in the project cycle.

## 2. Introduction and methodology

### Purpose and scope

Our terms of reference for this "Independent Evaluation of the SDC/seco Medium Term Concept 2002-2006 in Serbia & Montenegro" are set out in the Approach Paper, dated 3 March 2005, in Annex A. The purpose of the evaluation is described in the Approach Paper as twofold:

- "To render accountability by submitting SDC/seco activities to independent assessment;
- To improve future performance through learning from experience."

More specifically, we are asked to:

- Review the Swiss aid programme to Serbia and Montenegro<sup>1</sup> (SCG), focusing on the development assistance programme;
- Provide guidance to improve performance for the remainder of the period of the Medium Term Concept (MTC), and for the development of a Medium Term Country Programme in the following period; and
- Draw lessons that might be applied to similar partner country contexts.

The scope of the evaluation is limited to the years 2000 to the present, during which the development assistance programme has been developed. The evaluation does not cover the humanitarian aid programme to SCG that started in 1991, although it does review some examples of projects in what the Approach Paper calls the continuum-contiguuum context. The scope of the evaluation is also limited to the programming level (relevance and effectiveness of strategies, policies, objectives, and steering). The Key Questions to be addressed are given in section 4 of the Approach Paper.

### Methodology

Our methodology has followed that in section 7.1 of the Approach Paper. In brief we:

- collected and reviewed SDC/seco and other documents relating to the Swiss aid programme to SCG since 2000;
- visited Switzerland for a week in March 2005 to discuss the Key Questions with SDC, seco, other Swiss actors, and a selection of consultants who have worked on the SCG programme;
- conducted a three week field visit to SCG in April to review the programme with as many stakeholders as possible in the time available, including the Country Office (COOF), beneficiaries, representatives of government, civil society, and other donors;
- held a workshop at the end of the field visit (to which all interviewees were invited) to present and discuss our preliminary findings;
- prepared a draft final report for discussion at a review meeting on 23 June; and
- prepared our final report, incorporating, as appropriate, comments made at the review meeting on 23 June or received subsequently.

We have not conducted any detailed evaluations of projects. Instead, we relied on project reports and other documents, supplemented by as wide a spread of interviews as was feasible in the time available. Our focus was to identify common issues and themes, as we believe that the real value of a short evaluation of this kind lies in the fresh perspectives that

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<sup>1</sup> We use SCG throughout this report to denote Serbia and Montenegro (excluding Kosovo), although the name has changed during the review period from the Federal Republic of Yugoslavia to State Union of Serbia and Montenegro.

can be discerned, uncluttered by a detailed knowledge of projects and programmes.

Annex B gives a list of the persons consulted (mainly in meetings, but occasionally by telephone). Annex C gives a list of the documents that we reviewed.

## **Acknowledgements**

We would like to record our sincere thanks to the many people who have given up time from their normal course of work to meet with us, or otherwise to assist us in carrying out this assignment. Excellent administrative and logistical support was provided by SDC for our visit to Switzerland, and by the COOF for the field visit to SCG, enabling a highly productive use of our time on both occasions.

In order to conduct a useful evaluation in the time available, we have necessarily had to rely on guidance from the COOF, SDC and seco on whom to meet and what documents to read. However we have been free to meet with anyone we wished and to collect additional documents. The views expressed in this report represent those of the evaluators alone.

## **Structure of report**

The remaining sections of this report provide:

- A summary of the evolution of the Swiss aid programme to SCG, and an overall assessment in the context of the changing environment (Section 3);
- An assessment of the programme by sector (Section 4);
- Our views on the MTC and next steps (Section 5);
- Cooperation issues (Section 6); and
- General lessons for similar partner country contexts (Section 7).

### **3. Swiss aid programme to SCG and its context**

This section summarises the context in which the development assistance programme to SCG was started, describes how it evolved, analyses its scale, and provides an overall assessment in the context of the changing situation since 2000.

#### **Context in 2000**

Switzerland's aid programme to SCG has been driven mainly by foreign policy objectives, solidarity with the people of SCG, and what are perceived to be mutual interests. Switzerland has a declared interest in the stability, and enhanced economic and social development, of SCG and the other countries of South East Europe. This interest is heightened by the direct impact that conflicts in the region have had on Switzerland, particularly in the form of migration and asylum seekers, lured by the substantial numbers of diaspora from former Yugoslavia that are already well integrated in Swiss society. Other potential impacts include trafficking of drugs and human beings, organised crime, and the increased risk of environmental damage.

It is against this background that the evolution of the development assistance programme to SCG should be assessed. Most of the humanitarian aid programme that had been started in 1991 was linked with the problems arising from the waves of refugees and internally displaced persons (IDPs) that followed the conflicts in Croatia, Bosnia & Herzegovina, and Kosovo. The Swiss maintained a presence throughout the difficult years of sanctions and the NATO bombing, providing emergency relief and helping to alleviate the hardship of refugees and IDPs. In parallel, the Swiss Federal Office for Refugees, now the Federal Office for Migration (BFM), pursued a policy of voluntary return to SCG by refugees in Switzerland, linked with support to parts of the humanitarian aid programme in SCG.

Political events in SCG unfolded rapidly in the last quarter of 2000. In September, Presidential elections were held, resulting finally (in October) in Kostunica becoming the new President. Subsequent events are well covered in the MTC and Annual Programmes and are not repeated here, except to conclude that the present political situation is fragile.

When the Swiss development assistance programme started towards the end of 2000 after the election of Kostunica, SCG faced many economic and social difficulties. The economy had been shattered by the break-up of former Yugoslavia, civil wars in the former Yugoslav Republics, sanctions, the NATO bombing in 1999, and economic mismanagement. The country was cut off both from its neighbours and the rest of the world in political, economic and cultural terms. Living standards had fallen dramatically since 1990, and there were high levels of poverty.

The Swiss were in a unique position to assist in the process of transition due to their long presence on the ground, and were able to provide advice to other donors starting up totally new programmes. As other donors' programmes have grown, the relative importance of the Swiss programme has declined, but goodwill towards the Swiss has continued.

In the next few years the probability is that EU Accession will be the over-riding factor influencing the reform agenda. However, the prospect of Accession is not yet close enough to instil a sense of political urgency in the SCG government, although, during our field visit, an announcement from Brussels seemed to clear the way to start negotiating a Stabilisation and Association Agreement under the Stabilisation and Association Process for the Western Balkans (SAP). The SCG has also prepared a PRSP (recognised as excellent by most

commentators), but the current discussion in government circles is how to integrate this with the EU integration agenda. The World Bank and others are also pressing for an overall development strategy.

## **Evolution of development assistance programme to SCG**

The Swiss aid programme to SCG started in 1991 with humanitarian activities, and has continued in various forms to the present day. In the summer of 2000, the main components of the programme comprised:

- Shelter Offices in Belgrade and Podgorica, providing mainly technical assistance to UNHCR activities;
- A cash for shelter programme (providing support to families housing refugees and IDPs);
- Legal counselling for refugees and IDPs;
- An energy emergency relief programme (especially for heating plants);
- An ecology programme primarily related to the effects of the NATO bombing (e.g. monitoring of groundwater resources); and
- Emergency relief.

Up to the fall of Milosevic in October 2000, the programme comprised only humanitarian assistance, although there was a small "unofficial" programme to support selected reform elements (especially the media sector, and three institutions in the education sector including Petnica Science Centre). Soon after the political changes, an emergency assistance package of CHF 8 million (CHF 4 million each from seco and SDC) was approved to finance immediate measures to improve the living conditions of the poorest most deeply affected by the international sanctions, the 1999 NATO air strikes and the collapse of federal institutions. This was followed quickly by a pledge from the Swiss government in October 2000 of CHF 50 million for a three year cooperation programme.

The initial emergency package included funding of CHF 6 million to help the new government reduce the backlog of unpaid social welfare payments to the most vulnerable, in particular pensions and unemployment benefit, with the balance used for urgently needed supplies such as medicines. In addition, seco provided a credit of CHF 27.2 million towards SCG's membership fees to join the European Bank for Reconstruction and Development (EBRD); and two bridging loans to facilitate SCG's membership of the IMF and the repayment of arrears to the European Investment Bank (EIB)<sup>2</sup>.

Up to the end of 2000 the COOF in Belgrade was funded by SDC's Department of Humanitarian Aid and Swiss Humanitarian Aid Unit (H Dept). From 2001 the COOF has been primarily financed by SDC's Department for Cooperation with Eastern Europe and the CIS (O Dept) and seco. After conducting a competitive interview process, the Director of the COOF at that time was selected to remain as the Director. A second (Serbian speaking) expatriate joined during 2001, followed by three further expatriates to supplement the local staff.

Seco and SDC adopted different, but complementary, strategies for responding to the ambitious targets that had been set for an early build-up of development assistance (in parallel with the ongoing humanitarian programme). seco started with an economic reconstruction programme before moving on to more traditional development assistance. In contrast, the build-up of the SDC programme was slower and on a much smaller scale, as SDC focused on identifying suitable local partners for its longer term programme from the

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<sup>2</sup> However, the two bridging loans have not been categorised by seco as part of the official development assistance programme to SCG, and are not therefore included in any of the statistics given in this report.

start. Consequently, most of the early emergency assistance was provided by seco.

The year or two after the fall of Milosevic was a particularly difficult and hectic period for the COOF as it tried to combine the rapid build-up of the development programme with a full understanding of the processes and procedures of SDC's O Dept and seco, together with the training of local staff. Extensive meetings were held with all ministries, focusing especially on existing contacts (e.g. the head of Petnica Science Centre became the Deputy Minister of Education). The programme that developed was primarily in response to SCG needs and requests, building on existing contacts and programmes. In 2001 over 60 SDC credit proposals were established and 48 credit proposals signed with a total value of CHF 22 million.

There was no time in the early months to develop a Medium Term Concept (MTC) or strategy, but there was a deliberate policy to start on a relatively broad front, with a view to consolidating later. In October 2001 there was a workshop in Belgrade to develop the MTC 2002-2006. This brought together the main interventions that had already been started or were in the pipeline, and assembled them into a conventional MTC format. The level of financial support over the period of the MTC was expected to be CHF 90-100 million.

Five sectors were selected for the MTC, largely on the following basis:

- SDC already had ongoing programmes (in 2001) in two of the sectors, namely **institutional reform** and **education**;
- Seco had ongoing projects in **public services** (essentially infrastructure)<sup>3</sup>;
- **Minorities, marginalised groups and refugees** was included as a sector to capture the humanitarian programme and projects that might arise out of that programme; and
- The **private sector** was added to provide a better balance between economic and social/political objectives.

These five sectors have now been reduced to four through the elimination of "minorities, marginalised groups and refugees", following the decline in the humanitarian aid programme and the incorporation of O Dept's Roma programme into the education sector.

Change Management was selected as the transversal theme. This was recognised as an ambitious choice that would require further development to make it operational, together with training for front-line staff. Since the COOF in particular was already over-loaded in trying to build up a programme to meet its ambitious disbursement targets, there was little systematic application of this transversal theme to the programme.

It was initially intended to publish the MTC within about six months of the October 2001 workshop, but rapidly changing events in SCG resulted in amendments and delays. The MTC was finally signed in July 2003, more than 20 months after the workshop in Belgrade. We were told that the absence of a signed version did not hamper using earlier drafts to steer the programme, but do not find this a convincing reason to delay signature. Any document in the form of the MTC was inevitably going to become outdated as events in SCG changed, which calls into question whether a MTC is an appropriate strategic paper in a transition context. We return to this issue in Section 5.

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<sup>3</sup> The SDC's Municipal Support Programme (MSP) was also included in the Public Services sector until it was moved to the Institutional Reform sector in the Annual Programme 2005. We have treated the MSP as part of the Institutional Reform sector in this report, as we believe that this categorisation is more logical.

## Scale of the programme, 2000-2004

At the beginning of the assignment we asked for a detailed breakdown of the Swiss aid programme to SCG from 2000. We were advised that such information was not available from a single source, but could be compiled from statistics held by the various Swiss departments involved in the programme. Subsequently, we obtained detailed statistics from SDC's O and H Depts and from seco, and have consolidated this information, for the period 2000-2004, in Table 3.1 below in summary form, and in Table 3.2 (at the end of this section) in greater detail. These tables also include:

- Estimates of the SCG component of the regional programmes of SDC in the fields of culture, research and police;
- Corresponding estimates for seco's regional investment promotion instruments (which are included in the seco totals);
- The structural aid component of BFM's programme for SCG, which is channelled through SDC<sup>4</sup>, and is included in the O Dept totals.

Tables 3.1 and 3.2 do not, however, include

- The activities of Political Affairs Division IV, Federal Department of Foreign Affairs (PA IV), which are estimated at around CHF 0.5 million per year for SCG;
- The "individual" component of BFM's programme to fund voluntary returns by SCG refugees living in Switzerland;
- Other forms of support to SCG provided by, for example, trade, military and parliamentary bodies, which are assumed to be outside our terms of reference.

**Table 3.1 – Estimated level of aid to SCG, 2000-2004, CHF million**

| Year         | 2000        | 2001        | 2002        | 2003        | 2004        | Total        | %            |
|--------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| H Dept       | 13.4        | 10.5        | 9.6         | 7.0         | 6.5         | 47.1         | 32.2         |
| O Dept       | 2.0         | 11.6        | 0.1         | 7.8         | 6.2         | 27.7         | 18.9         |
| SDC regional | 0.1         | 0.3         | 0.3         | 0.7         | 0.6         | 2.0          | 1.4          |
| seco         | 31.6        | 19.4        | 6.5         | 3.2         | 9.0         | 69.6         | 47.5         |
| <b>Total</b> | <b>47.1</b> | <b>41.8</b> | <b>16.5</b> | <b>18.8</b> | <b>22.2</b> | <b>146.4</b> | <b>100.0</b> |

Source: SDC and seco

The annual totals in Table 3.1 do not provide a reliable indication of the levels of disbursements on projects and programmes in each year, since some of the statistics are based on the annual transfers of funds from headquarters in Bern to the COOF (rather than actual disbursements on projects and programmes). In particular, there was a large transfer of funds from O Dept to the COOF in 2001, followed by a negligible transfer in 2002.

In monetary terms, seco has had the largest programme over the period (47.5% of the total programme). The exceptional inclusion of the credit for EBRD membership fees of CHF 27.2 million, which alone accounted for 18.6% of the total, is a contributory factor, but, even without this item, seco would still have had the largest share. The next largest programme has been the humanitarian aid programme (32.2% of the total), followed by the development assistance programme from O Dept (18.9% of the total). The future programme will comprise mainly a mix of the seco and SDC development assistance programmes, as the humanitarian aid programme was largely concluded at the end of 2004.

## Overall assessment

The Approach Paper requests that we assess how well SDC/seco have dealt with the rapidly changing environment<sup>5</sup>. We have also made a broad assessment of the overall programme

<sup>4</sup> Although SDC does not have full control over how these funds are used.



in the context of the Swiss foreign policy objectives described earlier.

In 2000, Switzerland was arguably the best placed country to start a development assistance programme in SCG because of its uninterrupted programme of assistance in the country since 1991, the goodwill towards Switzerland among the Serb population, and its existing network of contacts among senior officials and politicians. Switzerland responded quickly and flexibly to support the new President (Kostunica) in October 2000, and the incoming reform government in January 2001. The early assistance was also well targeted on poverty reduction, and on areas where it could potentially have a significant impact at the macroeconomic level. Relatively large sums were disbursed quickly to fund unpaid welfare benefits to the most vulnerable, together with much needed supplies, especially electricity spare parts. In addition, valuable and timely advice was provided on debt restructuring (see Section 4 below).

A further major role played by Switzerland in the early months of the new government was to support the re-integration of SCG into the international financial community, through the provision of a credit for EBRD membership fees, together with the two bridging loans to help restore SCG's membership of the IMF and to pay off arrears to the EIB. By the middle of 2001 SCG had joined the UN, the Organisation for Security and Cooperation in Europe (OSCE), the Stability Pact for South-eastern Europe (SP-SEE), the EBRD, IMF and World Bank. As a consequence the SCG gained access to substantial financial resources from international institutions, including IDA resources for a limited period. A subsidiary benefit for Switzerland was that SCG joined the last three of these institutions as a member of the Swiss constituency, against competition from other Western countries, especially the French and Italians.

The evolution of a more conventional development assistance programme started on a relatively broad front in the context of its overall size. This was, in part, a deliberate policy. The intention in many cases was to test out in a relatively small way where Swiss support could be most effective, and then to build on the successes. This is in principle a sound strategy in a new and rapidly changing environment, but requires sufficient resources to monitor the interventions actively, so that appropriate judgements can be taken on which should be built on and which should be ended. With the benefit of hindsight, it appears that the overall resources available for monitoring were stretched too thinly to implement an effective consolidation and pruning of the programme as it developed and grew (despite active support by visits from headquarters staff in Bern to supplement the slender and comparatively inexperienced resources of the COOF).

We are aware that there were political pressures to launch a large programme quickly, but the different natures of the seco and SDC programmes demonstrate the flexibility that exists to vary the intensity in the use of COOF/SDC/seco resources in a programme. In general the nature of seco's instruments and interventions enable it to disburse much larger sums than that of O Dept while using fewer administrative resources both in Bern and the COOF.

A common feature of the transition process is an early political enthusiasm for reform, followed by political changes and a relative stagnation in the reform agenda. Such a pattern has occurred in SCG. The Swiss response to the disruption that occurred to several projects following the change of SCG government in 2004 has generally been to seek pragmatic ways of continuing with those projects and programmes if real progress is being made and effective cooperation built up. We consider this approach to be appropriate because many reforms cannot be achieved quickly, and governments in transition countries tend to come and go. In many situations, a long-term vision, and an ability to remain engaged by adapting to changing political environments, is necessary and commendable if

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<sup>5</sup> Approach Paper, 4.1.

a lasting impact is to be made.

A specific objective of Swiss aid that appears in a variety of documents<sup>6</sup> is visibility. From our evaluation we have no basis on which to assess the visibility of the SCG programme in Switzerland, and therefore only focus here on its visibility in SCG. Our assessment is that Swiss aid was very visible around 2000-2001, but its visibility has declined substantially since then. This is partly due to the emergence of other donors, and partly the nature of the programme<sup>7</sup>. This is a factual observation only, since the visibility of the programme is more of political than developmental interest. Indeed, in some development projects, an absence of visibility may enhance their effectiveness. There is, however, a branding issue that should be addressed if visibility remains a significant objective. There are many organisations involved in the Swiss aid programme, but in Serbia it is all Swiss aid. The use in Serbia of different names of organisations and logos dilutes the overall impact.



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<sup>6</sup> For example the MTC, where it is one of the Guiding Principles in section 3.1.6.

<sup>7</sup> See Section 4, particularly the Private Sector programme.

**Table 3.2 - Analysis of Swiss aid to SCG, 2000 - 2004, CHF thousands**

|   | 2000          | 2001          | 2002          | 2003          | 2004          | Total          | % of total    |
|---|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| <b>COOF</b>                               |               |               |               |               |               |                |               |
| SDC O Department & seco (1)               | 0             | 474           | 68            | 1,136         | 425           | 2,102          |               |
| SDC H Department                          | 1,623         | 751           | 480           | 63            | 142           | 3,059          |               |
| <b>Sub-total</b>                          | <b>1,623</b>  | <b>1,225</b>  | <b>548</b>    | <b>1,199</b>  | <b>567</b>    | <b>5,161</b>   | <b>3.5%</b>   |
| <b>Humanitarian aid (2)</b>               |               |               |               |               |               |                |               |
| Heating, Energy Supply for Hospitals      | 3,350         | 732           | 2             | 0             | 0             | 4,084          |               |
| Cash for Shelter                          | 4,029         | 1,791         | 0             | 0             | 0             | 5,820          |               |
| Durable Housing Solutions                 | 1,114         | 1,217         | 3,115         | 6,246         | 5,485         | 17,177         |               |
| Legal Counselling for Refugees/IDPs       | 385           | 442           | 372           | 450           | 668           | 2,317          |               |
| Other                                     | 2,912         | 5,597         | 5,630         | 275           | 196           | 14,610         |               |
| <b>Sub-total</b>                          | <b>11,790</b> | <b>9,779</b>  | <b>9,119</b>  | <b>6,971</b>  | <b>6,349</b>  | <b>44,008</b>  | <b>30.1%</b>  |
| <b>Macroeconomic &amp; social support</b> |               |               |               |               |               |                |               |
| Financial contribution to pensioners      | 4,000         | 0             | 0             | 0             | 0             | 4,000          |               |
| Financial contribution to social welfare  | 2,000         | 0             | 0             | 0             | 0             | 2,000          |               |
| Membership fees to the EBRD               | 26,541        | 659           | 0             | 0             | 0             | 27,200         |               |
| Co-financing of CSAC                      | 0             | 10,000        | 0             | 0             | 0             | 10,000         |               |
| Debt advisory services                    | 0             | 1,752         | 1,492         | 0             | 0             | 3,244          |               |
| Social support, SDC O Dept                | 0             | 957           | 0             | 63            | -13           | 1,006          |               |
| <b>Sub-total</b>                          | <b>32,541</b> | <b>13,368</b> | <b>1,492</b>  | <b>63</b>     | <b>-13</b>    | <b>47,450</b>  | <b>32.4%</b>  |
| <b>Institutional reform</b>               |               |               |               |               |               |                |               |
| Municipal Support Programme               | 0             | 3,471         | 29            | 1,908         | 1,645         | 7,054          |               |
| Support to ICL                            | 0             | 380           | 0             | 163           | -13           | 530            |               |
| Support to MFA                            | 0             | 79            | 0             | 274           | 266           | 619            |               |
| Other                                     | 0             | 1,149         | 0             | 163           | -62           | 1,250          |               |
| <b>Sub-total</b>                          | <b>0</b>      | <b>5,079</b>  | <b>29</b>     | <b>2,508</b>  | <b>1,837</b>  | <b>9,453</b>   | <b>6.5%</b>   |
| <b>Public services</b>                    |               |               |               |               |               |                |               |
| Electricity Spare Parts                   | 0             | 4,977         | 2,615         | 19            | 0             | 7,611          |               |
| Trams for Belgrade                        | 0             | 901           | 1,251         | 663           | 228           | 3,044          |               |
| National Control Centre                   | 0             | 0             | 0             | 393           | 4,816         | 5,210          |               |
| <b>Sub-total</b>                          | <b>0</b>      | <b>5,879</b>  | <b>3,866</b>  | <b>1,076</b>  | <b>5,045</b>  | <b>15,865</b>  | <b>10.8%</b>  |
| <b>Education</b>                          |               |               |               |               |               |                |               |
| School Grant Programme Pilot Project      | 0             | 0             | 0             | 32            | 0             | 32             |               |
| Professional development for personnel    | 0             | 0             | 0             | 340           | 307           | 647            |               |
| ERCU                                      | 0             | 0             | 0             | 675           | 300           | 975            |               |
| Roma education programmes                 | 0             | 0             | 0             | 570           | 354           | 924            |               |
| ASTRA                                     | 0             | 83            | 0             | 120           | -20           | 183            |               |
| Petnica Science Centre                    | 0             | 150           | 0             | 200           | 54            | 404            |               |
| Other                                     | 0             | 700           | 0             | 796           | 186           | 1,681          |               |
| <b>Sub-total</b>                          | <b>0</b>      | <b>933</b>    | <b>0</b>      | <b>2,733</b>  | <b>1,181</b>  | <b>4,847</b>   | <b>3.3%</b>   |
| <b>Private sector</b>                     |               |               |               |               |               |                |               |
| European Fund for Serbia                  | 0             | 2,360         | 0             | 40            | 2,122         | 4,522          |               |
| European Fund for Montenegro              | 0             | 1,240         | 0             | 500           | 0             | 1,740          |               |
| SEDA                                      | 0             | 153           | 0             | 306           | 28            | 487            |               |
| HELP                                      | 0             | 0             | 0             | 333           | 499           | 832            |               |
| OECD Investment Compact (3)               | 0             | 62            | 62            | 62            | 62            | 248            |               |
| FIAS (3)                                  | 59            | 59            | 59            | 59            | 59            | 295            |               |
| SEED (3)                                  | 720           | 720           | 720           | 720           | 720           | 3,600          |               |
| EBRD's Trade Facilitation Programme (3)   | 163           | 163           | 163           | 163           | 163           | 815            |               |
| SOFI (3)                                  | 100           | 100           | 100           | 100           | 100           | 500            |               |
| SEAF South-Balkan Fund                    | 0             | 0             | 0             | 0             | 2,440         | 2,440          |               |
| Trade Cooperation Programme               | 0             | 0             | 0             | 982           | 367           | 1,349          |               |
| <b>Sub-total</b>                          | <b>1,042</b>  | <b>4,857</b>  | <b>1,104</b>  | <b>3,265</b>  | <b>6,560</b>  | <b>16,828</b>  | <b>11.5%</b>  |
| <b>Small actions</b>                      | <b>0</b>      | <b>454</b>    | <b>0</b>      | <b>195</b>    | <b>97</b>     | <b>746</b>     | <b>0.5%</b>   |
| <b>SDC regional programmes</b>            | <b>80</b>     | <b>282</b>    | <b>344</b>    | <b>742</b>    | <b>564</b>    | <b>2,012</b>   | <b>1.4%</b>   |
| <b>Total</b>                              | <b>47,076</b> | <b>41,855</b> | <b>16,502</b> | <b>18,752</b> | <b>22,186</b> | <b>146,371</b> | <b>100.0%</b> |

**Notes**

1. Shared 50/50%
2. Programme administered by H Dept
3. These figures are estimated as they are part of regional initiatives

## 4. Assessment of main components of the programme

### The main components of the programme

A sectoral analysis of the programme is given in Table 3.2 at the end of the previous section. The largest share of the total is formed by the macroeconomic and social support component (32.4%), which mainly comprises the early – and financially substantial - response to the fall of Milosevic, bridging the gap between humanitarian aid and a more conventional development assistance programme. The next largest sectors are the private sector and public services (11.5% and 10.8% respectively). It may be no coincidence that these are the two sectors where seco is active, since the nature of seco's instruments and interventions (primarily financial assistance) tend to result in larger projects than those of SDC. The remaining sectors, institutional reform (6.5%) and education (3.3%), comprise only SDC projects, largely in the form of technical assistance.

In the following paragraphs we discuss the main components of the development assistance programme (i.e. excluding the humanitarian aid programme which is outside our terms of reference), based largely on our field visit to SCG, supplemented by documentation provided by SDC and seco and interviews in Switzerland. We have used the same headings in Table 3.2, which as far as possible follow those in the MTC (except that the five sectors have now been reduced to four).

Our field visit focused on a selection of projects and programmes in the current MTC sectors – institutional reform, public services, education and private sector – plus the community policing project in Pozega that is part of SDC's regional programmes. For these sectors, the following paragraphs provide a brief description, an assessment, and the main lessons learned. We did not specifically discuss during our field visit any of the projects listed under macroeconomic and social support, mainly because these pre-dated the MTC, which is the main focus of this evaluation. The macroeconomic and social support projects are, however, discussed in part in Section 3, and we have added supplementary observations below.

As is made clear in Section 2 and the Approach Paper in Annex A, the scope of the evaluation is limited to the programming level, and is not intended to provide an assessment of the effectiveness of individual projects. Our review of projects is therefore partial, both in the range of projects covered and the range of interviewees, and is intended mainly to inform our evaluation at the programming level. However, in making our assessments below, we have gone beyond the programming level where we think that we have useful observations to make.

### Macroeconomic and social support

The aid provided under this heading was typically fast disbursing assistance to support SCG in the early period after the fall of Milosevic. Its relevance has been described and assessed in general terms in the context of the evolution of the programme in Section 3. The main components of the programme referred to in Section 3 were financial contributions of CHF 6 million to unpaid social welfare payments to the most vulnerable, and a credit of CHF 27.2 million to facilitate SCG's membership of the EBRD. The other two major components of macroeconomic and social support were:

- a contribution of CHF 10 million to a World Bank Structural Adjustment Credit (SAC); and
- advice on debt restructuring.

The **SAC** was designed by the World Bank to support the Serbian government in the definition and implementation of a structural reform agenda in four areas: public expenditure management, the energy sector, social protection and labour, and the health care sector. The project provided \$76.87 million, which was disbursed between March and August 2002. Of the total amount, the World Bank provided an IDA credit of \$70 million, and seco contributed a grant of \$6.87 million (CHF 10 million) on a co-financing basis. The World Bank's Implementation Completion Report assessed that the project outcome was "Satisfactory"<sup>8</sup>.

The **debt restructuring** assistance was provided in the context of the SCG joining the EBRD and Bretton Woods institutions. Seco funded two international experts to assist the SCG government in its negotiations with the Paris Club and London Club between May 2001 and March 2002. In view of the confidentiality of the work, seco commissioned an audit of the work. The conclusion reached by seco is that the project was successful, and that the experts contributed substantially to the achievement of the SCG's strategic objective in its debt negotiations.

## Institutional reform

### Description

Institutional Reform projects have been many and varied, and it has not been possible to review more than the largest areas of intervention, namely<sup>9</sup>:

- at the central level, a series of projects for Serbia's Ministry of Foreign Affairs (MFA)<sup>10</sup>;
- at the level of local government, the Municipal Support Programme (MSP), which is the largest SDC project in SCG; and
- the Institute of Comparative Law (ICL), which was selected early in the evolution of the development assistance programme as the most appropriate partner for assistance in the field of legal and judicial reform.

The **MFA** programme of assistance is understood to be unique for SDC, in that support has not been provided before to a ministry of foreign affairs, and SDC is responsible for project implementation rather than an implementing partner. Following a SDC-funded needs assessment, the programme was initiated early in 2001 to respond to the acute requirements of MFA in updating its worldwide communications and modernizing its systems and skills to meet the challenge of reconnecting SCG to the world. Key projects have included: support to the Diplomatic Academy for training young diplomats; training for senior diplomats; and installation of MFA's new IT Network. The current MFA projects are to be phased out in 2006. Assistance is planned for human resources management, but the COOF has been waiting for six months for a project proposal from the Ministry.

The **MSP** is intended to support reform and build capacity in municipal management in partner municipalities over a period of ten years (2001-2011). The programme inherited the humanitarian cash for shelter office in Kraljevo including its staff, most of whom became team members of the MSP Project Support Unit. In Phase 1 the MSP worked in seven municipalities in Central and Southern Serbia: Kraljevo, Cacak, Pozega, Uzice, Kursumlija, Nis and Novi Pazar. In Phase 2 it was decided to concentrate on neighbouring municipalities, so that Novi Pazar, Kursumlija, and Nis have been excluded from the core

<sup>8</sup> Satisfactory is the second highest rating in a scale of four that ranges from Highly Satisfactory to Highly Unsatisfactory.

<sup>9</sup> We have also reviewed the NHLO in section 6 below, for which a small project (to develop the NHLO Concept) has been included under SDC's Institutional Reform programme.

<sup>10</sup> The SDC has also supported the Ministry of Education and Sports, but this has formed part of the education rather than the institutional reform sector (see later).

programme, although they can still participate in seminars and experience-sharing activities. Other municipalities are invited to apply to join the programme and can be included if selected. The MSP links investments in municipal infrastructure to enhancement of municipal capacity to plan and deliver public services. Strategic planning and engaging the public and civil society are particular priorities of Phase 2. The approach is participatory, responding to jointly identified partners' priorities.

The main purpose of the assistance to **ICL** was to help bring SCG legislation in line with the standards of the Council of Europe, and to develop a sustainable institution. Three projects were implemented which overlapped in time: enhancement of the capacity of ICL; harmonisation of SCG laws with EU law; and the conformity of SCG laws with the European Convention of Human Rights.

## Assessment

Institutional reform is highly relevant to the transition process, but embraces a vast potential field. At a programming level, we believe that SDC's initial programme was ambitious in relation to the resources available to monitor implementation, and that its impact might have been enhanced if there were fewer projects on a more sustained basis. There have been a large number of separate interventions<sup>11</sup>, covering a diverse range of institutions and subjects. The following paragraphs give our specific assessments of the relevance of the particular projects included in our field visit, and where appropriate observations on their effectiveness.

As noted above, the choice of the **MFA** for assistance was mainly related to the need for SCG to reconnect to the world. The most significant and visible outcome of SDC support to the MFA has been the modernisation of the Ministry's IT and communications, which is highly appreciated by the beneficiary. Training of young diplomats was also highly valued by MFA and can be seen as a contribution to institutional capacity building. However, ministries of foreign affairs are not typically at the heart of the transition process. Further, the attempts to reform the MFA's management and human resources have not been successful, due to reductions in SDC support following changes in the Government and Ministry, and a lack of MFA's commitment to pursue reform-oriented changes.

The relevance of the **MSP** to the transition process is much stronger, as decentralisation and the empowerment of local government are important components of most reform programmes in transition economies. Although the MSP has encountered various difficulties during implementation, it is now yielding concrete results such as:

- Important infrastructure projects have been completed leading to improvements in public services, particularly in the smaller and poorer municipalities. The amounts of investment have generally been small (and co-financed between the SDC and municipalities), but generally well targeted to locally agreed priorities and appreciated by local citizens;
- The capacities of the municipalities have been enhanced in the application of the new law on local government, public procurement, spatial planning, budget management, IT, and English language, and expertise transferred to Public Utility Companies in their specific technical areas;
- MSP has developed an effective mechanism for experience-sharing and dissemination through the Coordination Committee and inter-municipality sector working groups;
- Some of the municipalities have made a start in using participatory methods, developing dialogue with the public, and involving NGOs in the provision of public

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<sup>11</sup> There are 23 separate Institutional Reform project numbers for projects being implemented up to end-2004.

services (although progress in this area has been modest).

The focus of MSP on municipal management capacity has been appropriate. The flexible demand-driven approach, identification (and prioritisation) of specific activities jointly with the municipal partners, and co-funding of projects with municipalities, have proved effective in achieving tangible results. This approach is highly appreciated by the local partners, and has substantial visibility at the regional level and among the donors working in related fields. The municipalities perceive considerable advantages in the MSP compared to USAID and DFID projects, particularly in terms of sustainability. The municipalities particularly welcome SDC's longer-term horizon, needs-oriented participatory approach, and provision for follow-up activities.

Despite these achievements, there remain some concerns especially:

- The absence of a coherent decentralisation policy, and real support at the central government level for municipal reforms, which are severely hampering major progress in the MSP;
- The emphasis on the demand-driven approach has so far resulted in little attention to proactive supply-driven initiatives, so that some of the objectives of Phase I of the MSP have not been achieved (especially developing municipal capacities for strategic development planning, and monitoring of MSP outcomes). Attempts are however being made to address this deficiency in the present Phase 2 of the project.
- There has been surprisingly little co-ordination of donor activities, with the exception of two examples of collaboration with the USAID Serbian Local Government Reform Programme (SLGRP) project.

Although the MSP is being implemented by a firm of consultants, the COOF has spent large amounts of time on project management issues and continues to do so. Renewed efforts are required to find ways to establish the project on a basis that leaves project management with the consultants, and limits the COOF's role to monitoring, reviewing and controlling.

SDC's support to **ICL** has tried to address some of the legal reforms that are required as part of the transition process, but has had mixed success. The enhancement of ICL's capacity to create a sustainable institution remains unfinished, and there are doubts whether further assistance would be effective due to weaknesses in ICL's management. The voluminous work on harmonisation of SCG laws with EU law appears to have been premature due to the absence of interest from a key stakeholder, Serbia's Ministry of International Economic Relations (MIER), and now requires to be updated. The third project, however, (conformity of SCG law with the European Convention of Human Rights) was successful in reaching its immediate objective.

## **Lessons learned**

We have drawn the following general lessons from our review of these projects:

- Successful institutional reform requires long-term and sustained support, and engaged local partners;
- The quality of local partners can be tested through initiating projects on a relatively broad front, but only if there are sufficient resources available to monitor the interventions effectively and to consolidate the programme on interventions where the commitment of local partners is yielding valuable results;
- Political changes can undermine the effectiveness of institutional reform projects. Political risks are typically higher at the national than the local level (although the political risks at all levels depend also on the nature of the intervention).

The **MSP** incorporated some innovative features aimed at a smooth and rapid engagement with the local partner, some of which may have wider applicability:

- During the tender stage to select consultants to implement the project, SDC offered to pay the expenses<sup>12</sup> of all bidders to visit the project area at the same time (in order to ensure that the bidders understood the local situation with minimum disruption for the municipalities);
- The humanitarian aid office and staff in Kraljevo were retained for use by the project team;
- The project started with some “quick start” projects, combined with local training and a study tour to Switzerland, to build up trust and to start to broaden the mind-set of the officials in the municipalities.

Other lessons learned from the **MSP** include:

- interventions at the local level should include strategies to influence national policy, in order to ensure that local progress is not unduly restricted by an absence of reforms or support from central government;
- horizontal dissemination and experience-sharing can be successfully achieved through inter-municipality co-ordination committees and sector working groups;
- a demand-driven approach can be valuable in building relationships and trust, but this trust should then be used to develop a more proactive supply-driven agenda to ensure that project objectives and outputs are met;
- co-funding by local partners can help ensure programme effectiveness, and partner ownership and engagement.

## Public services

### Description

In contrast with the large number of (SDC's) Institutional Reform projects, Public Services comprise only 3 (seco) projects in the period 2000-2004:

- Trams for use in Belgrade; and
- Two projects for the Electric Power Industry of Serbia (EPS):
  - an electricity spare parts programme; and
  - the rehabilitation of the National Dispatch Centre, which is the largest single project in the Swiss aid programme to SCG.

The **trams** programme resulted from the identification of a specific opportunity for Switzerland to help meet a shortage of trams for the public transport system in Belgrade. The head of COOF was aware that trams were being decommissioned in Basel with specifications that were fully compatible with those in Belgrade. The supply of the decommissioned trams was launched in spring 2001, and the first trams arrived in SCG in August 2001. There has been a steady supply since then, although the programme is now coming to an end.

The first project for **EPS** represented a rapid response to the political desire to provide quick-disbursing support to the new government after the fall of Milosevic. There was a pressing need for electricity spare parts following the lengthy period of sanctions and the NATO bombing. Although such projects were outside the core business of seco, a CHF 7.8 million budget was approved with unusual speed at the end of 2000<sup>13</sup>.

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<sup>12</sup> In addition, SDC refunded staff time up to CHF10'000 for all unsuccessful bidders that submitted qualifying bids.

<sup>13</sup> A decision was made by the Operations Committee on 15 October 2000 and by the Federal Council on 23 November 2000, and a bilateral project agreement was signed on 5 January 2001. The spares were supplied during 2001 and 2002.



The spare parts programme highlighted the professionalism and motivation of EPS staff and in the second half of 2001 seco sent one of the consultants working on the programme to identify a possible longer term development project that might be supported. The outcome was the National Dispatch Centre project, which forms part of a larger scheme with parallel financing by the EBRD and EIB.

### Assessment

The **trams** programme has added capacity to the public transport system in Belgrade, as well as improving operations more generally through the transfer of knowledge to the Belgrade municipality as a result of maintenance and operational training. The improvement of public transport brings real benefits for a specific group of the population, but perhaps the main value of the programme has been to create goodwill through the speedy provision of practical support in the capital, together with the visibility it has given the Swiss programme.



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Of the two **EPS** projects, we did not have any specific meetings in SCG on the spare parts programme, but have discussed it in general terms in Section 3. The National Dispatch Centre project was discussed with EPS and with the EBRD.

The National Dispatch Centre project is a core element in both the full integration of the SCG power grid into the European network, and the domestic reform programme for the electricity industry. The project will contribute to improvements in the cost-effective operation of the domestic network, and facilitate the restructuring of the SCG power sector (by supporting the unbundling of generation from transmission and distribution). It is therefore highly relevant to improving the reliability and accessibility of power supplies, which forms an important constraint to economic growth.

The project is still in the construction phase, but is understood to be proceeding well. EPS and EBRD expressed a high level of satisfaction with the Swiss contribution to the project. The Swiss were described as professional and unbureaucratic, responsive, and flexible. EPS

built up a special motivated team to work on the project, which has benefited substantially through knowledge transfer gained from working with the Swiss consultants. The project agreement includes various covenants relating, for example, to the reform of the power sector and tariffs, but this agenda is being driven primarily by the EBRD with Swiss support, rather than being a prime focus of the Swiss project.

Although the projects in this sector are relatively large and in some cases complex, they have been (and continue to be) implemented with relatively low administrative costs for the Swiss aid agencies (seco and the COOF). This situation is possible mainly because the projects are technical in nature, and can be implemented through contracting out to consultants and contractors.

### **Lessons learned**

Some of the key success factors in the effective implementation of the projects in this sector have been:

- The project meets a well-defined need that is acknowledged as a priority by both the beneficiary and the donor;
- A committed local partner;
- High quality consultants/contractors;
- Low exposure to political change or political interference.

## **Education**

### **Description**

Education was targeted as a priority sector early in the evolution of the development assistance programme. From the beginning, SDC/COOF worked closely with the Ministry of Education and Sports (MoES) in the identification of projects to support the Ministry's main



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areas of reform: decentralisation and democratisation of the system; improving the quality of the teaching/learning process and education content, and upgrading the physical infrastructure of educational institutions. The main projects that followed are briefly described below.

The **Educational Reform Co-ordination Unit (ERCU)** project was intended to support the development of MoES capacity to undertake reforms through modernisation of the Ministry's management systems and organisational structure.

The **Professional Development of Educational Personnel (PDP)** project is developing a system for teachers' professional development through in-service training, licensing and career development. A National Centre for Professional Development has been created and the current stage (due to be completed in 2007) is to establish two regional centers.

The **School Grants Pilot Project** was initially a response to a request by MoES and the World Bank to support a preparatory phase of the World Bank school development project. The purpose of the SDC pilot was to begin a training programme for school development advisors, and to develop and test a mechanism for grants distribution.

SDC launched a range of projects in support of NGOs in the education sector with the general objective of broadening the base for educational reform, and contributing to the improvement of the quality of education, and its accessibility for minorities and vulnerable groups. The main NGO projects in the sector are:

- The **Petnica Science Centre** project, which provides financial support to a previous SDC partner NGO (since the late 1990s) offering advanced learning programmes in science to talented school children.
- In the field of **Roma education** SDC has three programmes with separate implementing partners: UNICEF, the International Federation of the Red Cross, and the Christian Children Fund. In all three cases SDC offers financial support on the principle of co-funding, and is actively involved in project design, planning and monitoring. The purpose of these projects is to contribute to the education of Roma children and their integration into society.
- **Anti-Sex Trafficking Agency (ASTRA)** has been supported since 2002, on a co-funding basis, to address the problem of human trafficking through a Prevention Educational Programme, SOS telephone and victim assistance programme, research, reporting, and networking.
- Other NGOs for which support has now ended include the **Alternative Academic Network (AAEN)** which aimed to expand access to high quality graduate education in social sciences and humanities for young academics; and the **Community Youth Centre (Triangle)** for disadvantaged children of minorities and vulnerable groups, which closed when the international NGO Triangle withdrew its support.

## Assessment

After a decade of isolation and neglect, the SCG education system in 2000 required reform at all levels. Education is identified in the MTC as a core priority sector supporting and consolidating transition. The Swiss assistance to the sector is coherent with logical links between its constituent projects. The SDC programme contributes to the reform agenda by supporting the enhancement of the quality of education required by a modern market economy and by a pluralistic democratic society. It also offers a link between transition and poverty reduction, as it promotes equal access for all, including vulnerable and socially excluded groups, especially Roma children. Its core focus is the quality of teaching and school development. This is supported by institutional development assistance at the central, regional and local levels. The involvement of the NGO sector as a partner in the programme

broadens the base of reforms and helps to protect its sustainability against political changes. The Swiss are recognised by the Government and the donor community as the lead donor in education.

Despite the changing political agenda and uneven pace of reforms, real progress can begin to be discerned, with a clear and visible contribution to the reforms by the Swiss programme. Concrete achievements of the reform are a number of new laws, including the 2003 law on the reform of education which the Swiss helped in part to develop.

Although the Swiss have played a prominent part in the NGO sector in education, which is active and visible, there may be a case for a greater concentration of activities now that the programme is maturing. While it can be a sound strategy to start with a variety of partners to identify the most effective with which to cooperate, later consolidation can bring efficiency benefits. Having several partners in the same area of intervention requires more staff time and effort to communicate effectively with each partner and to follow their specific (and varied) procedures.

At the project level, the effectiveness of **ERCU** has been diminished first by delays in its establishment (due to a lengthy design stage), and then by the poor quality of the initial experts, who were subsequently replaced. The consequence was that the reform programme was well advanced by the time ERCU was fully operational, and SDC missed the opportunity to influence the initial reforms. At the end of 2003 a new contractor provided a resident adviser, who is valued by the MoES. However, changes in the Government and in MoES have altered the direction and slowed the implementation of the reforms, and ERCU now operates in a difficult context. The resident adviser's current tasks are not those originally intended, but he is proving useful in certain areas and provides an element of stability in a volatile and changing political scene.

The **PDP** project has clear outputs and goals which are gradually being achieved. Progress has been slowed by political and organizational changes, and movements of local staff, but pragmatic ways have been found to keep the project on track, albeit over a longer timescale. The new national centre is becoming effective, and progress has been made in setting up the regional centres although their establishment has been considerably delayed. It is too early to assess the project's impact on the quality of teaching.

The **School Grants Pilot Project** was initially effective in advancing the start of the World Bank's school development project. However, the planned continuation of Swiss support to this project had to be withdrawn due to an unclear definition of the roles and responsibilities of the respective parties involved in project design and implementation.

The **Petnica Science Centre** project has been successful in contributing to the expansion of the base of the educational reform, and the dissemination of advanced methods of teaching. As an NGO, Petnica is not susceptible to changing political priorities, and can provide a valuable contribution to the continuity and sustainability of reforms and improvements in the quality of education.

The support to **Roma education** has provided important pilot projects focused on the ability of Roma children to follow school procedures. Important first steps have been made in integrating Roma children into the school system, and the national strategy for Roma education is taking shape. However, the pilot projects established themselves as separate agencies, and need to overcome their isolation. The next challenge is to scale up the pilots, link them to local and central government initiatives, and integrate them into the national strategy. The Swiss are potentially well placed to play a key role in the implementation of the Roma national strategy that is currently being finalised.



**ASTRA** has been a successful pioneer intervention in the fight against human trafficking. Training of trainers in this field has been provided to target groups (police, social workers, high school teachers, doctors, judges, and prosecutors), the first SOS telephone in the Western Balkans is operating, **ASTRA** is active in media campaigns and in raising awareness among vulnerable groups, it has disseminated its experience to colleagues in Slovenia and Kosovo, and is to become a formal consultant to a newly established state Agency for assistance to victims.

Despite these successful interventions, there are also some relative failures, such as **AAEN** and **Community Youth Centre (Triangle)**. In these cases the local partners did not prove to be satisfactory and the projects have been closed down.

### Lessons learned

The main lessons learned from this sector are:

- The coherence, focus and structure of a programme is a major determinant of its strength, visibility and impact;
- In the early days of a new reformist government it may be more important to make rapid decisions to “seize the moment” (starting with a relatively small first phase), rather than spending too long on analysis and deliberations. However, rapid responses then require active monitoring to ensure ongoing effectiveness;

- Ongoing support for reforms at the national level requires consistency, patience and operational flexibility to maintain engagement with local partners during periods of political change. Staying engaged brings positive influence and benefits;
- Supporting the NGO sector can help to secure the sustainability of reforms when high level political commitment is uncertain, although ways need to be found for integrating NGO outputs into national and local strategies and policies;
- The choice of strong local partners is a critical success factor; and
- Concentration on a few key partners is likely to be more cost-effective than having a wide spread of partners. If a programme starts deliberately by testing effectiveness with several partners, active monitoring and pruning should take place subsequently to consolidate the programme.

## Private sector

### Description

This is the one sector in the MTC where there is a mix of SDC and seco projects and programmes<sup>14</sup>. The **SDC** programme started with a project identification mission by a consultant in 2001. Two initiatives arose from this mission:

- SDC contributions to two funds managed by KfW, and now co-financed with the Germans and the European Agency for Reconstruction (EAR) – the European Fund for Serbia (EFS) and the European Fund for Montenegro (EFM). These Funds provide lines of credit to banks for on-lending to SMEs, and are similar to two other KfW-managed funds in Bosnia and Kosovo that have also been supported by SDC;
- Funding for the Sandzak Economic Development Agency (SEDA), one of the Regional Agencies for SME support being planned at that time by EAR. The implementing agency was ILO. The project was not successful and further funding was cancelled in December 2004.

The other SDC private sector project originated from an approach by Hilfe zur Selbsthilfe e.V. (HELP), a German humanitarian relief organisation aimed at helping people to help themselves. HELP was seeking financial support to provide income generating activities for IDPs, filling a perceived gap between humanitarian aid and development assistance. SDC support started with two small pilot phases, and was then substantially increased in 2004 (CHF 1 million for the period to end-2005).

When it became likely in 2004 that SDC would stop its funding for SEDA, the COOF started to identify a possible replacement project. There was a long, and largely unproductive, exchange of views between Bern and Belgrade in the summer of 2004, followed by the preparation of a detailed paper by the COOF in August 2004. This paper was considered by Bern to be significantly flawed (particularly in respect of the proposals for the establishment of credit guarantee funds), and in March 2005 a mission was launched by Bern to identify a modified project in the general field of local economic development. At the time of our field visit the mission report had been submitted<sup>15</sup>, but no decisions had been taken.

The **seco** programme has been developed by two separate units within the Economic Development Cooperation Division: Investment Promotion (WEIF) and Trade and Clean Technology Cooperation (WEHU). WEIF focuses on three levels of intervention: the framework conditions for investment, technical assistance for SMEs, and access to finance (working through financial intermediaries). WEHU focuses on integration into world trading

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<sup>14</sup> Of the other three sectors, all the Institutional Reform and Education projects/programmes are SDC's, and all the Public Services projects/programmes are seco's.

<sup>15</sup> "Project identification mission for Local Economic Development options in the municipalities of Cacak and Uzice, Serbia (for SDC)", D Elliott and P Popovic, March 2005.

systems; the development of sustainable export capacities through improving the institutional framework in countries and the production, processes and products of enterprises; and improved market access.

The **WEIF programme** started by including SCG in various ongoing regional initiatives, but more recently there have been fresh initiatives in the form of two new equity funds (see below). WEIF operates in SCG at all of its three levels of intervention. At the level of the framework conditions for investment, assistance is available through Swiss contributions to the:

- Investment Compact, which is part of Working Table II of the SP-SEE, aimed at improving the region's economic and business environment. The seco contribution is about CHF 0.5 million per year for the whole region; and
- Foreign Investment Advisory Service (FIAS) General Trust Fund managed by the IFC and operated on a global basis. Seco makes a special contribution of CHF 0.26 million per year to a Swiss window for the Balkans.

At the level of technical assistance to SMEs, seco has supported a multilateral initiative, South-east Europe Enterprise Development (SEED), managed by the IFC. Seco's contribution is CHF 4 million over the period 2001-2005 for the Balkans region, plus a specific contribution of CHF 2.6 million for SCG, 2002-2005. A successor to SEED has been discussed between the IFC and donors over the past year, but the new initiative remains to be finalised. At the time of our field visit, SEED was due to end as originally planned at the end of June 2005.

At the level of access to finance, seco supports:

- Credit guarantees to local banks through the EBRD's Trade Facilitation Programme. seco is contributing CHF 6.4 million for the period 2000-2010 for the Balkans, plus a specific contribution of CHF 1.3 million for SCG, for 2002-2010;
- The Swiss Organisation for Facilitating Investments (SOFI), that aims to encourage, facilitate and contribute to the effective implementation of investments from Switzerland and OECD countries in developing and transition economies;
- The SEAF South Balkan Fund, a new multilateral private equity fund investing in SMEs in SCG and Macedonia. The Fund will provide risk capital in combination with business assistance, aiming to obtain long-term capital appreciation for its investors. seco is providing Euro 4 million out of the initial capital of Euro 15 million, of which 70% is planned to be invested in SCG; and
- A Balkan Financial Sector Equity Fund that is to be launched in 2005, providing equity and equity-related investments in local banks and non-bank financial institutions that are committed to lending to SMEs and to micro lending. The seco contribution is expected to be Euro 3 million for the Balkan region over the period 2005-2015.

**WEHU** has developed a substantial Trade Cooperation Programme (TCP) that was identified in 2003 and is scheduled to run until 2007 (Phase 1, an inception phase, has been completed, and the programme is now in Phase 2). The programme builds on similar seco initiatives in other countries. The TCP has 5 components across the three areas of seco's interest, namely Trade Policy, Trade Efficiency, and Trade Promotion:

- Trade Policy: advice on WTO Accession provided by the IDEAS Centre in Geneva;
- Trade Efficiency: two components
  - The introduction of an infrastructure and traffic monitoring system for Serbian railways (OPTIMUS) on the Serbian part of Corridor X (which runs from Salzburg to Thessaloniki);

- The introduction of new customs arrangements on the railways aimed primarily at anti-smuggling measures, while, at the same time, speeding up customs clearance;
- Trade Promotion: a further two components
  - The extension of the Swiss Import Promotion Programme (SIPPO) instruments to export-oriented SMEs in SCG;
  - The creation of SCG organisations to support the taking up of EUREPGAP standards in SCG, aimed especially at exporters of fresh and processed fruit and vegetables.

We understand that the TCP was largely developed by TULUM Ltd, which is also responsible for overall programme management, coordination and monitoring. In addition, there is a local liaison office operated by Constansa that doubles up as the SIPPO representative office in SCG.

## Assessment

The development of the private sector is highly relevant to the transition to a market economy. In the following paragraphs we have drawn a distinction between the private sector development projects and the TCP.

Nearly all the **private sector development** projects are regional and/or multi-donor funded with management by non-Swiss agencies. All the seco projects are regional; and, of the SDC projects, only the SEDA project was managed by SDC/COOF. Since so many of the projects have dimensions beyond the SCG and SDC/seco/COOF alone, we have only reviewed a few of the interventions during our field visit. Instead we have relied on reports and information provided by SDC and seco, supplemented by a limited range of meetings on SEDA, EFS/EFM, HELP and SEED.

In assessing the overall private sector development programme, we distinguish between the regional projects and the specific SCG programme. We fully endorse the principle of including SCG in seco's various regional and global initiatives (although we are not in a position in most cases to offer any assessment of the initiatives themselves beyond what is already in written reports). We also endorse the principle of using multi-donor vehicles for the provision of assistance where appropriate, both on the grounds of efficiency and of support for donor harmonisation.

The main projects that have focused on SCG alone have been the SEDA, EFS/EFM and HELP projects. **SEDA** was well focused on SME development, but funding for the project has been stopped due to poor results. A separate evaluation report gives a full assessment of the project<sup>16</sup>. SEDA was operating in a vibrant area with considerable potential for SME development, but the political environment is difficult, the implementing partner (ILO) was not effective, and there was no common understanding between SDC and ILO on what was important in project implementation. The **EFM/EFM** projects are also focused on SME development. The projects appear to have been both relevant and efficiently managed, although it is too early to assess the sustainable impact. The projects are multi-donor funded, and the Swiss have played a constructive and pragmatic role in supporting donor coordination in the operation of the Funds. The **HELP** project is targeted on micro-enterprises and is more poverty-focused. The project also appears to have been both

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<sup>16</sup> "A report of the external review of SDC's Sandzak Economic Development Agency (SEDA ) Project in Serbia (implemented by ILO)", April 2004 by D. Elliott and P. Popovic



relevant and efficiently managed, although again the sustainable impact remains to be determined. The SDC support to HELP is understood to have been instrumental in attracting other donor support to the programme (from Germany, the Netherlands, and UK).

Overall, the Swiss have made a substantial contribution to private sector development in SCG, but the perceptions in the country are that the Swiss are a relatively small player. These perceptions arise from the regional and multi-donor nature of many of the interventions, fuelled by the failure of the most visible component of the programme, the SEDA project. Lack of visibility is not in any way a criticism of the effectiveness of the programme, but may be an issue that the Swiss would like to address in the context of its general profile in SCG.

The SDC and seco private sector development projects appear to have been developed independently without an overall SDC/seco strategy. We were told that the distinction between SDC and seco private sector projects is reasonably clear<sup>17</sup>, but in practice there are grey areas. In SCG the lack of clarity has manifested itself in the context of the EFS and EFM, which in the normal course of events might have been seco rather than SDC projects. We understand that they are SDC projects mainly because the first such Fund in the region (Bosnia in 1998) was funded within the framework of SDC-BFM co-operation from BFM funds (since it was aimed at refugees and IDPs). The KfW are proposing to reorganise the four funds in the region (the Bosnia and Kosovo Funds, EFS and EFM) on a regional basis, and to turn the new vehicle into an open structure that would allow other interested parties to invest in it. It is possible that a new instrument created by seco (the Swiss Investment Fund for Emerging Markets) might play a role in the representation of Swiss interests in the new regional fund if it is formed. The discussions on these issues have been led by SDC in consultation with seco (and in coordination with other donors).

The **TCP** is the only seco private sector project that has been developed solely for SCG, and has started substantial implementation. While each of the five components meets a specific identified SCG need, their combination into a single programme appears to have greater logic when viewed in Bern than in Belgrade. Each component has different partners both in SCG and in Switzerland, and there are no obvious synergies between the five components<sup>18</sup>. The overall organisation chart for the Programme is complex, and the local liaison office may in some areas confuse rather than facilitate efficient communication between the local and Swiss partners. The local liaison office is primarily engaged in the Trade Promotion projects, and has little more than a logistics role in the Trade Policy and Efficiency projects, which in some cases has not operated efficiently.

The progress made on each component is mixed:

- The WTO Accession component has brought renowned experts to conduct workshops in Belgrade, but the value of the first workshops in particular were severely reduced by insufficient preparatory work to ensure that the appropriate people attended and had been primed to benefit fully from the content of the workshops. Other good advice has been provided, but has been very limited in scope.
- The OPTIMUS project is understood to be proceeding well. The project is largely technical, with good partners and a sharing of the costs.
- The customs component is partly path-breaking in identifying the risks of smuggling on railways, and may yield results that will have much wider applicability beyond the borders of SCG. This component is under the coordinated management of the EAR

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<sup>17</sup> seco said that it operates through financial intermediaries. SDC stressed that their programmes are aimed mainly at the micro-enterprise level and alleviating poverty.

<sup>18</sup> There are, however, synergies between individual components and programmes of other donors.

railways rehabilitation programme, providing a good example of increased donor harmonisation.

- The SIPPO component has made some progress, but has not yet been particularly successful in supporting exports from SMEs (which is the primary target for the project). Most of the current producers are relatively large enterprises, and it has been difficult to identify SMEs that might be supported.
- A number of visits have been made by Swiss experts on the EUREPGAP component, but there has been little progress because of the difficulty of identifying suitable SCG organisations to take over responsibility for "SERBIA-GAP".

## Lessons learned

It is important to select implementing partners with care. If the quality of the partner is unknown or untested, it is advisable to start with a pilot project before embarking on full implementation. It is instructive to compare the approach adopted in the HELP project with that for SEDA. A pilot stage for SEDA could have tested the strength of ownership by the local partner (the municipality), the local demand for the services being offered (for the business community), and the capabilities of SDC's implementing partner (ILO).

If private sector development is to continue to be a priority sector for Swiss aid to SCG, the coherence and impact of the assistance could be enhanced by the development of an overall strategy and the fuller integration of the SDC and seco programmes. The main purpose of such a strategy would be to identify further interventions that would complement, and/or enhance the impact of, the existing projects. There may also be some scope for greater cooperation between existing projects, although we are aware that there has already been a workshop on this subject (in Podgorica in November 2004). The formulation of such a strategy will require close cooperation between SDC, seco and the COOF.

We believe that there are important lessons to be learned from the period of unproductive work between the COOF and SDC that took place in 2004 to try to identify a replacement project for SEDA. Two divisions in SDC were involved (Thematic and Special & Regional Programmes) and the COOF. What appears to have been lacking was:

- A clear project cycle process: while we have seen SDC guidance on the Project Management Cycle, this focuses heavily on monitoring and evaluation. There seems to be less emphasis on the early stages in the project cycle such as project identification, project preparation and other steps before a credit proposal is finally approved. In the example above, the root of the problem appears to have been that detailed preparatory work started before there was agreement on the specific project concept.
- Clear lines of responsibility: from our review we are unclear who was in charge of the work to identify the new project, and what were the respective roles of the three parties involved in the process. One approach might have been to give the Thematic Division responsibility for developing the project in association with the COOF (to combine the sector expertise in the Thematic Division with the country expertise in the COOF), reporting to the Programme Officer (as the final decision would rest with Special & Regional Programmes Division).

We have not been asked specifically to examine the role of Thematic Division in the programme, but this example and discussions with other members of the Thematic Division, suggest that best use might not always be made of the special expertise in the Division. Members of Thematic Division appear to have been brought into the SCG programme only in a marginal capacity, and, in the case of the Conflict Prevention and Transformation Division, not at all. We suggest that the way in which the expertise in Thematic Division is used in country programmes should be reviewed to assess whether it is effective.

There are a number of lessons to learn from the **TCP**:

- We suggest that there should generally be a clear separation of responsibilities for project identification, the management of project implementation, and project monitoring;
- The organisational design of projects should be mainly driven by the need for the most effective working relationships between each local and foreign partner;
- There are limitations to the value of workshops unless the participants are the right target audience and have been fully prepared to benefit from the workshop;
- There are limitations to what can be achieved through very short visits to SCG. In innovative areas such as the EUREPGAP component, more sustained preparatory work may be required, followed by flexibility in the precise approach that is adopted;
- WTO Accession (and possibly other WTO issues) is a topic where the Swiss are in a unique position to provide assistance, because the WTO is located in Geneva, and Swiss advice is viewed as impartial; and
- The railway customs component provides a practical example of good donor cooperation, in that the Swiss-funded expert is working under the manager of an EAR-funded project.

## Small actions

The Small Actions programme accounts for only 0.5% of the total assistance to SCG over the period 2000-2004 (see Table 3.2 at the end of Section 3). We did not try to assess this programme, but accept the principle that small actions can generate substantial goodwill, and that individual small projects can potentially yield benefits well beyond their cost.

## SDC Regional programmes

There are three SDC regional programmes that have operated, or are operating in SCG: the cultural, research and police programmes<sup>19</sup>. They are relatively small in the overall context, forming in total only 1.4% of the assistance to SCG over the period 2000-2004 (see Table 3.2 at the end of Section 3). We have not therefore investigated them in any depth, with the exception of the Pozega police project (see below).

The **cultural** programme is a joint programme between SDC and Pro Helvetia (The Arts Council of Switzerland). In 1999 Pro Helvetia received a special mandate from the SDC to start a programme in South East Europe and Ukraine, and the programme in SCG was initiated in 2000. At first the SCG programme was administered from Skopje, but an office in Belgrade was opened in September 2002. The main focus of the programme is the promotion of local culture and cultural institutions, and its present size is between CHF 350'000–500'000 per year. This programme is essentially part of SCG/Swiss relations, rather than the transition process or poverty reduction in SCG.

The **research** programme is in the form of scientific cooperation. Up to 2004, assistance to SCG was limited to travel and accommodation costs for scientists to participate in conferences taking place in Switzerland, but from 2005 SCG is included in the regional programme Scientific Cooperation between Eastern Europe and Switzerland (SCOPE). SCOPE aims to support individual researchers, research teams, and research institutions in Eastern Europe in their endeavours to overcome the difficulties of transition, and is therefore relevant to the transition process. The total programme for 2005–2008 is CHF 13 million to be allocated over 16 main beneficiary countries including SCG.

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<sup>19</sup> There are no material programmes in SCG in the fields of youth or nuclear safety.

The **police** programme is largely organised under the SP-SEE. It comprises two parts in SCG:

- A regional programme that is aimed at fighting trans-national organised crime through building capacities, and strengthening cooperation, among regional law enforcement and police authorities. This programme has far wider relevance than SCG and is not directly linked with the transition process.
- A national community policing programme in Pozega aimed at alleviating key problems relating to local crime and community safety (see below). This is a form of institutional reform project and is related to the development of a pluralistic democratic society.

### **Community Policing Project, Pozega**

This pilot project has provided:

- physical infrastructure (renovation of the conference hall, and building of a public reception area);
- extensive training to all local police officers; and
- a major public awareness campaign on family violence and traffic safety that included the establishment of a Municipal Security Council with wide participation from local government, the church, Roma representatives and other segments of civil society.

The early results of the project have been encouraging. The most important output of the project has been the emergence of growing trust between the police and community. Before the project the police were alien to the community, but now citizens feel that the police provide valuable services which should have their support. There are already indications of a reduction in criminality and the fostering of greater public order. The key features of the approach that have contributed to its effectiveness have been the choice of an appropriate local partner, and an approach that was comprehensive, transparent and participative.

The Pozega experience is already being disseminated to other regions (e.g. Vojvodina), and it is hoped that the model will be replicated elsewhere in SCG. However, local police still face difficulties due to the centralization of the police system, and the absence of provisions for community policing in the law on local self-government (which could cause problems in municipalities where relations with the police are not as good as in Pozega).

## 5. Medium Term Concept

The MTC provides the best framework within which to address the key questions in sections 4.2 and 4.4 of the Approach Paper. We have organised our findings under three headings - relevance, coherence, and effectiveness – followed by our views on what should be the next steps, and a suggested framework for deciding on future directions.

### Relevance

We are asked in the Approach Paper to assess the relevance of SDC/seco development activities measured against a variety of factors (federal laws, guidelines etc)<sup>20</sup>. A summary analysis of each factor is given in Annex D. Our broad conclusion is that the MTC, and subsequent activities, have been generally in line with the list of factors in the Approach Paper, but that most of these factors are broadly defined and provide considerable latitude. The factors may therefore have played a role in shaping the initial overarching strategy and choice of sectors, but thereafter became increasingly irrelevant.

Within this general framework, our assessment is that the sectors chosen were relevant to the needs of SCG, although the choice of sector headings is broad and in some cases strange. For example, “private sector” and “public services” could each cover a vast field, and “institutional reform” is not a typical “sector”. We have assessed the main contributions within each sector in Section 4, from which we draw the overall conclusion that they were generally relevant, with appropriate target groups and local partners. A wide variety of approaches and instruments were used, and we have again provided our views, where appropriate, in Section 4. The choice of Change Management as the transversal theme was known to have been ambitious, but it has not proved to be operationally useful and has effectively been abandoned. In retrospect, a title such as the Promotion of Change might have been more suitable than Change Management, which has a special meaning in human resources literature.

The geographical focus has been largely Belgrade and the municipalities included in the MSP. We support this policy of relative concentration, as it should encourage synergies between projects and increase the cost-effectiveness of project management. Interventions in Montenegro have generally been limited to projects and programmes managed by others, although seco is in the process of initiating a major new power sector project there.

We have also been asked to compare the results of our analysis with the results, recommendations and management response of the Evaluation of 12 Years of Swiss Cooperation with Eastern Europe and the CIS. The two sets of results are broadly in line, especially:

- The SCG programme has been consistent with the objectives of the Swiss government, and with the four thematic areas in the management response<sup>21</sup>;
- The Swiss contribution, although significant, has been limited in relation to the SCG's many and varied needs;
- There have been a relatively large number of interventions for the size of the programme during this initial learning process;

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<sup>20</sup> Approach Paper 4.2 (a).

<sup>21</sup> Security, stabilisation/governance, and democratisation; economic growth, structural reforms and higher income; infrastructure and resources utilisation; and social reforms and new poverty.

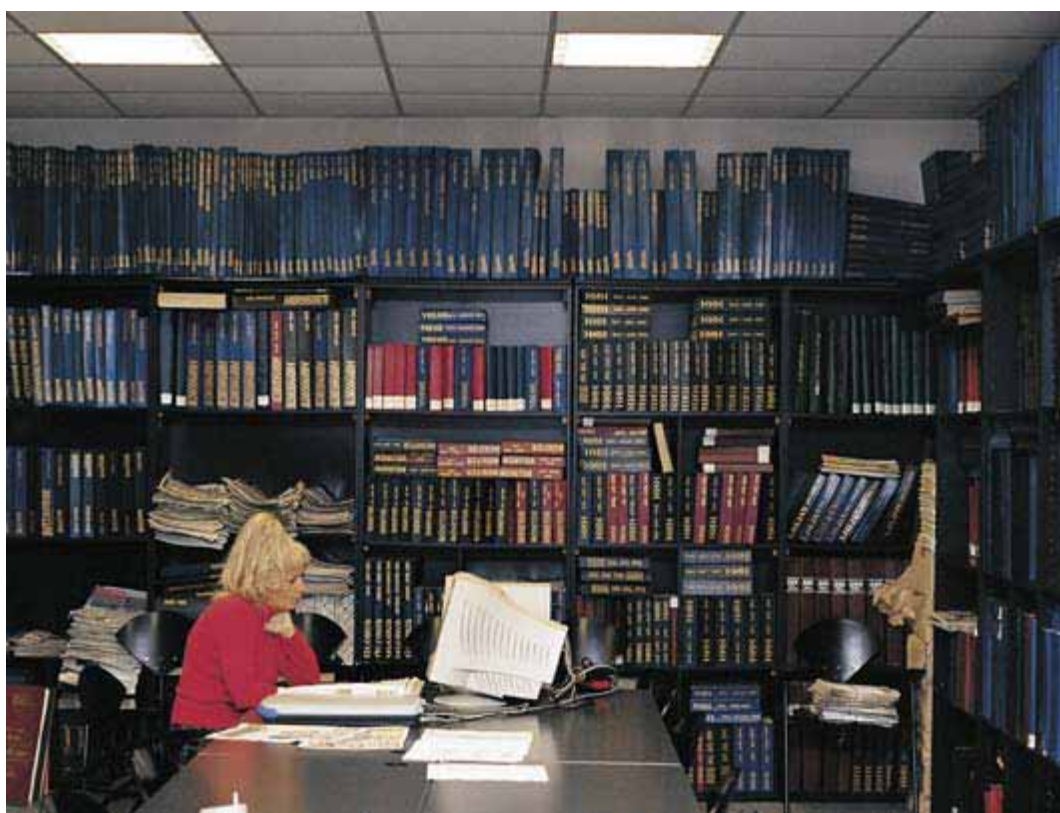
- The fields of activity of SDC and seco have generally been complementary, but the potential for synergies has not been fully realised; and
- The timescales for the reform process have proved to be over-optimistic.

## Coherence

The conceptual framework in the MTC is complex: a vision, a shared goal, three programme objectives, five sectors, a collection of cross-cutting regional programmes, and a transversal theme. The programme that has been implemented is consistent with this framework, but contains a large number of projects with a wide range of objectives (political, economic and social). Such a programme can only be coherent at a very high level of generality. This conclusion is borne out by the description of the goals in the MTC itself: "Swiss support aims at consolidating the political change, enhancing a democratic rule of the country, and accomplishing a successful institutional, economic, and social transition process, which respects human rights. The ultimate goal of the Swiss support is to enable the people of [SCG] to live in social and economic security and to participate in the (political) processes, which shape their lives."<sup>22</sup>

We suspect that the MTC represents an attempt to provide a framework for the many interventions that had already been, or were in the process of being, initiated in the first year or two of the evolution of the SCG development assistance programme, rather than presenting a strategy. This may be appropriate in the early stages of transition, but does not form the basis for a coherent programme in the medium to longer term. We believe that there is significant scope for increasing the coherence of the programme now that it is more mature.

DEZA / Goran Galic



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<sup>22</sup> MTC, Summary on page 5.

## Effectiveness

Effectiveness can only be properly assessed in relation to indicators, but the MTC has very few indicators, and those it does have are high level and very general. For example:

“the effectiveness and efficiency of the Swiss support shall be measured against these objectives...”:

- fair access of all citizens to resources and public services of appropriate quality and quantity;
- an enabling economic framework and opportunities for a prospering, social market economy;
- transparency, accountability and efficiency of institutions at all levels.<sup>23</sup>

Measured against such indicators, the only conclusion that can be reached is that the Swiss programme has had a minimal effect. However, this conclusion is more a consequence of the choice of indicators than the content of the programme. The programme has been broadly consistent with the aims of the MTC, and, as we show in Section 4, there are reasonable prospects that, at a more modest (and appropriate) project level, it will make a significant impact.

## Next steps

We recommend that the MTC should be replaced by a new document which should become effective from 1 January 2006. The preparation of the MTC was generally considered to be a valuable exercise, especially the workshop in October 2001, but the utility of the MTC as an operational framework for the SCG programme has diminished over the succeeding years. The MTC has undoubtedly served as a baseline against which to make decisions on new projects and programmes from 2002, but it is time to inject some fresh thinking into a suitable future strategy since much has changed. The humanitarian aid programme has ended, a PRSP has been prepared, EU integration is increasingly likely to drive much of the future reform agenda, and the political situation is now different from 2001.

Our evaluation has opportunely coincided with the issuing by SDC of new Guidelines for the development of Cooperation Strategies<sup>24</sup>. We recommend that these Guidelines should form the basis of the new strategic document that is required. The Guidelines suggest that the Strategy “is usually valid for a period of 4 to 6 years”, but provides for a shorter period for fragile states. We suggest that 3 or 4 years would be appropriate for SCG. We also suggest that the Strategy might be a rolling plan<sup>25</sup>. The most appropriate arrangements might be to review the Strategy each year at the same time as the preparation of the next Annual Programme, assess its continuing validity, and roll it forward for an extra year. This would provide the opportunity for annual updating in the light of developments during the year.

The Guidelines indicate that the Cooperation Strategy should be prepared in 6 months, which provides time for the new Strategy to be operational at the beginning of 2006. It should be more beneficial to have it in place by the beginning of 2006, rather than spend additional time refining a draft document. If it is on a rolling basis, it can then be reviewed a year later and amendments made as necessary.

The Guidelines also suggest that the Cooperation Strategy should be “complemented by a medium-term strategic framework at the programme level, serving as a “business plan”, i.e.

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<sup>23</sup> MTC page 15

<sup>24</sup> SDC Guidelines for Developing Cooperation Strategies for Priority Countries and Priority Regions of International Cooperation, March 2005

<sup>25</sup> In our discussions both seco and H Dept told us that they are moving towards the preparation of “rolling” strategy papers.

as an internal management tool for operational, result-oriented planning"<sup>26</sup>. We are unclear why such an additional document is required. As outsiders, our perception is that SDC has too many broad guidelines and frameworks, and too few practical tools that are useful to those involved in day-to-day operations at the programme level. In our view, a Cooperation Strategy, supplemented by Annual Programmes, is sufficient as a framework.

Other principles that we suggest should be followed in preparing the Cooperation Strategy include:

- The Strategy should be developed by SDC, seco and the COOF<sup>27</sup> so that the parties involved in the main parts of the programme are fully engaged in the process and in ownership of the final document;
- The preparation of the Strategy should be steered primarily by the COOF, which is best placed to take a holistic view (see Section 6 below);
- Meaningful and measurable indicators should be established against which progress can be assessed.

## Framework for future directions

The following paragraphs set out a framework within which decisions might be made concerning the content of a new Cooperation Strategy for SCG, together with some observations (based on our evaluation) to make it more coherent and effective. The framework assumes that the size of the programme has been decided, but that choices have to be made on the strategy to be adopted within that financial constraint. We suggest that five main sets of issues should be addressed:

- which **sectors** should be supported;
- what **level of pro-activity** is appropriate in each sector;
- what should be the **geographical dimension**;
- what should be the balance between **national and local** projects;
- what **approaches and instruments** might be most appropriate.

### Sectors

The first step should be the choice of sectors that are to be supported, for which we offer the following guiding principles:

- Hard decisions are required on which development needs are to be supported through the Swiss programme, bearing in mind its scale in relation to the many and varied needs of SCG. The choice of development needs should be closely linked with the goals and objectives of the programme. For example, at a fundamental level, is the main focus to be transition or poverty reduction? If it is to be a mixture of the two, what should be the balance?
- We believe that the overall impact of the programme would be enhanced by narrowing down the wide variety of political, economic and social objectives in the current programme. However, if this heterogeneity is to continue, there should be clarity about which parts of the programme are designed to meet which objectives, so that the effectiveness of the different parts is not diluted by mixed objectives.
- The first focus of the new strategy should be how to build on existing strengths in sectors where the Swiss already have an established network of good local partners and proven ability to be effective. Two particular possibilities are: the MSP which could form a sound base on which to extend Swiss support to the decentralisation process generally, and to capacity building at the local government level; and more

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<sup>26</sup> Guidelines, last paragraph of section 2.

<sup>27</sup> We are less concerned whether other fringe Swiss organisations involved in the SCG programme (such as PA IV) should be fully engaged.



generally the education sector where the Swiss might consider taking a lead donor role.

- The overall programme should be consolidated to increase effectiveness and impact; exit strategies should be prepared for those areas where support is to be phased out; and SDC/seco/COOF must have the strength to say “no” to new requests outside the strategy;
- But special opportunities may arise at short notice to make an impact far in excess of the costs of the intervention, and we would support a degree of flexibility in the programme to enable the COOF in particular to take rapid decisions in such (exceptional) instances. One of our interviewees referred to the need for a “catalytic pot” which describes well what we have in mind.

### **Level of pro-activity**

The second issue to be addressed is to match the programme with the human resources available to manage it effectively. This issue has two dimensions:

- the level of administrative resources in the COOF, SDC and seco and
- the type of programme that is envisaged.

The resources required will depend both on the sectors chosen (which will mainly determine the necessary skills), and the type of interventions envisaged, particularly in respect of the “level of pro-activity”. Our evaluation reveals a high degree of variability in the intensity of COOF/SDC/seco administrative resources required for different types of project, so that the resources required will depend on the type of interventions planned in each sector. It might be helpful to distinguish between the following categories:

- **Active** projects, where the COOF/SDC/seco are taking the lead in identifying, preparing and monitoring. Active projects can then be divided into two sub-categories:
  - those requiring **high resource intensity** such as the MSP and some of the education projects;
  - those requiring **low resource intensity** such as the National Dispatch Centre;
- **Passive** projects, where the COOF/SDC/seco are following other donors, resulting in low resource intensity. Examples are EFS, SEED, HELP, and Roma education.

As a general principle, appropriate resources should, as far as possible, be made available to manage the chosen programme, rather than fitting a programme to the administrative resources available. However, in practice there are likely to be resource constraints, so that a degree of matching one to the other may be required in both directions.

### **Geographical dimension**

The geographical dimension has a bearing on the target areas that are supported under Swiss aid, but it also has a bearing on the ease with which projects can be monitored. It is therefore more important in the context of “active” rather than “passive” projects.

Most of the active projects are currently based in Belgrade or in the MSP municipalities. We generally support this policy of relative concentration of projects geographically, as it should encourage cooperation across projects, facilitate the start-up of new projects, and reduce the costs of project monitoring. As a general policy, we suggest that more scattered target areas might more efficiently be supported through passive rather than active projects. However, allowances should be made for the type and scale of project, as efficiency in the use of SDC/seco/COOF resources is also related to the nature and size of the project. In addition, the case of Montenegro is special because it is a separate political entity, which raises wider political criteria.

## **National and local**

Within each sector, decisions may need to be taken on the appropriate balance between interventions at the national level and local level. In some sectors this distinction may be more important than those between the macro, meso and micro levels, used in a number of SDC and seco project documents. The national/local dimension focuses on whether the strategy is broadly top-down or bottom-up. It also encompasses the balance of political risk, since our evaluation suggests that interventions at the national level tend to be more exposed to such risks.

If the decision is taken in a particular sector to adopt a bottom-up approach, the strategy should also consider whether, and how, the local interventions are to be broadened to optimise their impact. This strategy should in particular review the options for:

- dissemination horizontally;
- influencing national policy through:
  - further interventions at the national level; and/or
  - empowerment at the local level.

## **Approaches and instruments**

A wide variety of approaches and instruments have been used, largely reflecting the diversity of the programme. The main general conclusions that arise from our evaluation are:

- the need for clear objectives, measurable indicators, explicit milestones, and effective monitoring;
- inclusion of an element of flexibility to adapt to changing circumstances;
- a balance between demand-driven components to engage the local partner, and supply-driven components to ensure that the objectives of the project are achieved.

## 6. Cooperation issues

The Approach Paper requires us to evaluate various institutional issues. These are mainly listed under the heading "Cooperation with Others"<sup>28</sup> as follows:

- SDC and seco;
- O Dept and H Dept;
- SDC/seco and other Swiss actors;
- SDC/seco and local partners; and
- SDC/seco and other donors.

We have interpreted references to "SDC/seco" in this context to include the COOF, and have added to the list above the relationship between SDC/seco headquarters (HQ) and the COOF. The list is discussed seriatim, and ends with some outline proposals for strengthening the role of the COOF to increase the coherence of the programme.

### SDC and seco

The divisions in SDC and seco that are responsible for transition countries have a common overall goal - namely to fight poverty - but have developed different and largely complementary mandates. Seco's mandate is "sustainable economic development and the integration of developing and transition countries into the global economy"<sup>29</sup>. SDC's mandate is "to provide support for the transition to democracy and a market economy by means of knowledge transfer, institution building and transformation, and assistance in problem solving"<sup>30</sup>.

Section 4 indicates that there has been a high degree of complementarity in the SDC and seco programmes in SCG. However SDC and seco are very different organisations. They are in two different ministries and locations with separate budgets. They adopt different instruments, approaches and processes, resulting in different staffing levels. The staff of the relevant seco division is substantially smaller than SDC's, which restricts the resources that can be allocated to any particular project or country, and results in a smaller number of larger projects. Generally speaking, seco is tightly focused on particular areas of activity linked with specific instruments, while SDC adopts a bottom-up approach based on broader principles and guidelines. Seco provides mainly financial assistance, while SDC provides mainly technical assistance in various forms.

Our perception is that, to a large extent, SDC and seco operate independently of each other. In the context of the SCG programme they come together annually to agree the Annual Programme<sup>31</sup>, but we were told that these workshops concentrate mainly on operational matters of relevance to the COOF, rather than strategy or fundamental reviews of the shape of the overall programme. At a higher level, there is a Comité de Pilotage for transition countries with representatives from SDC and seco, but it generally meets only 3 times a year and covers the whole of Eastern Europe and the CIS.

These structural issues appear to represent substantial barriers to the development of a fully integrated SDC/seco development assistance programme, rather than the amalgamation of two largely separate programmes. We are not aware of any mechanisms in Bern to formulate

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<sup>28</sup> Approach Paper, section 4.3

<sup>29</sup> Economic Development Cooperation, Brief Portrait, seco, page 6

<sup>30</sup> SDC at a glance, SDC website

<sup>31</sup> Seco may also participate in the mid-term review of the Annual Programme which has typically been held in May.

a single overall country strategy, which drives us to the conclusion that it is only in Belgrade that such a strategy can be formulated (albeit in a participative manner with Bern). We discuss this further towards the end of this section.

## O Dept and H Dept

H Dept and O Dept are both within SDC, but are two different organisations with different mandates. Consequently the two departments have different ways of working and different cultures. Each department has adapted to the type of assistance that it provides, so that H Dept, for example, operates to much shorter timescales. Cooperation between the two departments is conducted in the context of the workshops on the Annual Programmes, and at an informal level in Bern.

Against this background, we reviewed the transition from humanitarian aid to development assistance, both at the programme level and more specifically in the context of the transition of the Belgrade Housing Office to the Housing Centre (a NGO), and the Network of Humanitarian Legal Offices (NHLO) also to a NGO. Brief assessments of these two specific examples are given in Annex E.

DEZA / Goran Galic



At a programme level, our review suggests that the transition largely developed pragmatically in contrast to a more systematic approach. Discussions occurred in the context of the MTC workshop and meetings on the Annual Programmes, but the topic of transition per se does not appear to have been addressed in a consistent manner. This approach yielded some examples of successful transition – especially the use of the shelter office in Kraljevo for the MSP referred to in Section 4 – but perhaps other opportunities were missed for building on the large humanitarian aid programme and the high regard in which it was held in SCG. One

possible example that was raised during our review was whether the Swiss should have used their uniquely strong position in housing to try to instigate reforms in the social housing sector (e.g. a new law).

What might a more systematic approach - at the level of the overall humanitarian aid programme - comprise? Our suggestions for consideration by SDC are:

- At the beginning of the transition, review each humanitarian aid programme to assess - realistically and objectively - whether it should simply be ended (and, if so, the likely timing), or whether there is an element (especially an institutional structure) which justifies efforts to be made to establish it on a potentially sustainable basis;
- At the same time, review each humanitarian aid programme to assess whether there are opportunities for O Dept to build on it (e.g. the network of contacts, physical or logistical facilities, status, influence);
- For each humanitarian aid programme that is planned to include a transition element from H Dept to O Dept, appoint a designated person with specific responsibility to oversee the transition on behalf of SDC; this person might be in H Dept, O Dept or the COOF;
- Prepare a skeletal transition plan giving the key milestones, timetable and responsibilities, and review it during the normal round of meetings on the Annual Programme.

The two specific examples in Annex E provide contrasting case studies of the transition of a humanitarian aid organisation into a NGO. Drawing on the lessons learned from each, we suggest that such transitions should ideally be implemented as follows:

- When the SDC/COOF has made a decision to endeavour to establish a sustainable organisation, prepare a programme for implementing its exit strategy, with milestones and a timetable;
- Appoint a designated person with specific responsibility to oversee the transition on behalf of the SDC/COOF, and establish appropriate arrangements for efficient and timely decision-making;
- Include in the exit strategy a phased rundown of SDC funding, during which the handover to the new organisation would be planned with reasonable time for it to establish itself and begin to seek work from other sources;
- Support the new organisation as appropriate, both in its establishment and in planning and developing its business, applying SDC's standard principles about partnership and local ownership; and
- Deal sensitively with local staff issues during the period of transition.

The success or failure of such transitions will ultimately depend on the quality and effectiveness of the new management. There is a limited amount that SDC can do to ensure sustainability, but its role should be to hand over responsibility through an orderly and supportive process, as well as organising the respective roles and responsibilities of H and O Depts and the COOF in an efficient manner.

## **SDC/seco and other Swiss actors**

The Approach Paper lists three "other Swiss actors" – BFM, PA IV, and the Embassy. The relationship between **BFM** and SDC/seco is primarily between BFM and SDC in Bern. Seco has no dealings with BFM, and the COOF is only indirectly involved. For its "structural" aid component the BFM is required by law to partner SDC and to channel all such aid through SDC<sup>32</sup>. This programme has now largely ended in SCG, but was discussed and agreed in an inter-ministerial group formed by BFM, which included representatives from H Dept and

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<sup>32</sup> However, the SDC has no involvement in the "individual" component to finance voluntary returns.

O Dept. These arrangements built on, and gained from, earlier experience in Bosnia. All those we interviewed reported that, in the case of SCG, the cooperation between BFM and SDC worked speedily, flexibly and well.

The only issues that arose in the context of BFM were that:

- the COOF was not always fully informed about the BFM-funded programmes; and
- references to the BFM as the source of the funds causes confusion in the “branding” of Swiss aid in SCG.

The **PA IV** programme in SCG is small (about CHF 0.5 million per year), and is mainly concerned with civilian peace-building, such as mediation and reconciliation, and helping parties reach agreement on power sharing. The SCG programme is managed in the region from an office in Skopje, and in Belgrade PA IV operates through the Embassy rather than the COOF. We understand that there have been differences of view between PA IV and SDC in some countries, but not in SCG. The only (minor) issue is whether the PA IV programme should be integrated into the COOF Annual Programme rather than kept separate.

The relations between the COOF and the **Embassy** appear to be good, which is important in a country such as SCG where political issues have such an important bearing on the aid programme. Past experience in SCG suggests that the personal relationships between the Embassy and the COOF form the key to good cooperation.

## **SDC/seco and local partners**

The MTC stated that “Existing initiatives should get particular attention and support should concentrate on partners with potentially good ideas and realistic plans”; and “The initial selection of local partners should be done carefully”; and “with regard to the risks that they bear in the case of a political backlash”.<sup>33</sup>

Our assessment is that SDC/seco and the COOF have been successful in identifying and engaging local partners. The range of partners is broad, and includes central ministries and agencies, municipalities, local branches of international organisations, and Serbian NGOs operating in the field of social services, education and research. We perceive the choice of local partners as generally appropriate and corresponding to the objectives of promoting policy dialogue, advancing the reform agenda, building local capacity, and expanding the base for reforms and democracy through supporting civil society. We have come across only one example (SEDA) where the choice of partners was clearly inappropriate and undermined project success.

Our review of specific projects revealed many examples of good practice in promoting local ownership. For example, the PDP partner/beneficiary manages project implementation; many partners referred to Swiss flexibility and responsiveness to local needs; and many projects include capacity building activities conducive to the empowerment of local partners and mutual learning.

Partnerships with technical organisations, local government and NGOs proved easier to establish and sustain than at the level of central government. At the central level, patience and an ability to adapt to policy changes has proved an effective feature of the Swiss partnership with MoES; but the absence of a commitment to co-operation has obstructed an effective partnership with the MFA and the Ministry of Public Administration and Local Government.

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<sup>33</sup> MTC page 13

## SDC/seco and other donors

The MTC noted the difficulties in achieving donor coordination in a situation where donors were establishing themselves in the SCG, and added that "Given the importance of this coordination it should be an explicit objective".<sup>34</sup>

During our field visit we encountered a number of practical examples of Swiss leadership in promoting better donor coordination, mainly at the project level. For example, the COOF is increasingly trying to integrate its support into projects managed by other donors<sup>35</sup>. At the national and sectoral levels, the Swiss voice is severely weakened by its exclusion from meetings of EU donors, but the response of SDC/seco has been to make the best use of other fora where the Swiss do have a voice (e.g. the SP-SEE).

Representatives of the World Bank, EBRD, DFID, CIDA and GTZ provided very positive feedback on examples of cooperation with the Swiss, and the proactive position of the COOF in co-ordinating its activities with other donors. The Swiss are viewed as a small but effective donor, with a particular ability to take a longer term perspective in order to achieve sustainability. A potential attribute is that the Swiss can achieve more through the provision of relatively small funds over longer periods than is achieved by some other donors with larger funds over a short period.

Donors acknowledge the lead role of SDC in promoting policy dialogue with the government on reforms in the education sector, and the Swiss are well placed to continue and expand this leading role. There is potentially the opportunity to attract co-funding for SDC managed projects from other donors (especially CIDA and GTZ), and possibly to assume a co-ordinating role within a potential future sector-wide approach in education. CIDA gave an example of a successful co-operation of this kind in the water sector in Tajikistan.

Swiss cooperation has been particularly successful with other smaller donors like CIDA and GTZ. Cooperation with larger donors (e.g. EAR and USAID) is more difficult, and opportunities are only likely to arise in the context of specific projects, or as add-on activities to large donor programmes. Given the importance of the EAR (especially if EU integration begins to dominate the reform agenda), it is important that the COOF increases its awareness of the future plans of the EAR. The location of EAR in Belgrade offers a potential opportunity for increased co-ordination at the programme planning, rather than programme implementation, stage.

## SDC/seco HQ and the COOF

Our evaluation indicated that cooperation between SDC/seco HQ and the COOF is working better in the case of SDC than seco. The **seco HQ/COOF** picture that emerged is that, overall, the COOF does not feel fully informed or involved in seco projects, and seco does not consider that they receive the level of support from the COOF that reflects their 50% funding of its costs. The situation has improved over the past few years, but difficulties and misunderstandings remain. At the root of the problems are the different instruments, approaches and processes of SDC and seco referred to earlier, which are explained to a large extent by the different mandates and staffing arrangements. SDC projects are largely developed in SCG with full COOF participation, while seco projects are largely driven from Bern, because the necessary expertise is in Bern. A contributory factor is the relatively small number of staff in seco, which restricts the time they can allocate for country visits and

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<sup>34</sup> MTC page 13.

<sup>35</sup> The railway customs component of the TCP referred to in Section 4 provides a practical example, and the COOF is working on similar arrangements for a community policing project with DFID, and a commercial law project with GTZ.

cooperation with the COOF.

A specific measure that has been taken by seco to improve the situation is to prepare, and agree with the COOF, a "Service Agreement" that sets out, for a specific project, the roles and responsibilities of all parties at each point in the project cycle. Such a Service Agreement has been drafted for the National Dispatch Centre project, and the COOF is in the process of trying to agree a similar model for the TCP. We support this approach for large or complex projects. The essential principle in preparing such Service Agreements should be that each task is assigned to the party best placed to perform it. There should be no presumption that the COOF has to have a role simply because the project is in SCG. If the process works well, consideration might be given to extending the concept to a selection of SDC projects in place of the current reliance on the Annual Programmes.

Other measures that might be taken to improve cooperation between the COOF and seco HQ include:

- The expertise of the COOF could be strengthened, either through recruitment or through the secondment of someone to the COOF from seco;
- The COOF could send relevant COOF staff to Bern for discussions with seco at appropriate times (e.g. when a new member of staff dealing with seco joins the COOF, or when a new project is being developed to which the COOF believes it has a contribution to make);
- Seco could extend the "Service Agreement" approach to the stages in the project cycle before implementation to ensure that the COOF is aware of when and how it is likely to become involved<sup>36</sup>.

In contrast, the issues between the **SDC HQ/COOF** are less extensive. In the early days of the evolution of the development assistance programme in SCG, we understand that there was a lack of clarity about the respective roles and responsibilities of SDC and the COOF, but that these problems have been largely resolved. Two lessons that emerged from our evaluation were:

- The relationships between the COOF and SDC HQ will depend not only on the clarity of the formal division of roles and responsibilities, but also on the respective personalities of the Head of the COOF and opposite number in Bern;
- A number of difficulties arose from the failure to follow a logical sequence of events in identifying and preparing projects. The COOF might have benefited from a short guide setting out the basic principles of project cycle management from project identification to credit approval.

## Outline proposals for a strengthened COOF

The institutional structure for the delivery of the Swiss aid programme is fairly complex. We have outlined above some of the obstacles to full coordination in Switzerland, but there is one place where the main strands can potentially be brought together, namely in the COOF in Belgrade. We outline below some thoughts on how the coherence of the programme might be increased through strengthening the role of the COOF<sup>37</sup>.

The essential model would comprise the establishment of strategies and sectoral plans that would be agreed in Bern, followed by the implementation of the strategies and plans that would be the primary responsibility of the COOF (drawing on support from elsewhere as

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<sup>36</sup> As an example of a communication problem, during our visit we were shown a huge pile of papers on an insolvency project, which the COOF said they were asked to comment on in a few days without any apparent prior notice. As a result they had difficulty in deciding how best to respond.

<sup>37</sup> Although we have reached these conclusions independently, we understand that much of what we propose is already common practice in some countries in the "South".



necessary). This might appear to be the same as the model outlined in the MTC, but the essential difference that we envisage is that decision-making powers on specific projects would be delegated to the COOF, at least up to some substantial ceiling. The ceiling should be such that the COOF could approve all but the larger projects without having to refer the decisions to Bern<sup>38</sup>. The strategies and sectoral plans should be developed by SDC, seco and the COOF (see Section 5), and formally endorsed by Bern. The role of Bern during implementation would be to support the COOF as required, and to monitor progress against the approved strategy. It might also help to ensure that the COOF has access to appropriate lessons and experience from other countries (e.g. Romania and Bulgaria). The various parties (especially SDC, seco and the COOF) would continue to come together to prepare and review Annual Programmes, and the October workshop would provide an opportunity to review the strategy as well as to prepare the detailed programme for the forthcoming year (see Section 5).

In deciding the extent of the COOF's role during implementation, we suggest that a distinction should be made in the strategy document between the core programme that would be the primary responsibility of the COOF, and a non-core programme that might be implemented by other parties. For example, some of seco's regional investment promotion programmes, and some of SDC's regional programmes, might be categorised as non-core, with minimal or no involvement in implementation by the COOF.

This model would require significantly greater decentralisation of responsibilities to the COOF than currently planned<sup>39</sup>, and should be accompanied by a corresponding strengthening of the COOF to perform its enhanced role through the transfer of resources from Bern to Belgrade. There may also be a need to change the arrangements for recording commitments and disbursements on projects, in order to enable the COOF to monitor disbursements across the spread of SDC and seco projects in the core programme (which would be the responsibility of the COOF).

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<sup>38</sup> We have been asked to indicate what level of delegated authority might be appropriate, but feel that it is not appropriate to provide any specific guidance in the context of this country evaluation.

However, we understand that there are existing examples in other country programmes in the "South".

<sup>39</sup> We have seen the circular letter dated 23 December 2004 entitled "Information concerning the start of the Decentralisation of Finance Management", but this appears mainly to add to the financial administration burden of the COOF while leaving decision-making on projects and programmes with Bern.

## 7. Lessons for similar partner country contexts

This final section provides some lessons that might have wider applicability in similar partner country contexts.

The **effectiveness of administrative resources** (i.e. in SDC/seco/COOF) is a critical factor in establishing a new programme, or a major change of direction, following a radical change of government in the partner country. The SCG experience demonstrated that the early period can be very busy and stressful. In similar situations:

- Personalities matter: it is important to build harmonious teams among the key players (e.g. the COOF, SDC, seco, Embassy), and ensure that leading members of the COOF are good at building up relationships.
- In the early period of transition, the headquarters staff have a particularly important role to play, both in supporting and supplementing the COOF and in linking the needs of the recipient country with Swiss foreign policy objectives. As the programme matures, greater responsibility can be decentralised to the COOF.
- In the selection of senior staff for the COOF, the needs of both SDC and seco should be addressed specifically if it is envisaged that both organisations will be substantially involved in the future programme.
- The early steps in the project cycle from project identification and preparation through to credit approval should be clearly set out, and a clear division of responsibilities between the COOF and SDC/seco HQ established.
- There should be greater emphasis on practical tools and guidance for practitioners, with the emphasis on simplicity and essentials, backed by suitable training.
- More generally, SDC/seco HQ should aim to simplify all procedures and processes as far as possible, and should support the COOF with experienced staff where necessary, to avoid administrative diversions or bottlenecks.

For the **initial strategy** our evaluation suggests that:

- In the early transition period, the needs of the country are many and varied, and it should be possible to identify some valuable fast-disbursing projects and programmes to kick-start the programme and build up credibility with the new government.
- New conventional development assistance projects should generally start on a small scale, and then be expanded or closed depending on their effectiveness.
- An appropriate balance should be struck between the depth of project preparation and the speed of decision-making to avoid situations where a good project initiative misses its window of opportunity to have maximum effect. A phased approach (especially an inception phase) can help to overcome a partial understanding at the project preparation stage.
- A strategy of starting with a variety of interventions to test the appropriateness of local partners may be appealing, but the consequences for monitoring should be carefully considered, so that timely decisions can be made on whether to expand or close the project. The scale and nature of the programme should be tailored to the resources available to plan, design and monitor it. Weaknesses can be addressed either through strengthening the resources, and/or through reducing the number of interventions requiring relatively intensive COOF/SDC/seco resources.

After the initial launching of the programme, the next stage is to develop a **coherent strategy**. Important factors at this stage include:

- Developing clear objectives and priorities, which are realistic (but challenging) in relation to the extent to which the Swiss programme might contribute to the overall reform process;

- Drawing on experience elsewhere to minimise the re-invention of wheels or the repetition of mistakes, especially if there are other countries in the region from which the COOF can learn directly;
- Having the strength to say “no” when approached for assistance in areas outside the chosen priorities;
- Developing measurable indicators that will provide a meaningful yardstick of the extent to which the specific objectives for the Swiss programme are being met;
- Being ready for set-backs to particular initiatives, and taking a long-term perspective if there is a reasonable expectation that the set-back will be short-term, or can be overcome through a degree of pragmatic flexibility.

From our experience of preparing, implementing, monitoring and evaluating projects and programmes for a variety of donors, we offer some final views on lessons that might be learned on the use that is made of **experts and consultants**:

- COOFs should progressively build up a database of local consultants that might be used to support their programme. The use of local consultants contributes to the local economy and can be very cost-effective if they are good.
- Many donors insist on a clear separation of roles for consultants and experts, so that a consultant/expert that helps to prepare a project cannot bid for its implementation, and those involved in implementation cannot be involved in monitoring. Our evaluation reveals that SDC/seco have a more relaxed policy on the separation of roles that may in some cases hinder the effective implementation of projects. While we would not necessarily recommend a rigid separation, we suggest that the policy might be reviewed.
- Some interviewees commented to the effect that the pool of experts and consultants that are used by SDC is somewhat limited, and that quality might be increased by extending the bidding process wider. Good projects require not only good local partners, but also good foreign partners. This observation may be related to the previous point.
- Large projects that are managed by a firm of consultants should be established in a way that ensures that the consultants are responsible for project management issues (such as the employment of staff, procurement of equipment and managing project funds), so that the COOF's role is limited to reviewing, monitoring and controlling the project. It is inappropriate that the COOF should get involved in detailed project management issues such as has occurred in the case of the MSP.

## **Annex A –Approach Paper**

Reproduced below is the text of the Approach Paper prepared by SDC and seco.

### **1. Background**

#### **1.1. Country Context**

More affected than any other region in Europe by the fall of communism, by devastating ethnic and religious conflicts and by international sanctions, Yugoslavia and its neighbors are still searching for the stability and prosperity enjoyed by most of the continent. Challenges include regaining the pre-turmoil economic prosperity and consolidating the currently fragile regional political stability.

The fall of President Milosevic in 2000 paved the way for drastic economic and social reforms. In February 2003, Serbia and Montenegro, the only two remaining republics of the Federal Republic of Yugoslavia, formed a loose union with greatly reduced federal prerogatives and autonomous control of the republics over their economies. Most observers agree that there is still a long way to go towards achieving a functioning state union between Serbia and Montenegro. Secessionist tendencies due to a resurgence of nationalist sentiment are strong and both republics have the option of declaring independence (after 2006) so that the future as a union is uncertain.

The stable political situation in Montenegro since the October 2002 elections contrasts with the shock experienced in Serbia at the assassination of its Prime Minister Z. Djindjic in March 2003. The assassination was seen as a reaction by organized criminals with links to the state security services to Mr. Djindjic's plans to crack down on the Serbian underworld. The Serbian Government reacted decisively to the event, but far-reaching reforms are still needed with regard to the judiciary system and other the weak institutions, the situation in Kosovo and democratic and economic reform.

The roots of the current economic difficulties of the Union lie in the various crises of the 1990s, in particular the regional conflicts, the 1999 NATO strikes, the international sanctions and the massive movements of internally displaced persons and refugees. By 2000, the GDP per capita had fallen to about one half of the 1989 level, foreign trade had declined abruptly and the country had accumulated large domestic and external debts.

Since the political change in 2000, the Government has achieved significant progress through market and trade liberalization, privatization, fiscal reforms, sounder monetary strategy, and banking and financial system reforms. Achievements include a stable exchange rate, a contained budget deficit, significant alleviation of the foreign debt through Paris Club negotiations, passage of a number of crucial pieces of legislation on trade and privatization and controlled inflation.

In contrast to progress on the macroeconomic front, rural poverty is increasing. Although overall salaries are rising modestly, the cost of living is increasing in similar proportion so that the average citizen is not feeling any improvement. Higher unemployment and social insecurity as negative consequences of privatization are further fomenting social discontent that is expressed by a growing number of strikes and demonstrations. In addition, approximately 600,000 refugees and internally displaced persons are still awaiting either integration in Serbia & Montenegro or a return to their place of origin.

By mid 2001, Serbia & Montenegro had joined the UN, the OSCE, the Stability Pact for South-eastern Europe, the EBRD, the IMF and the World Bank, the latter three as a member of Switzerland's constituency.

In 1999, the EU established the Stabilisation and Association Process (SAP) with Serbia & Montenegro as well as with Albania, Bosnia-Herzegovina, Macedonia and Croatia aimed at strengthening the regional approach of the EU in the West Balkans and aiding these countries to eventually meet the requirements for EU ascension. The May 2004 expansion of the EU presents both challenges and opportunities for the region:

- potential increase in disparity between new EU members, candidates and SAP countries,
- less donor aid in light of the budget negotiations in 2006,
- stronger lobby within the EU for a more pro-active Balkan policy,
- stronger motivation in the region to meet EU criteria.

The Government is committed to pursuing the reform agenda in the future, quite significantly at republican levels but also at the Union level, albeit more cautiously. In close cooperation with the World Bank and the European Commission, it launched an Economic Recovery and Transition Program (ERTP) in 2001, which identified four strategic objectives:

- restoring macroeconomic stability and external balance;
- stimulating near term growth and creating the basis for a sustainable supply response;
- improving the social well-being of the most vulnerable and building human capacity;
- improving governance and building effective institutions.

Building on the ERTP framework, a PRSP process was launched in April 2002, which led both republics to issue over the spring 2002 a joint I-PRSP. A full participatory poverty reduction strategy entered the implementation stage in 2004.

A major challenge will be to transition from an aid-driven economy to investment-led growth. The bulk of the budget deficit in 2002 was covered by foreign aid: the last Donor Coordination Meeting took place in June 2001 in Brussels where USD 3.9 billion; were pledged over a three to four year period. Direct foreign investment remained modest in 2003 and a clear tendency to move from grants to loans is being observed.

## **1.2. Overview of Swiss Assistance to Serbia & Montenegro**

Swiss assistance to Serbia & Montenegro which began in 1991 has evolved from emergency assistance to reconstruction and economic assistance to a fully consolidated long term program. Events in Serbia & Montenegro unfolded dramatically and Swiss assistance was under pressure to become operational quickly and needed to continuously adjust to changing circumstances. The start-up phase was both very rapid and comprehensive and characterized by a large budget, a multitude of stakeholders and a large number of projects.

From 1991-99, Swiss support focused on relief operations, building shelters and humanitarian legal assistance. In 1994 and 1995, SDC opened offices in Serbia & Montenegro. During the NATO-campaign – throughout which SDC was the only government agency present in Serbia & Montenegro – Switzerland, together with Russia, Greece and later Austria, undertook the FOCUS Initiative, a multilateral humanitarian action plan.

From 1999 onwards, additional bilateral activities such as cash for shelter, heating, remediation of polluted soils, monitoring of groundwater and support to minorities supplemented the extensive humanitarian aid program with its emphasis on repair and

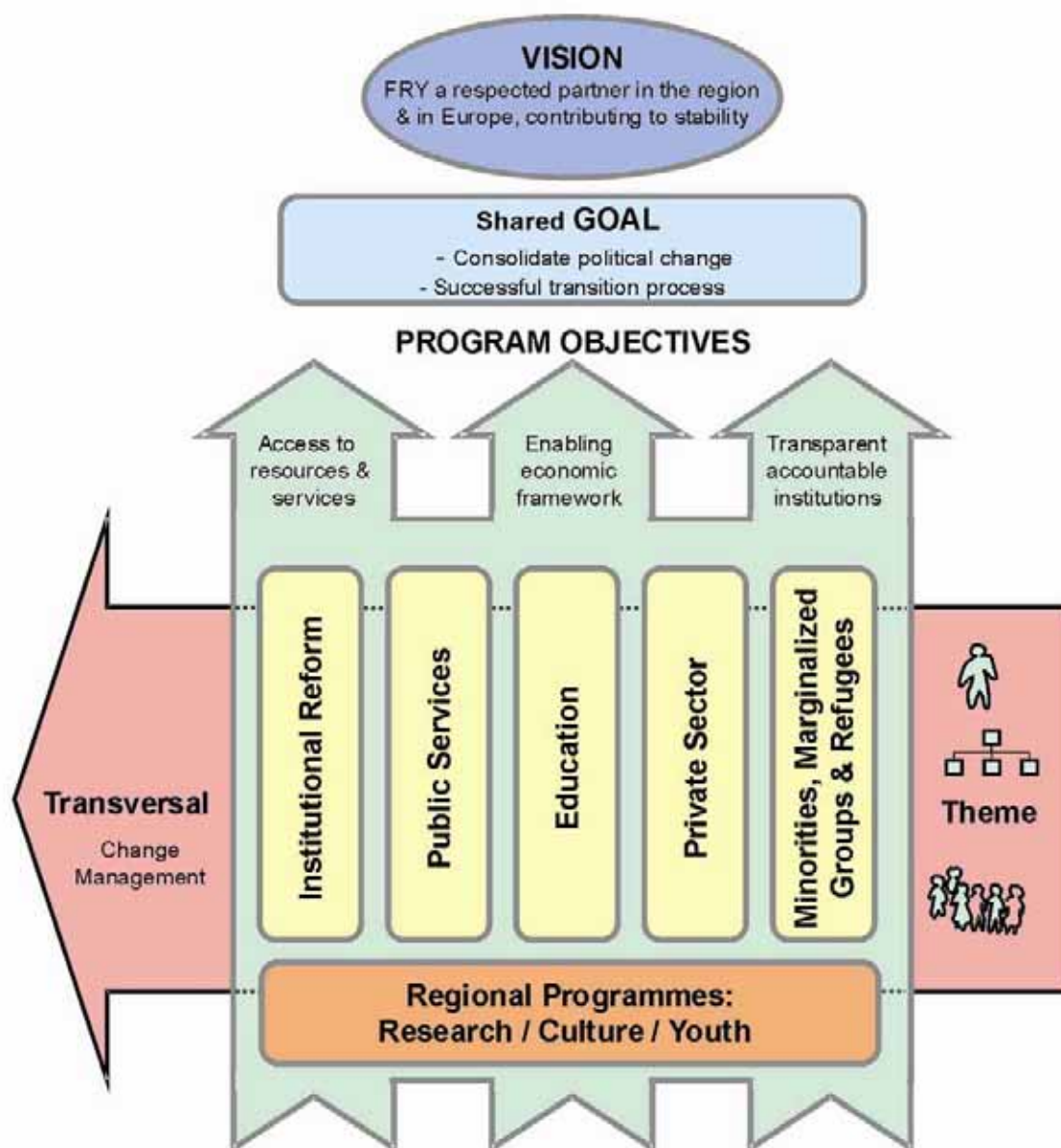
rehabilitation of schools, hospitals and social institutions. Together with the UNHCR, a large housing program for the local integration of refugees was started.

Immediately after the political change at the end of 2000, Switzerland set up an emergency assistance package of CHF 8 Million (CHF 4 million each from seco and SDC) for financing immediate measures to improve the living conditions of the poorest most deeply affected by the international sanctions, the 1999 strikes and the collapse of federal institutions. Seco's contribution was used for a special payment to the poorest pensioners, whereas SDC's was dedicated to payments to the recipients of public relief and the financing of fuel and medicines.

The transition between humanitarian and reconstruction aid to transition cooperation began in late 2000. In 2002, SDC and seco began developing a joint Medium Term Concept 2002-2006 (MTC) for their activities in Serbia & Montenegro which was approved in July 2003. The MTC solidifies the shift in focus from humanitarian relief to transition development. In the course of 2006, SDC and seco aim to develop a Medium Term Country Program 2007-2012.

In 2004, the budget for SDC-seco implemented activities in Serbia & Montenegro amounted to CHF 24.2 million. The budget is expected to increase slightly in 2005.

The present MTC concentrates on five sectors: Institutional Reform, Public Services, Education, Private Sector and Minorities, Refugees and Marginalized Groups. The goals, objectives and sectors of activities of the MTC are illustrated in the following diagram:



## 2. Why an Evaluation and Why Now? – Rationale

To ensure accountability, SDC conducts at least one evaluation of a country assistance program per year outside of line management in the form of an independent evaluation. Serbia & Montenegro was selected by the E&C Division in consultation with the Department for Cooperation in Eastern Europe and the CIS (O-Dept.) and approved by Senior Management. The domestic political relevance of the Swiss engagement in the region (i.e., migratory and refugee flows to Switzerland from the region), the complexity of the context in Serbia & Montenegro and the lessons which can be drawn for future engagement in similar contexts were the main reasons for the selection.

In compliance with an adopted recommendation of the "Evaluation of 12 Years of Swiss Cooperation with Eastern Europe and the CIS" and in the spirit of the Rome Declaration (i.e., Swiss commitment to harmonisation), all evaluations of joint SDC/seco programs are to be conducted jointly. This is, therefore, a joint SDC/seco evaluation.

The planning process for Swiss assistance beyond the period covered by the Medium Term Concept will be initiated during the second semester of 2005 and concluded in 2006. The evaluation results which will be available by the summer of 2005 should contribute to improving performance during the remainder of the Mid-Term Concept 2002-2006 and will be available in time for contributing to the development of the Serbia & Montenegro Medium Term Programme 2007-2012.

### **3. Evaluation Purpose, Objectives and Scope**

#### **3.1 Purpose**

The purpose of the evaluation is twofold:

- to render accountability by submitting SDC/seco activities to independent assessment
- to improve future performance through learning from experience.

The evaluation will assess the relevance and effectiveness of SDC/seco activities in Serbia & Montenegro to date and will make recommendations regarding the future orientation of SDC/seco activities. The evaluation will provide findings, conclusions and recommendations that will allow SDC and seco

- to improve their performance for the remainder of the Medium Term Concept
- to better develop the planned Medium Term Country Program 2007-2012 through insights gained from the evaluation results
- to better react in similar complex contexts (transition and conflict- post-conflict constellation) in the future (i.e., identification of generic lessons).

#### **3.2 Objectives**

- To assess the relevance and effectiveness of SDC/seco assistance to Serbia & Montenegro to the present.
- To assess the response of SDC/seco to the complex context in Serbia & Montenegro.
- To formulate (a) recommendations for the orientation of SDC/seco assistance to Serbia & Montenegro beyond 2005 and to (b) draw lessons from the SDC/seco response to date.

#### **3.3 Scope**

This evaluation will examine the evolution and steering of the SDC/seco Medium Term Concept (i.e., the period 2000 to the present). The focus will be on the programming level (relevance and effectiveness of strategies, policies, objectives, steering). In light of the short timeframe of implementation and the limited resources which can be allocated for this evaluation, the assessment of the achievement of objectives will be based on case studies of a representative sample of the project portfolio, existing portfolio/project evaluations and reviews, the opinions of other donors and local experts and the evaluators' expert knowledge.

This is not an evaluation of the Swiss humanitarian assistance and of the continuum-contiguuum dimension (i.e., back and forth transitions between relief and development operations as well as the transition from relief to long-term cooperation) per se. However, the continuum-contiguuum context and the interaction between humanitarian relief and development cooperation will be considered to the extent necessary for assessing the appropriateness and effectiveness of the MTC and for making recommendations for the future orientation of the program. The interface between humanitarian operations and transition cooperation in the transition period 2000-2005 will be examined. Projects which are transitioning or have transitioned from humanitarian relief and reconstruction to longer term



transition cooperation projects (i.e., transfer from the Department for Humanitarian Aid (H-Dept.) to the Department for Eastern Europe and CIS (O-Dept.)) will be examined through a case study approach.

## **4. Key questions**

The following key questions should all be addressed by the Evaluation Team. The depth of investigation of the key questions will, however, depend on their significance for improving future SDC/seco performance and will be decided in the course of the evaluation between the Evaluation Team Leader and the SDC/seco Evaluation Officers.

### **4.1 Context Analysis**

a) Analyse the context in Serbia & Montenegro against which Swiss activities unfolded (1991-2004): What were the dynamics in the context of the transition from communism to a market economy and from humanitarian relief to development cooperation which affected Swiss cooperation (e.g., trends, significant actors, power constellations)?

b) Describe and analyse the evolution of SDC/seco activities (2000-2004) against the context. How well have SDC/seco dealt with such a complex, rapidly changing environment (i.e., rapid operationalisation under pipeline pressure, adaptation of activities to changing circumstances, transition from humanitarian to cooperation focus)?

### **4.2 Relevance and Coherency of the Strategic Orientation (Are we doing the right things?)**

- a) Assess the relevance of SDC/seco activities with regard to
- chosen approaches (e.g., capacity development, empowerment, etc.) and instruments (e.g., policy dialog, economic instruments, etc.),
  - chosen sectors and contributions within sectors,
  - chosen geographic focus,
  - transversal themes pursued (change management,
  - chosen target groups and
  - chosen partners

Measured against

- the relevant federal laws and messages from Parliament,
- SDC/seco guiding principles and overarching strategies relevant for transition cooperation and humanitarian relief,
- recognized core issues of a transition context,
- the specific country context (unstable, rapidly changing political context, fragility of the state, organized crime, ethnic conflict, etc.),
- contribution to national priorities and planning frameworks such as SAP and PRSP,
- the recommendations of the Stability Pact for Eastern Europe,
- the context of the activities and approaches of other donors,
- the needs of the target groups and
- best practices with regard to gender issues.

b) How coherent is the MTC Serbia & Montenegro and the project portfolio with SDC's regional programs (police & Justice, culture, research and youth), i.e., are the objectives compatible and synergies being created? Could coherency be improved and how?

c) Compare, as appropriate, the results of the analysis above with the results and recommendations of the Evaluation of 12 Years of Swiss Cooperation with Eastern Europe

and the CIS. Where do SDC/seco stand in Serbia & Montenegro with regard to implementing the management response to the recommendations?

### **4.3 Cooperation with Others**

#### a) Cooperation between SDC and seco

- Examine cooperation and coordination between SDC and seco in programmes co-financed by both (e.g., Private Sector Development). How well do SDC and seco deal with differences in approaches, instruments and planning processes? How could the articulation between SDC and seco approaches, instruments and processes be improved? Are SDC and seco objectives compatible and are synergies being created?

#### b) Cooperation within SDC between the Department for Eastern Europe and CIS (O-Department) and the Department for Humanitarian Aid (H-Department)

- How well have the O-Department and the H-Department within SDC cooperated in the continuum-contiguuum context of Serbia & Montenegro? How well have H and O profited from each others expertise and experience? To what extent have H and O taken each others activities into consideration when developing respective programs? To what extent are the objectives and results of H-Dept. activities compatible with O-Dept. objectives? Examine activities which are transitioning between the H- and O-Dept. (Note: SDC will be conducting an independent evaluation of its handling of continuum-contiguuum context in 2005, evaluators are requested to identify problem areas or examples of best practices based on interviews with relevant staff as input for this evaluation).

#### c) Cooperation with other Swiss actors

- How well are SDC/seco cooperating, coordinating and creating synergies with other Swiss actors: e.g., Swiss Federal Office for Refugees, PD IV in the Swiss Foreign Ministry and Swiss Embassy in Belgrade?
- How can cooperation be better achieved?

#### d) Cooperation with local partners

- How well are SDC/seco working with local partners including the government at the federal and municipal levels: e.g., empowerment, mutual learning, promotion of local ownership, adherence to SDC values in partnerships, policy dialog with the government, etc.?
- Asses the appropriateness of SDC/seco partner selection for the achievements of the objectives. Are SDC/seco working with the most suitable partners?

#### e) Cooperation with other donors

- What role do SDC/seco play in the "concert" of donor activities and approaches in Serbia & Montenegro? What added value have SDC/seco contributed?
- How well are SDC/seco coordinating with other donors present in Serbia & Montenegro (particularly with regard to policy dialog with the government and donor harmonisation)?
- What could SDC/seco learn from other donors and how could such coordination be improved?

### **4.4 Effectiveness of SDC/seco Implementation Strategy (Are we doing things right?)**

a) Are the objectives and activities of the MTC realistic in relation to the allocated resources, the scope of activities and the foreseen time perspective (based on evaluators' expert

opinion of best practices and on the case studies)? Are the selection criteria for activities, allocated timeframes and resources appropriate for a transition context?

b) To what extent are the objectives in the sectors of the MTC being achieved or can be expected to be achieved (considering the short timeframe of implementation and based on case studies of a few representative projects from each sector, existing portfolio/project evaluations and reviews, the opinions of other donors and local experts and the evaluators expert knowledge)?

#### **4.5 Portfolio Management (How well are we managing processes and steering our activities?)**

a) Is monitoring, evaluation and controlling of the MTC Serbia & Montenegro adequate? Do the results of M&E and controlling adequately flow into program steering and policy dialog? If not, what needs to change?

b) Are the management structures and processes within SDC and seco (e.g., cooperation between headquarters and the COOF), for cooperation between SDC and seco and for dealing with the challenges of working in a transition/contiguuum context adequate? Where do strengths and weaknesses lie? How can management be improved? (The results of the 2002 SDC audit of the Cooperation Office should be taken into account when addressing this question).

#### **4.6 Recommendations**

Based on the findings and conclusions of the evaluation:

a) What are the recommendations for the continuation of SDC/seco assistance in general and in terms of strategic orientation, content (sectors, transversal topics, geographical focus), structure and process (including cooperation with other actors) in the short term (until the end of the MTC 2006) and in the longer term (Country Program 2007-2012)?

b) What lessons can be drawn from the analysis of the SDC/seco response to the challenges of the transition context in Serbia & Montenegro?

c) What are the key experiences, insights and results that SDC/seco should capitalise on?

d) Considering, on the one hand, the good relations that Switzerland has developed with Serbia & Montenegro (FOCUS initiative, etc.) and, on the other hand, the significance of the EU initiated Stabilisation and Association Process (SAP) and the lack of Swiss membership in the EU, what value-added and comparative advantages can be identified for Swiss Cooperation?

## **5. Expected Results**

### **5.1 At Output Level**

- A concise, publishable Evaluators' Final Report in English conducted in accordance with international evaluation standards containing findings, conclusions and recommendations not exceeding 30 pages plus annexes and including an executive summary. The language should be reader friendly and direct. It will avoid euphemisms when describing problems and shortcomings, but convey respect for the people evaluated.
- An Evaluation Abstract according to DAC-Standards produced by the evaluation team and edited by the E&C Officers

- An Agreement at Completion Point (ACP) negotiated by the Narrow Core Learning Partnership (NCLP) with Management Response regarding the key conclusions and recommendations of the Evaluators' Final Report.
- Lessons drawn by the NCLP.
- Dissemination to the Broad Learning Partnership (BLP), posting on the Internet, submission of the Evaluation Abstract to the DAC.

## 5.2 At Outcome Level

This evaluation of SDC/seco activities in Serbia & Montenegro is expected through the analysis of the characteristics, strengths and weaknesses of Swiss assistance in Serbia & Montenegro and the identification of the most appropriate contribution of Switzerland in SAP and PRSP processes to contribute

- to more relevant and effective SDC/seco performance for the remainder of the SDC/seco Medium Term Concept
- to the planning process for Swiss assistance for the period 2007-2012 (i.e., development of the Country Program 2007-2012),
- to the shaping of cooperation among Swiss actors in Serbia & Montenegro
- to the SDC/seco approach to donor cooperation
- to the discussion within SDC/seco on how best to act and react in similar partner country contexts (i.e., in fragile, rapidly changing political environments with conflict potential).

## 6. Partners

### 6.1 Organisational Set-up and Respective Roles

SDC's and seco's **Evaluation Officers** design the evaluation framework ("Approach Paper") with the participatory input from the Core Learning Partnerships, draft and administer the contracts with the evaluators, ensure that the evaluators receive appropriate logistical support and access to information and organize the overall process with respect to i) discussion of evaluation results, ii) elaboration of the Agreement at Completion Point and Lessons Learned, iii) publication and iv) dissemination. SDC will contract the evaluation team in consultation with seco. SDC and seco will each cover half of the costs of the evaluation.

The **Narrow Core Learning Partnership (NCLP)** ensures that the evaluators have access to all necessary information (documents, interviews). It comments on the evaluation design and the draft evaluation report (feedback to evaluators about whether additional research needs to be done). During the Completion Point Workshop, it discusses the evaluation findings, conclusions and recommendations and negotiates and approves the Agreement at Completion Point (ACP) and the Lessons Learned. It decides who should be targeted for dissemination.

The **Broader Core Learning Partnership (BCLP)** may comment on the evaluation design and the draft evaluation report. The BCLP in Serbia & Montenegro is invited to the End of Mission Workshop. The BCLP does not participate in the elaboration of the Agreement at Completion Point, but will be informed about the evaluation results.

The **Broad Learning Partnership (BLP)** may be interested in the evaluation results and will be targeted for dissemination.

**Evaluators** contracted by the SDC/seco E&C Divisions elaborate an evaluation work plan and methodology, carry out the evaluation according to international evaluation standards, conduct debriefings with stakeholders as appropriate, present a draft of their Evaluators'

Final Report to the NCLP and BCLP, follow up on the CLP's feedback as appropriate and submit the Evaluators' Final Report in publishable quality as well as an Evaluation Abstract according to DAC specifications to the Evaluation Officers. The evaluation team leader attends the ACP meeting in Switzerland as a resource person.

At SDC, **Department-level Management** and the **Director General** comment in COSTRA on the Agreement at Completion Point and approve it.

At seco, the Operation Committee and the Policy Committee will comment on the Agreement at Completion Point and approve it.

## **6.2 Narrow Core Learning Partnership (NCLP)**

(= those who are directly concerned by the evaluation's recommendations and lessons and who need to take action, i.e., the primary intended users, in this case the users of the Medium Term Concept)

The Narrow Core Learning Partnership will consist of the following members in Switzerland

### **At SDC Headquarters:**

#### **Department for Eastern Europe and CIS (O-Department)**

Division for Special and Regional Programs in Eastern Europe:

Hubert Eisele, Head of Division

Shirin Sotoudeh, Desk Serbia & Montenegro

Evaluation & Controlling Officer O-Department: Kuno Schläfli

#### **Department for Humanitarian Aid (H-Department)**

Europe and CIS Division

Hans-Peter Lenz, Head of Division

Armin Ullmann, Desk Officer Serbia & Montenegro

#### **Thematic Department (F-Department)**

Governance Division

Anne-Claude Cavin

Employment and Income Division

Jean-Christophe Favre

### **At seco Headquarters:**

Country Coordinator Serbia & Montenegro

Thomas Meyer

Investment Promotion Division (WEIF)

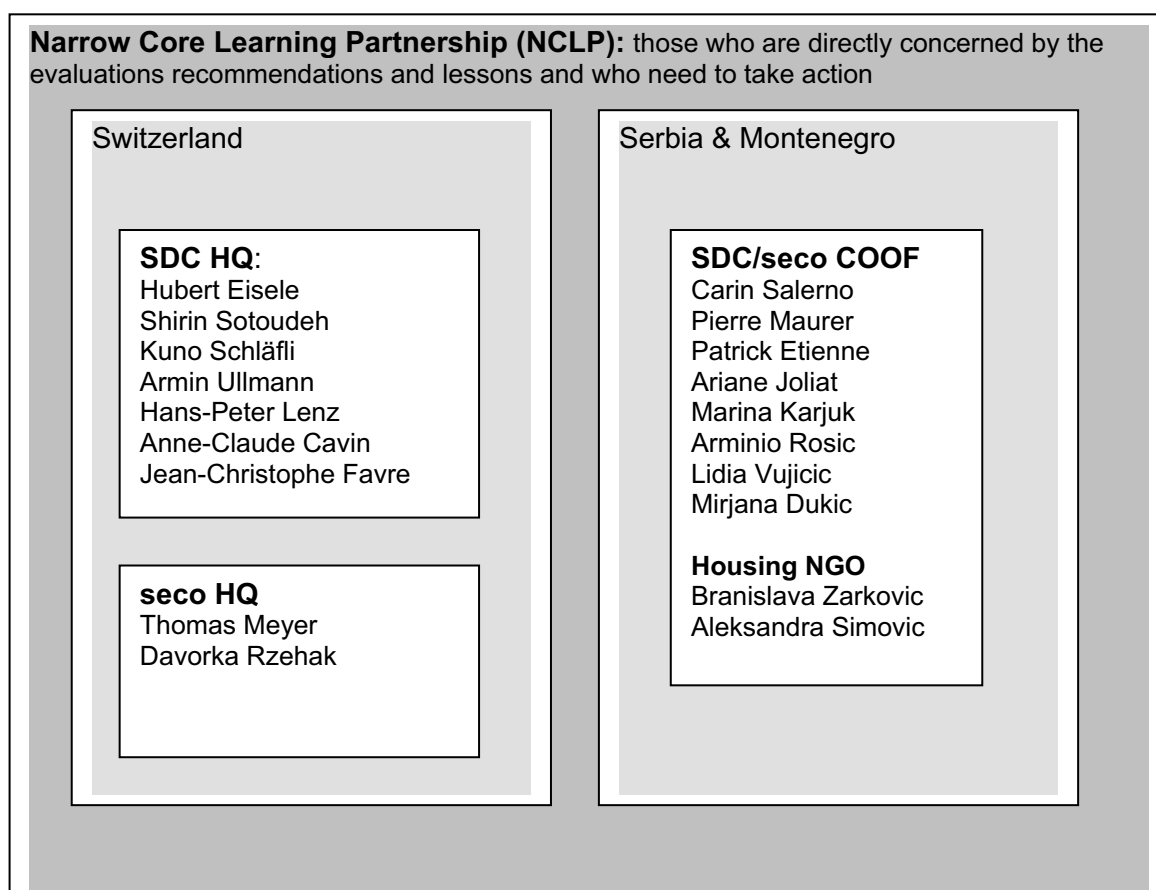
Davorka Rzehak

The Narrow Core Learning Partnership will consist of the following members in Serbia & Montenegro:

#### **SDC/seco Cooperation Office (COOF)**

- Carin Salerno, Country Director
- Pierre Maurer, Deputy Country Director, Institutional Reforms and Regional Programs
- Patrick Etienne, Program Officer for Stability Pact and Institutional Reforms
- Ariane Joliat, Finance and Administration
- Successor to Branislav Savic, Finance and Administration
- Marina Karjuk, Secretariat

- Arminio Rosic, National Program Officer for Private Sector and Public Infrastructure
- Lidia Vujcic, National Program Officer fo Education
- Mirjana Dukic, National Program Officer for Monitoring Humanitarian Aid
  
- Branislava Zarkovic, Housing NGO (formerly SDC Housing Project)
- Aleksandra Simovic, Housing NGO (formerly SDC Housing Project)



### 6.3 Broader Core Learning Partnership (BCLP)

(= those also concerned with the evaluation's recommendations and lessons but less closely implicated than the NCLP)

#### At SDC Headquarters

##### Department for Humanitarian Aid (H-Department)

Evaluation & Controlling Officer

Christoph Jakob

##### Thematic Department (F-Department)

Division for Conflict Prevention (COPRET)

Günther Bächler, Head of Division

#### At the Swiss Federal Office for Refugees

Aid to Returning Refugees

Eric Kaser

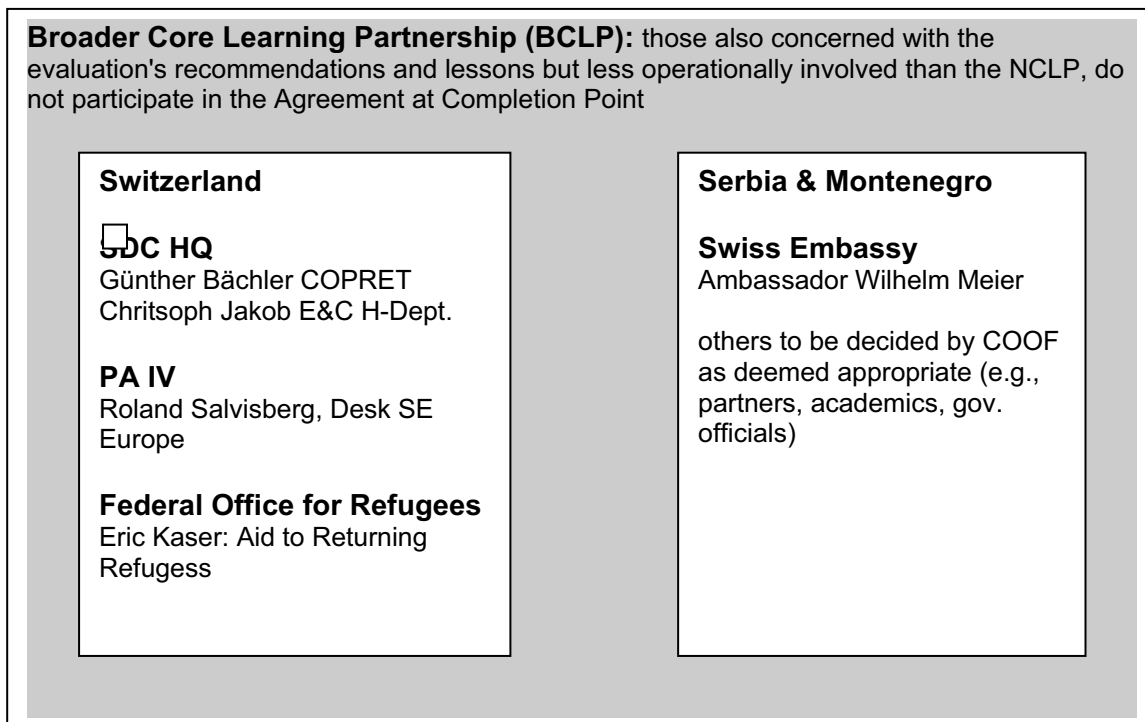
**At the Federal Department for Foreign Affairs**

Political Division IV (PDIV)

Roland Salvisberg

**At the Embassy of Switzerland in Serbia & Montenegro**

Ambassador Wilhelm Meier



## 6.4 Broad Learning Partnership (BLP)

(= others interested in the evaluation's lessons, i.e., others with similar programs or objectives. Participation and dissemination process to be decided during the course of the evaluation)

### At SDC Headquarters

other O-Dept. Divisions

other H-Dept. Divisions

other Thematic Divisions

### At seco Headquarters

Infrastructure Division

Trade and Cooperation Division

Employment and Income Division

### In Serbia & Montenegro

Swiss NGOs active in Serbia & Montenegro

Bilateral and Multilateral Donors

The Government of Serbia Montenegro, civil society and academia are stakeholders, i.e., they have an interest in the object of the evaluation and in the findings. The SDC/seco Cooperation Office will ensure that views and their expertise is considered and integrated wherever appropriate. They will be informed by the Cooperation Office about the evaluation and will be invited to participate in the End of Mission Workshop and the discussion of the evaluation results as appropriate.

## **7. Process**

### **7.1 Methodology**

The Evaluators are required to relate their findings and recommendations credibly to reliable evidence, in accordance with good development evaluation practice and sound professional methods and criteria, and proceed as follows:

- Review of SDC/seco documents pertaining to SDC/seco strategy and to Swiss assistance in Serbia & Montenegro,
- Review of documents pertaining to the conflict situation/fragile political environment/ethnic issues in Serbia & Montenegro and its implication for international cooperation,
- Interviews with relevant persons at SDC/seco headquarter and other Swiss stakeholders,
- Evaluation mission to Serbia & Montenegro including interviews, workshops and focus groups with representatives of Country Office, NCLP and BCLP Serbia & Montenegro, representatives of government, civil society, NGOs, academia, and other donors; field visits to SDC/seco project areas including interviews with beneficiaries, project personnel and others to the extent necessary to assess the relevance and effectiveness at the program level,
- Evaluation mission briefings and debriefings in Serbia & Montenegro,
- Analysis of data and report writing,
- Draft Evaluation Report presentation and follow-up on feedback as appropriate
- Finalisation of the Evaluation Report.

The evaluators will elaborate a work plan and will revise and elaborate on the methodology proposed above based on their analysis of the situation. The revised methodology will be submitted to the evaluation officers (SDC/seco) for approval. The work plan will include a timetable, allocation of responsibilities and justification of the evaluation methodology. In consultation with the evaluation officers, the focus of the key questions may be redefined in the course of the evaluation to better reflect emerging issues.



## 7.2 Deliverables and Milestones

| <b>Activity</b>  | <b>Date</b>                         | <b>Actors</b>  |
|--|-------------------------------------|--|
| Approach Paper draft   | End Oct. 2004                       | E&C drafts, input NCLP, BCLP   |
| Call for 3-5 offers from a short list  | December 2004                       | E&C  |
| Selection of Evaluators  | February 2005                       | E&C  |
| E&C Mission to Serbia & Montenegro   | Beginning February 2005             | E&C  |
| Kick-of Meeting to finalize Approach Paper   | Feb. 25, 2005                       | E&C, NCLP, BCLP, Eval Team   |
| Contracts signed with evaluators   | Beginning March 2005                | E&C, Eval Team   |
| Finalisation of Approach Paper, posting on Internet/Intraweb   | March 2005                          | E&C  |
| Deliverable 1: Submission of work plan   | March 2005                          | Eval. team   |
| Logistic and administrative preparation of evaluation mission  | March-April 2005                    | COOF   |
| Interviews with stakeholders in Switzerland  | March 14-17, 2005                   | Eval. Team   |
| Evaluation mission in Serbia & Montenegro, End of Mission Workshop   | April 4-22 2005 (Workshop April 21) | Eval. Team   |
| Deliverable 2: Evaluators submit draft of Final Evaluators' Report   | June 1, 2005                        | Eval. Team   |
| NCLP and BCLP Serbia & Montenegro discuss draft report, feedback to evaluators<br><br>NCLP and BCLP Switzerland meet to discuss draft report, feedback to evaluators   | June 23, 2005                       | NCLP, BCLP provide written feedback to Eval Team<br><br>E&C facilitates, NCLP comments, BCLP Eval Team Leader takes feedback on board as appropriate |
| Deliverable 3: Evaluators submit Evaluators' Final Report including Evaluation Abstract  | July 1, 2005                        | Eval Team  |
| Completion Point Workshops: NCLP negotiates and approves Agreement at Completion Point and Lessons Learned, determines follow-up ACP Serbia & Montenegro feeds into process in Switzerland<br><br>ACP Serbia & Montenegro<br><br>ACP Switzerland | Aug. 18, 2005                       | NCLP drafts, E&C facilitates, Eval Team Leader as Resource Person  |
| Senior Management at SDC and seco consult to reach consensus on ACP  | Sept.- Oct. 2005                    | Senior Management at SDC and seco<br><br>E&C   |
| Senior Management at SDC and seco discuss and approve the Agreement at Completion Point  | November 2005                       | E&C  |
| Final Evaluation Report ready for publication  | December 2005                       | E&C  |
| Dissemination completed, posted on Internet  | 1. Quarter 2006                     | E&C  |

### **7.3 Evaluation Team**

SDC will contract the lead evaluator who will subcontract the other members of the team.

The evaluation team will hire local evaluators as appropriate and as agreed with SDC/seco. The team should be gender balanced. It must demonstrate evaluation expertise as well as subject matter expertise in the following areas:

- In depth knowledge of Serbia & Montenegro (historic context, power constellations, economic situation, political constellation, regional context etc.),
- Context knowledge of international cooperation in Serbia & Montenegro and of Swiss development cooperation,
- Development cooperation in the transition context,
- Humanitarian relief in a conflict context,
- Sector expertise in the following areas: institutional reform, public services, education, private sector development, gender.
- Strong analytical capacity,
- Evaluation expertise,
- Languages: local languages and English, German and/or French desirable.

### **7.4 Time-Effort**

Projected Person days: 62 person days for international consultants, 42 person days for local consultants

SDC Evaluation Officer  
Anne Bichsel

seco Evaluation Officer  
Thomas Knecht

## **Annex B – List of persons consulted**

### **1. Persons consulted outside SCG**

#### **SDC**

Therese Adam, Head of Department, Cooperation with the East and the CIS  
Günther Bächler, Head of Division Conflict Prevention and Transformation, Thematic Division  
Anne Bichsel, Programme Officer, Evaluation & Controlling Division  
Anne-Claude Cavin, Adviser, Governance Division, Thematic Division  
Richard Chenevard, Internal Audit  
Markus Eggenberger, former Programme Officer, Serbia & Montenegro  
Hubert Eisele, Head of Division, Special and Regional Programmes  
Jean-Christophe Favre, Employment & Income, Thematic Division  
Axel Heiri, Programme Officer, Special and Regional Programmes Division  
Regula Herlan, Secretariat Evaluation & Controlling Division  
Hans Peter Lenz, Head of Division Europe and CIS, Humanitarian Aid Department  
Peter Meier, Evaluation & Controlling Division, EZA  
Ernesto Morosin, former Head of Housing Office, Belgrade  
Pius Rohner, former Country Director of COOF, Serbia and Montenegro  
Christa Rohner, Secretariat Evaluation & Controlling Division  
Gabiella Rozsnyai, Desk Officer, Justice and Home Affairs in South Eastern Europe  
Gerhard Siegfried, Head Evaluation & Controlling Division  
Shirin Sotoudeh, Programme Officer, Serbia and Montenegro  
Kuno Schlafli, Evaluation & Controlling, Cooperation with the East and the CIS Department  
Armin Ullmann, Desk Officer Balkans, Humanitarian Aid Department  
Samuel Wälty, Programme Officer, Evaluation & Controlling Division

#### **seco**

Hans-Peter Egler, Head of Division, Trade & Clean Technology Cooperation  
Thomas Knecht, Quality and Knowledge Management  
Mukul Kumar, Programme Officer, Trade & Clean Technology Cooperation  
Thomas Meyer, Programme Manager, Infrastructure Project Financing  
Michel Mordasini, Minister, Head of Operations, Economic Development Cooperation  
Davorka Rzehak, Project Manager, Investment Promotion

#### **Other Federal Government**

Eric Kaser, Head of Return Assistance, Federal Office for Migration  
Roland Salvisberg, Programme Officer, Civilian Peace Operations, Political Affairs Div IV

#### **Consultants**

Markus Diebold, Head of IZB, Institute for International Cooperation in Education  
David Elliott, Springfield Centre, UK  
Hugo Sager, PCMS  
Peter Schübeler, WAP, Werkstatt für Architektur und Planung AG  
Martin Wieser, Rural Consult (adviser to Humanitarian Aid Department)  
Walter Zimmermann, Managing Director, ITECO

## **2. Persons consulted in SCG**

### **Embassy of Switzerland**

Wilhelm Meier, Ambassador

### **COOF**

Carin Salerno, Country Director  
Pierre Maurer, Deputy Country Director  
Patrick Etienne, Institutional Reform and Stability Pact  
Arminio Rosic, Private Sector and Public Infrastructure  
Lidia Vujcic, Education  
Mirjana Dukic, Monitoring Humanitarian Aid  
Ariane Joliat, Finance & Administration  
Marina Karjuk, Secretariat  
Branislav Savic, former head of Finance

### **General**

#### **Deputy Prime Minister's PRS Implementation Focal Point**

Ivana Aleksic, EU Integration, Employment and Social Affairs  
Lars-Andre Skari, Adviser

### **Humanitarian aid programme**

#### **Housing Centre**

Dragisa Dabetic, Commissioner, Commissariat for Refugees  
Branislava Zarkovic, President of Managing Board  
Aleksandra Simovic, President

#### **NHLO/Network of Humanitarian Legal Offices**

Branislav Cubrilo, Director, NHLO

#### **UNHCR**

Maria Brances Del Rey, Legal Officer  
Dusan Aralica, National Officer  
Dimitrije Pesic, Programme Assistant

### **Institutional reform**

#### **Community Policing Project, Pozega**

Milos Rakic, Head of Pozega Section, Police Secretariat of Uzice

#### **ICL/Institute of Comparative Law**

Oliver Nikolic, Scientific Coordinator

#### **Ministry of Foreign Affairs**

Veljko Lazic, Assistant to the Secretary General of the Ministry of Foreign Affairs  
Goran Svilanovic, Former Minister of Foreign Affairs, President of Stability Pact Working Table 1

#### **Municipal Support Programme**

Marguerite Misteli-Schmid, Resident Team Leader  
Alexander Grunauer, Subject Matter Specialist, Deputy Resident Team Leader

#### Other team members

Jovan Nesovic, Municipal Manager, Municipality of Kraljevo

Nebojsa Jelusic, Technical Manager, Directorate for Spatial Planning and Land Use, Deputy President of Cacak Municipality

Zoran Pantovic, Director of the Water Supply Company, Cacak Municipality, and Member of the MSP Coordination Committee

Slavko Lukic, Member of the Municipal Council, Budget and Financial Affairs, International Co-operation, Uzice Municipality

Goran Avramovic, Head of Department of Urban Planning and Inspections, Pozega Municipality

Branko Bojovic, Head of the Department for Land and Planning, Public Utility Company, Pozega Municipality, member of the MSP Coordination Committee

Djordje Stanicic, Secretary General, Standing Conference of Towns and Municipalities (SKGO)

Zorica Vukelic, Deputy Secretary General, Standing Conference of Towns and Municipalities (SKGO)

Dusan Petrovic, Director of Operations, Serbian Local Government Reform Program (SLGRP) funded by USAID

### **Public services**

#### **Power sector**

Danica Kilibarda-Jevtic, Associate Banker, EBRD

Vladimir Obradovic, Director, Information System Centre, EPS

Dragan Vlasisavljevic, Assistant Manager, Information System Centre, EPS

#### **Education**

Vesna Fila, Deputy Minister of Education and Sports

Rudolph Gerber, Project Manager, Educational Reform Coordination Unit (ERCU)

Tünde Kovacs-Cerovic, Head of the Roma National Strategy, former Deputy Minister of Education

Gordana Miljevic, Senior Adviser, Ministry of Education and Sport

Snezana Klasnja, Senior Adviser for Professional Development in Centre for Professional Development

Ljiljana Vasic, Country Programme Manager, Christian Children's Fund

Paul Emes, Head of Mission, International Federation of the Red Cross

Vesna Lujic, Programme Officer, Roma Education, International Federation of the Red Cross

Vigor Majic, Director, Petnica Science Centre

Tamara Vukasovic, Coordinator, ASTRA (Anti Trafficking Action)

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Irfan Sarenkagic, Director, SEDA Novi Pazar  
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## **SEED**

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## **Serbian Agency for the Development of SMEs and Entrepreneurship**

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## **Trade Cooperation Program**

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Dragan Konstantinovic, Director Constansa Ltd, and Representative of SIPPO in SCG  
Dusko Lopandic, Assistant Minister, MIER, Republic of Serbia  
Pavle Popovic, President of the Managing Board, Public Railway Transport Enterprise  
Irena Posin, Head of Export Promotion Department, Serbia Investment and Export Promotion Department (SIEPA)  
Allen Shinn, Chief of Party, USAID WTO Accession Project  
Roman Stoll, Customs Enforcement Project, CAFAO  
Olivera Vuletic, Expert Associate, MIER, Republic of Serbia  
Snezana Zubic-Petrovic, Head of Department, MIER, SCG

## **Other donors**

David Foxall, Counsellor (Development), Embassy of Canada, Belgrade  
Srdjan Svircev, Programme Officer, CIDA  
George McLaughlin, Head of DFID Serbia and Montenegro  
Michael Kilcommons, Programme Manager, EAR  
Marin Trojanow, Head of Mission, GTZ  
Mark Pickett, General Development Officer, Local Government, USAID  
Marina Petrovic, Human Development Operations Officer, World Bank

## **Annex C – Documents reviewed**

### **Annual Programmes & MTC**

Medium-Term Concept Serbia and Montenegro 2002-2006

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- Federal Republic of Yugoslavia 2002
- Federal Republic of Yugoslavia 2003
- Serbia and Montenegro 2004
- Serbia and Montenegro 2005
- Special division and regional programmes 2005
- Judiciary and Police Reforms in South Eastern Europe 2005
- Regional Thematic Programmes of DCE 2005
- Stability Pact for SE Europe 2005
- Additional papers on regional Culture & Research programmes

### **Other general papers**

EIU Country Profile 2003

2002 SDC audit of the Cooperation Office

Suisse-Europe du Sud-Est (political strategy paper No 30)

Contribution of the Swiss to the process of transition

Evaluation of 12 Years of Swiss Cooperation with Eastern Europe and the CIS – summary report and Management Response

PRSP discussions, Plandiste, February 2005

- 1 page COOF report
- PRSP – challenges and opportunities at local level
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- Conference conclusions
- PRS newsletter February 2005

SDC's Bilateral Engagement in the PRSP process, 2003 (example of E&C evaluation)

The road map for Sector Support, MIER, February 2005

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General principles for SDC

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Peacebuilding Guidelines

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SDC AIDS Policy 2002-2007

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Governance Div – Medium-term orientation 2003-07

Planning & Monitoring Training Workshop (SDC's PCM)

Medium-Term Concept, Kosovo, 2004-06

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Information concerning the start of the Decentralisation of Finance Management, December 2004

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Economic Development Cooperation – Brief Portrait  
Strategy 2006, Dept Development & Transition  
Agenda 2010, Poverty reduction  
Swiss economic development cooperation with Serbia and Montenegro  
Economic cooperation support strategy, FYR, 2000

## **Humanitarian aid**

Advocacy Guidelines Humanitarian Aid of the Swiss Confederation  
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Evaluation of ECHO (EC Humanitarian Office), June 2003  
UNHCR Background paper on local integration programmes in SCG, December 2004  
Migration strategy, Balkans 2003-06

## **Institutional Reform:**

### **(a) Community Policing, Pozega**

Joint evaluation report on Community Safety and Community Policing in Serbia  
Police Reform in Serbia, Towards the Creation of a Modern and Accountable Police Service,  
Law Enforcement Department, OSCE Mission to Serbia and Montenegro, 2004

### **(b) ICL/Institute for Comparative Law**

Review of SDC-ICL (Institute of Comparative Law) Projects 2003-2004

### **(c) Ministry of Foreign Affairs**

Credit Proposal Managerial Effectiveness Program, 2002  
Credit Proposal Diplomatic Academy Phase II Project Document 2003-2004  
Credit Proposal IT 2003 - 2004  
Review of the cooperation program between MFA and SDC, 2004  
Overview of review of program between MFA & Swiss

### **(d) Municipal Support Program**

Guide to decentralization  
MSP Quick Start Projects, June 2001 - June 2002  
MSP Mid-Term Review Report, November 2003  
    Vol I – Final Report  
    Vol II – Annexes  
    Draft comments  
MSP Phase II, 2004-07  
MSP Mid - Term - Report consolidated comments cover page URBAS 2003  
MSP Mid-Term Report consolidated comments URBAS 2003  
Programme Brief: MSP Phase II, August 2004  
Brief presentation to Mr Remo Gautschi, February 2005  
Mission report of A-C Cavin, December 2004

### **(e) NHLO / Network of Humanitarian Legal Offices**

New NHLO Concept 2003  
NHLO - UNHCR Montenegro 2004  
NHLO - UNHCR Serbia 2004  
Project Proposal NHLO-2005

## **Public services:**

### **(a) Power sector**

FRY National Control Centre Rehabilitation and Upgrade Project Agreement 2003  
Project proposal for rehabilitation & upgrade of National Control Centre  
Final report on Electricity Spare Parts project  
Urgent infrastructure reconstruction, November 2000  
Service Agreement seco-COOF  
Electric Power Industry of Serbia, 2004

### **(b) Trams**

Fact sheet on Transport Programs



## 2 Project proposals for trams for Belgrade

### **Private sector:**

SDC funded projects in the Balkans – learning from good practice in private sector development, October 2004, David Elliott & Alan Gibson

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#### **(a) HELP**

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Report on Phase 1

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#### **(b) European Fund for Serbia**

KfW Report 2004

**(c) SEDA** (Sandzak Economic Development Agency)

Evaluation Report 2004 by D. Elliott and P. Popovic

#### **(d) Local Economic Development**

Feasibility Study for Local Employment Programme through Entrepreneurship Development and Participative LED strategy, COOF, August 2004

Project identification mission for LED options in the municipalities of Cacak and Uzice, D. Elliott and P. Popovic, March 2005

#### **(e) FIAS**

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#### **(f) Investment Compact**

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#### **(g) SEED/Southeast Europe Enterprise Development**

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SEAF South Balkan Fund, Note de Decision OPK(v1) 2004

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Memorandum of Understanding Trade Cooperation Program 2004-2007

Trade Cooperation Program Project Document Phase 2, 2005-2007

Fast forward – doing business in Serbia, 2005

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### **Education**

Sector Policy Basic Education, 1996

Anti Sex Trafficking Agency (ASTRA) Programme Evaluation Report 2004

Common Action Plan for Advancement of Roma Education in Serbia, draft 2005

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Review Petnica 2003

Review Roma Education Centre Nis 2003

Review Community Youth Centre (Triangle) 2003

Report Review School Grant Pilot Program 2003

Evaluators' Final Report

UNICEF Final Evaluation Report 2004

Review of SDC Education and Minority Projects/Programs, September 2003

Presentation on education priorities, 2005

School Grant Project, Final Report, July 2002 – June 2004

Teacher Training / Development Centres Project, Phase 1, Final Report by Snezana Klasnja, 2004

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## **Annex D – Relevance factors for SDC/seco activities**

This annex summarises the relevance of the factors listed in 4.2 (a) of the Approach Paper in influencing SDC/seco activities in SCG.

### **The relevant federal laws and messages from Parliament**

The framework for developing the MTC included the Federal Decree of 24 March 1995 on Cooperation with Eastern Europe and the CIS; and the Swiss Federal Council, Planning for Legislature Period 1999-2003. We understand that the 1995 Decree includes 16 goals of which

- 7 are concerned with the rule of law, human rights, and strengthening of the democratic system;
- 4 with economic liberalisation and the modernisation of economic infrastructure; and
- 5 with vocational training, poverty reduction, culture and the environment.

These goals are wide in scope, and drafted in general terms. They therefore provide very broad latitude for developing the specific activities in the SCG. Our (limited) review of the SCG programme indicates that it falls within the boundaries of the federal laws, but we doubt that such laws have had much bearing on the choice of interventions.

### **SDC/seco guiding principles and overarching strategies relevant for transition cooperation and humanitarian relief**

The framework for developing the MTC included SDC Strategy 2000-2010; O Dept's Concept 2000-2005: Cooperation with Eastern Europe and the CIS; and H Dept's Regional Concept Balkans, 2002-05. Again, these documents are broadly drafted, and are unlikely to have had a significant impact on the choice of activities. We have not come across any mention of other guidelines that have been specifically used, and the general comment made in interviews was that most of SDC's guidelines are too general to be useful at a practical level. However, SDC's Thematic Department expressed surprise that its Conflict Prevention and Transformation Division had not been brought into the development of the MTC, as an available resource to assist in applying SDC's Peacebuilding Guidelines.

### **Recognised core issues of a transition context**

There are many and varied issues that arise in a transition context, and it would be unrealistic to expect the Swiss programme to address more than a few of them. From our experience, the programme has generally been relevant to the issues arising from transition, although there are (inevitably) some "core" issues that have been left to other donors (e.g. privatisation and enterprise restructuring).

### **The specific country context (unstable, rapidly changing political context, fragility of the state, organised crime, ethnic conflict, etc.)**

We have addressed this factor in Section 3 of the report.

### **Contribution to national priorities and planning frameworks such as SAP and PRSP**

Neither the PRSP nor the SAP have had a major influence on the MTC or the Swiss programme so far. SCG's PRSP was adopted by the government in October 2003, which was after the MTC was published. The SAP process has not yet started fully, and a major issue being discussed by the government and the donor community is how the EU integration agenda can best be combined with the PRSP. Looking forwards, we believe that the relevance of the PRSP and SAP to the Swiss programme over the next few years is an important question that should be addressed directly.

### **The recommendations of the Stability Pact for Eastern Europe**

The SP-SEE was formed in 1999 and SCG became a member in 2001. It has a wide membership of regional and western countries, and provides a forum for SCG to re-connect with the outside world, and for Switzerland to gain regional knowledge and to co-ordinate its activities with others. Switzerland has participated actively in the three working tables organised under the SP-SEE, particularly since it is excluded from specific EU initiatives such as the SAP. However, the Pact has a relatively small influence on the Swiss development assistance programme in SCG since it is only a facilitator rather than a source of funds.

### **The context of the activities and approaches of other donors**

The COOF in particular is active in trying to ensure that the Swiss programme complements and does not duplicate the interventions of other donors. This objective is hampered by Switzerland's exclusion from donor coordination among EU members, but we came across a number of examples where the Swiss took special initiatives to try to improve donor coordination in their particular spheres of operation.

### **The needs of the target groups**

Our assessment of the main components of the programme in Section 4 indicates that the various projects and programmes have generally been well focused on needs across a broad range of target groups.

### **Best practices with regard to gender issues**

Gender issues have not yet played any substantial role in the programme, although there are a few examples where they have been addressed (notably the ASTRA programme, and more generally some of the education projects).

## **Annex E – Brief assessments of Housing Centre and NHLO**

### **Housing Centre**

The Belgrade Housing Office (HO) - initially the Shelter Office - started in 1995, and from 1997-2004 was the main technical implementing agency for UNHCR's activities in the housing field. It comprised architects and other professionals, and devised innovative solutions for providing shelter for refugees and IDPs, many of which were subsequently followed by other donors. It has been held in high regard by UNHCR and the SCG Commissariat for Refugees, and has given Swiss aid a high profile in SCG, especially during and after the NATO bombing when it assisted with the rehabilitation of hospitals, schools and kindergartens. An indication of its high profile in SCG is that the Prime Minister opened one of the HO's final projects in December 2004. The HO was closed on 31 January 2005, when it became the Housing Centre, a NGO.

The HO was started by H Dept as a short-term initiative (in keeping with most of H Dept's initiatives). It was managed by an expatriate provided by H Dept. Initially the local staff were aware that their jobs were short-term and might be terminated at any time; but, as the activities of the HO grew and the years passed, a more permanent culture developed in the HO. In 2003 the staff were told that the HO would be closed the next year. In October 2003 a three-day workshop was held offering training for the staff to help them convert themselves into a NGO. The workshop was not a success and resulted in divisions within the staff of the HO. It is not our role to assess what went wrong, but it seems clear that the situation was a delicate one that required careful preparation to establish whether there was a demand for the workshop at that time, the management of expectations, and sensitive handling of the event itself. Eventually the local staff decided to form a NGO, and the expatriate manager left on the closure of the HO, leaving the local staff to run the new Housing Centre.

In 2003 and 2004 the main work of the HO was on Durable Housing Solutions, which was an expanding programme. We understand that the HO was extremely busy right up to the date of its closure. At the time of our visit, the Housing Centre's situation was precarious. It had no work, and may have to vacate its premises to save costs. It had been in discussion with SDC for some time on a small package of follow-up activities, but without agreement. Meanwhile, the COOF was handling the many loose ends that were left following the closure of the HO. The main prospect of bidding for substantial new work lies with major EAR projects, but such opportunities are not expected to arise until October.

The transition from the HO to the Housing Centre has not been a success, and it is instructive to assess, with the benefit of hindsight, what might have been done differently. Our main conclusions are that a more coherent exit strategy might have been prepared with the following components:

- A phased rundown of SDC funding in place of a full workload that came to an instant halt on 31 January 2005, to ensure that the new NGO started life with some assured funding for a period of months while it began to seek work from other sources.
- In parallel, a phased handover of responsibilities to the management of the new NGO, since it is the new management that will ultimately be a prime determinant of the success or failure of the NGO. This handover might have been achieved through a progressive transfer of responsibility from the manager of the HO to the new management, or support from another suitable manager or consultant after the departure of the HO manager.
- The designation of a person with specific responsibility to oversee the transition on behalf of SDC, who might be in H Dept, O Dept or the COOF. During the time of the

HO, there were strong direct links between the expatriate manager and H Dept, but we understand the successor arrangements were less clear.

## NHLO

The NHLO was conceived in 1996 and started to operate in 1997. The original concept was to provide free legal advice to refugees and IDPs. From 1997-2004 it has helped nearly 127,000 clients through a network which at its peak reached 22 offices and 36 antennae, spread over more than 70 municipalities in SCG. The offices are staffed by legal advisers and administrative assistants, who also visit the antennae, typically for a few days a month.

Following discussions in 2001 on whether measures should be taken to sustain the network that had been built up, a consultant was appointed to develop an appropriate concept, and a joint team from H Dept, O Dept and the COOF was formed to plan the transition of the existing NHLO to a NGO. After substantial time and effort, a document "The NHLO Concept" was produced in 2003. In early 2004 a decision was taken to go ahead, and eventually a NGO was established on 1 January 2005.

The new NGO continues to receive funding from SDC (through BFM) and UNHCR for its traditional activities, but the SDC funding is at a substantially lower level than previously and is only for 2005. The NGO has diversified into SGBV (sex, gender and bodily violence) cases, and is taking a leading role on issues relating to asylum on which the Director of NHLO is a recognised authority in SCG. However, it had made no progress at the time of our visit in finding new sources of funding outside its traditional donors.

The long term future of NHLO is uncertain. It is currently operating at a lower level of activity than in 2004 and has had to reduce its staff and close some offices and antennae. UNHCR funding may continue for a while but in the longer term NHLO will need to find other sources of finance. There are other organisations operating in similar fields, but NHLO's network of offices combined with its provision of legal representation in the courts is unique in SCG. Sustainability will depend mainly on the entrepreneurial skills of the Director.

Like the Housing Centre, the NGO is fragile, but potentially it started with two comparative advantages:

- There has been a gradual phasing out of SDC funding with a continuation during the first year of the new NGO's existence; and
- The Director of the NGO is the same person who had been Director of the previous NHLO from December 1998, thereby obviating the need to find and train a new Director.

Nevertheless there are still a few lessons to be learned from this experience:

- The planning of the transition took a long time, and we suspect that the reason was the absence of a specific person charged with responsibility for driving the process forward. O & H Departments and the COOF were all involved, and the process may have been "management by committee";
- The "NHLO Concept" paper took a long time to prepare, but we are not clear what purpose it was intended to serve. If it was an internal SDC document, we question whether it needed to be a published document, or indeed so long and detailed. If it was intended for wider use, its target audience is not clear. As it stands we doubt if the work that went into it was cost-effective;
- While efforts were made to help the Director establish the NGO on a sound footing – in the form a local consultant to help prepare a business plan – no effective use was made of this assistance because it appears to have been supply-driven with no ownership by the Director.

### Recent SDC Evaluations

|                      |  |
|----------------------|--|
| EVALUATION 2005/2    | INDEPENDENT EVALUATION OF SDC NEPAL COUNTRY PROGRAMMES<br>1993-2004: Building Bridges in Nepal – Dealing with Deep Divides   |
| EVALUATION 2005/1    | AUFGABENTEILUNG ZENTRALE – KOBÜ  |
| EVALUATION 2004/4    | SDC'S INTERACTION WITH THE SWISS NGO'S<br>(for internal use only)  |
| EVALUATION 2004/3    | QUALITY ASSESSMENT OF SDC'S EXTERNAL EVALUATION REPORTS<br>(not published)   |
| EVALUATION JR 2004/2 | SWISS-SOUTH AFRICAN DEVELOPMENT COOPERATION<br>PROGRAMME 2000-2003<br>Joint Review   |
| EVALUATION 2004/1    | SDC'S HUMAN RIGHTS AND RULE OF LAW GUIDANCE DOCUMENTS<br>INFLUENCE, EFFECTIVENESS AND RELEVANCE WITHIN SDC   |
| EVALUATION EE 2003/6 | SDC – COUNTER TRAFFICKING PROGRAMME MOLDOVA  |
| EVALUATION EE 2003/5 | SDC – HUMANITARIAN AID IN ANGOLA   |
| EVALUATION EE 2003/4 | 12 JAHRE OSTZUSAMMENARBEIT<br>BAND 1 DIE TRANSITION UND IHR SCHATTEN<br>BAND 2 BILANZ DER ÖFFENTLICHEN SCHWEIZERISCHEN<br>ZUSAMMENARBEIT MIT OSTEUROPA UND DER GUS 1990-2002 |
| EVALUATION 2003/3    | PROGRAMME DE LA COOPERATION SUISSE AU NIGER 1997-2002  |
| EVALUATION 2003/2    | SDC'S INTERACTION WITH THE UNITED NATIONS DEVELOPMENT<br>PROGRAMME (UNDP)  |
| EVALUATION 2003/1    | SDC'S BILATERAL ENGAGEMENT IN THE POVERTY REDUCTION STRATEGY<br>PAPER (PRSP) PROCESS   |
| EVALUATION 2002/1    | EIN JAHRZEHNT CINFO 1990-2001  |

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Dezember 2005