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Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: special economic assistance to individual countries or regions

Economic assistance to the Eastern European States affected by the developments in the Balkans

Report of the Secretary-General*

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* The footnote requested by the General Assembly in resolution 54/248 was not included in the submission.



I. Introduction

1. In its resolution 55/170 of 14 December 2000, the General Assembly expressed concern at the persistence of special economic problems confronting the Eastern European States affected by the developments in the Balkans, in particular their impact on regional trade and economic relations and on the navigation along the Danube and on the Adriatic Sea. The Assembly welcomed the support already provided by the international community, in particular by the European Union (EU) and other major donors, to the affected States to assist them in coping with their special economic problems during the transition period following the developments in the Balkans, as well as in the longer-term process of economic recovery, structural adjustment and development in the region.

2. In the same resolution, the General Assembly stressed the importance of the effective implementation of the Stability Pact for South-Eastern Europe, and welcomed its follow-up activities aimed, inter alia, at economic reconstruction, development and cooperation, including economic cooperation in the region and between the region and the rest of Europe. The Assembly invited all States and the relevant international organizations, both within and outside the United Nations system, in particular the international financial institutions, to continue to take into account the special needs and situations of the affected States in providing support to their efforts for economic recovery, structural adjustment and development. The Assembly emphasized the importance of a well-coordinated and timely donor response to the external funding requirements of the process for economic reconstruction, stabilization, reform and development in the Balkans, as well as financial support to other affected countries of Eastern Europe. The Assembly encouraged the affected States of the region to continue and enhance the process of multilateral regional cooperation in the fields of transport and infrastructure development, including the resumption of navigation on the Danube, as well as to foster conditions favourable to trade, investment and private sector development in all the countries of the region. The Assembly invited the relevant international organizations to take appropriate steps in order to broaden access for interested local and regional vendors and to facilitate their participation in the international assistance efforts for reconstruction, recovery and development of the region.

3. Also in resolution 55/170, the General Assembly requested the Secretary-General to report to the Assembly at its fifty-sixth session on the implementation of the resolution. The present report was prepared in response to that request.

II. Information regarding economic assistance to the affected States

4. Pursuant to General Assembly resolution 55/170, the Secretary-General, in a note verbale dated 18 June 2001, invited all Governments to communicate to him information on action taken by them to alleviate the special economic problems of the Eastern European States affected by the developments in the Balkans.¹ In addition, the relevant international organizations, both within and outside the United Nations system, including the international financial institutions and the concerned regional bodies, were invited to provide updated information on their assistance activities on behalf of the affected countries.² Substantive features of the replies received are summarized below.

A. Communications received from States

5. At 26 October 2001, seven States, namely, Belarus, the Gambia, Italy, the Republic of Korea, Saudi Arabia, Ukraine and the United Kingdom of Great Britain and Northern Ireland, had replied to the note verbale of the Secretary-General, as follows.

6. **Belarus**, while fully supporting General Assembly resolution 55/170, is unable at the present time to provide economic assistance to the Balkan States owing to the need to resolve urgent problems in respect of reforms to the country's economic and financial systems and to take a series of measures to rehabilitate the territories that suffered as a result of the accident at the Chernobyl nuclear power station. However, in 1999, Belarus dispatched to Yugoslavia 33 trucks with humanitarian aid, while in 2000 about 70 children from areas of Serbia that had suffered from military activity enjoyed a health cure in the holiday resorts of Belarus.

7. **The Gambia** is very much concerned about the adverse plight of any country or group of countries in the world, solidarity having a special resonance for the Gambian people. Regrettably, the Government is not in a position to take any action in that regard owing to the

paucity of resources and the increasing demand on the available ones.

8. **Italy** has always been strongly and deeply committed to fostering the process of economic transition and democratization in the Balkans through a regional approach. A law of March 2001 regulates Italy's participation in the stabilization, reconstruction and development of the Balkan countries, in order to coordinate national laws with EU and other multilateral initiatives. The law pledges approximately euro 51.65 million per year to productive activities for the period 2001-2002; euro 20.66 million per year to development cooperation in 2001-2003; and euro 1.343 million in 2001 and euro 2.066 million per year starting in 2002 for environmental monitoring.

9. In the case of Albania, Italy has been the top bilateral donor from 1991 to 2001, allocating approximately euro 374 million to priority sectors such as electricity, transportation and hydraulic infrastructures, agriculture, education, public services and public health. The Italian effort in Bosnia and Herzegovina led to the allocation of some euro 106 million in financial support for the period 1996-2001, focusing on projects in such areas as public health, landmine reclamation, reconstruction of hydraulic and drainage infrastructures, support for small and medium-sized businesses, transportation, telecommunications, energy and reforestation. Future resources will focus on projects to enhance the production of high value added products and services. Economic assistance to Croatia consisted in the allocation of some euro 10.33 million in the period 1996-2000 to restore conflict-affected areas, focusing on social and health-care systems and on public infrastructures. Italy's cooperation programme in the former Yugoslav Republic of Macedonia was launched in 1998, and currently allocates approximately euro 23.76 million to the health-care system and infrastructure sectors and some euro 12.9 million to funding a credit line for balance-of-payment support. In Slovenia, Italian cooperation seeks to valorize the artistic heritage of the country and train specialized personnel in the field, allocating approximately euro 1.34 million as at June 2001.

10. Italy has committed assistance to the Federal Republic of Yugoslavia as a whole in the amount of some euro 155 million, an effort that ranked Italy as the second top bilateral donor (after the United States of America) at the June 2001 Donor Conference for

Yugoslavia. Since fall 2000, Italy's contribution to a series of initiatives (emergency aid, donor projects and aid credits) to support the Government of President Kostunica has totalled some euro 130 million. In addition, targeted resources were pledged for Kosovo (a total of euro 19.3 million) and Montenegro (euro 3.1 million for projects being implemented and euro 5.165 million for projects yet to be defined). The target of additional Italian aid (about euro 20.7 million) will be agreed upon with the Yugoslav authorities. The priority objectives are the hydraulic sector, the health-care system, protection of the environment, support for small and medium-sized businesses and the rehabilitation and reconstruction of infrastructure.

11. Italy strongly and fully supports the implementation of the Stability Pact for South-Eastern Europe, with the highest bilateral contribution of some euro 150 million. In support of the Central European Initiative, Italy established a trust fund at the European Bank for Reconstruction and Development (EBRO). The fund's endowment amounts to about euro 21.7 million, which will be supplemented by euro 5.113 million in the current fiscal year.

12. The **Republic of Korea** has contributed to the assistance efforts for economic reconstruction and political stability in the Balkans. It has been a constant participant in the international donors' conferences for the Balkan region. Since 1991, the Republic of Korea has provided some \$5 million in financial, material and technical assistance to the countries in the region, including economic assistance to Bosnia and Herzegovina (\$3.17 million), Kosovo (\$1.73 million) and the Federal Republic of Yugoslavia (\$130,000). Such assistance has included the provision of vehicles, construction facilities, medical equipment and computers, as well as the invitation of trainees for technical education in the Republic of Korea. In addition, it has committed to the provision of an additional \$1 million in assistance to Yugoslavia in the coming two years.

13. **Saudi Arabia** provided the following information on its assistance to the affected countries in the Balkan region. Official assistance to Bosnia and Herzegovina amounted to \$204 million, of which \$149 million comprised non-reimbursable donations by the Government and \$55 million comprised development loans at a low interest rate granted by the Saudi Development Fund. In addition, \$447 million comprised donations from non-governmental sources.

Assistance to the Kosovo refugees in Albania and the former Yugoslav Republic of Macedonia consisted of \$46 million in government aid, including \$30 million granted by the Saudi Development Fund, and an additional \$77 million provided by non-governmental sources. Albania also received some \$1.1 million in non-reimbursable donations. In addition, a royal approval has been granted to send to Albania a mission from the Saudi Development Fund to identify projects for potential financing.

14. **Ukraine** states that the developments in the Balkans have had a negative effect on the country's economy, which has incurred significant losses as a consequence of the disruption of trade and economic links with many European countries and the interruption of navigation on the Danube. As was the case during the period from 1992 to 1995 of Security Council sanctions against Yugoslavia, the Danube riparian countries — many of which, including Ukraine, are going through a difficult period of transition to a market economy — have suffered most from the developments in the Balkans in 1999.

15. In 1998, Ukrainian shipping companies ranked second in terms of fleet size and cargo volume on the Danube. Following the developments in the Balkans in 1999, Ukraine has suffered enormous losses, for over two years, as a result of the suspension of transit traffic on this major European artery. The restricted navigation along the Danube has led to serious disruptions in the activities of the Ukrainian shipping companies that used to transport cargoes along this important international waterway. The Ukrainian companies that suffered the heaviest losses as a result of the Security Council sanctions and the military action in the region include the Ukrainian Danube Shipping Company, the maritime ports of Izmail, Ust-Dunaisk and Reni, the Izmail ship repair yards, the Kiliya shipbuilding and repair yards and the joint-stock shipping company Ukrrechflot. The losses of shipping companies and ports over the period from 1999 to the first half of 2001 are estimated at about \$158,807,000. The Ukrainian Danube Shipping Company alone — the largest Ukrainian carrier in the region — has incurred losses amounting to \$108,716,000.

16. There has been thus far no significant progress in restoring full navigation along the Danube, with the exception of the insignificant reduction (by 14 per cent) in the toll for passage in the Yugoslav section, which in any case is double the previously announced

charge for opening the pontoon bridge in the town of Novi Sad in Yugoslavia. The essential conditions for heavy river traffic, which would ensure its weekly opening, do not exist. Yugoslavia charges a substantial toll for opening the bridge, while the opening itself takes place on an irregular basis and at long intervals. In the period 2000-2001 alone, the Ukrainian Danube Shipping Company has paid \$708,000 for passage through this section. According to the reconstruction schedule, a navigable channel is to be opened only in 2002 and not by the deadline fixed previously (the end of 2001).

17. Ukraine is devoting considerable efforts to resolving these problems. As early as 1999, on the initiative of Ukraine, the "Fairway to Yugoslavia" working group of experts of the Danube Commission was established in order to suggest measures to clean up the Yugoslav section of the Danube; and other measures are being taken under the aegis of the Danube Commission to achieve the earliest possible opening of navigation along the river. The Ukrainian Danube Shipping Company and Ukrrechflot initiated an extraordinary meeting of Danube shipping-line managers (Budapest, Hungary, 29 July 1999), at which it was decided that the Danube shipping lines of various countries should combine their efforts to speed up the resolution of the above-mentioned problem. On 22 September 1999, the transport ministers of Ukraine, Bulgaria and Romania held a meeting in Kiev, where ways and means of joint action to resolve these problems were also discussed.

18. An important role in the process of re-establishing freedom of navigation on the Danube continues to be played by the Danube Commission, an international institutional mechanism that monitors observance of the provisions of the Belgrade Convention. As an active participant in this authoritative intergovernmental organization, Ukraine and the other member countries of the Commission are making substantial efforts to carry out the international project "Clearance of the Fairway of the Danube" in Yugoslavia. In the view of Ukraine, the fastest possible completion of this project is essential if full navigation is to be restored for the whole length of the Danube. For Ukraine, it is currently the most pressing problem resulting from the developments in the Balkans.

19. The Government of Ukraine has contributed euro 228,000 to the International Fund for the Clearance of the Fairway of the Danube. Active assistance in the

implementation of the project is being provided by EU. Cooperation between the Danube Commission and EU is a major factor in restoring navigation on the Danube. The basic questions relating to the preparatory stage of clearance work have been already settled: the International Fund has been set up, the financing of the project has been guaranteed by EU and the member countries of the Danube Commission and the project director and general architect-contractor (the Danish-Hungarian consortium COWI-Utiber) have been chosen. At the same time, it is a matter for concern that the implementation of the project is being delayed. Thus, the question of permitting transit shipping on the restricted fairway in the Yugoslav section before the scheduled restoration work is fully completed takes on particular significance.

20. The losses dealt to the economy of Ukraine by the events in the Balkans cannot be compensated either by charter companies or by insurance companies. Ukraine has on several occasions raised the question of developing a mechanism to compensate the losses of the Danube riparian countries and to forestall further losses. Meanwhile, Ukraine's shipping companies and ports have so far not received any compensation from the United Nations or other international organizations.

21. In order to eliminate the negative economic effects of the events in the Balkans, Ukraine is endeavouring to develop mutually beneficial cooperation with the other affected countries in the region. Over the period 2000-2001, trade with these countries has grown significantly and cargo volume on the Danube is gradually increasing. The Parliament and Government of Ukraine have also taken a range of measures to stabilize the financial and economic situation of the country's shipping companies carrying cargo along the Danube. These companies have been given preferential tax assessments and exempted from excise duty and import duties when importing a range of goods for their own needs. However, writing off debts and providing temporary tax concessions will alleviate only a small part of the overall losses incurred and cannot meet the damage suffered by the industry.

22. The **United Kingdom of Great Britain and Northern Ireland** reiterates its support for the important principles in General Assembly resolution 55/170. It contributes directly to the economic development of the States of South-Eastern Europe through its bilateral technical assistance programme in

the Balkans. The programme amounts to 115 million pounds (£) over the three years from 2000 to 2003.

23. The United Kingdom also plays a role in supporting the development of the States of South-Eastern Europe as a member of EU. The EU Stabilisation and Association process is designed to tackle the weaknesses in the democratic institutions of the States of the region. The United Kingdom welcomes the EU conclusion of a Stabilisation and Association Agreement with the former Yugoslav Republic of Macedonia and the initialling of a similar agreement with Croatia. It looks forward to seeing other countries in the region move closer towards EU as and when they meet the criteria of the Stabilisation and Association process.

24. EU has put in place a new regulation, Community Assistance for Reconstruction, Development and Stabilization (CARDS), governing all its assistance to the region, which is designed to support the Stabilisation and Association process. The CARDS programme amounts to euro 4.65 billion over the next six years. This year, the Commission will spend over euro 850 million.

25. The United Kingdom also notes the success of the Stability Pact for South-Eastern Europe in securing the recent agreement on a Memorandum of Understanding on intraregional trade liberalization, which was signed by the South-Eastern European States, including the Federal Republic of Yugoslavia. These initiatives have encouraged cooperation and the development of good relations between the States of the region.

B. Response of the United Nations system

26. At 26 October 2001, a total of 11 organizations, programmes and funds of the United Nations system had provided information on their activities in South-Eastern Europe. The replies received indicate that all the relevant components of the United Nations system recognize the special economic problems and needs of the Balkan region and continue to provide support and assistance to the affected countries.³ In many instances, the reported activities went beyond the scope of special economic assistance provided to the countries affected by the situation in the Balkans during the reporting period and are therefore not fully reflected in the following section of the report.

Specialized agencies

27. The **International Labour Organization (ILO)** has continued to provide direct assistance to the Eastern European States affected by the developments in the Balkans through its advisory services and technical cooperation programmes carried out at the regional and country levels. ILO's "Decent Work" agenda for the region encompasses the Organization's four strategic objectives: (a) promote and realize fundamental principles and rights at work; (b) create greater opportunities for women and men to secure decent employment and income; (c) enhance the coverage and effectiveness of social protection for all; and (d) strengthen tripartism and social dialogue.

28. ILO has provided advisory services covering both policy and practical issues, as well as organization of seminars and training workshops at both national and subregional levels in all the countries of the region. It has also played a leading role in the implementation of several important technical cooperation projects, which have contributed to the promotion of the strategic objectives of ILO in the region in the following areas: social dialogue, health and safety, child labour, small and medium-sized enterprise development, vocational training, social protection and labour legislation.

29. In October 1999, ILO organized at Sofia, Bulgaria, a high-level tripartite conference on employment, labour and social policy in South-Eastern Europe. The Ministers of Labour and Social Affairs and the leaders of the social partners of the countries of the region adopted the Sofia Declaration designed to reinforce the social dimension in the implementation of the Stability Pact for South-Eastern Europe. In follow-up, ILO together with the secretariat of the Stability Pact and other international and regional organizations put forward a Social Cohesion Initiative, the main purpose of which is to address social issues that affect the daily lives of citizens in South-Eastern Europe through regional approaches in the fields of employment policy and vocational training, health, social protection, housing and social dialogue. Within the Initiative, chaired by the French Government from April 2001, an Action Plan was considered and adopted at the meeting of Working Table II of the Stability Pact, held in Tirana, Albania, in May 2001. In preparation for the next Regional Conference of the Stability Pact (Bucharest, Romania, 25 and 26 October 2001), a number of projects were elaborated by ILO for submission to donor funding. At the level of the

recipient countries covered by the Stability Pact, employers' and workers' organizations meet on a regular basis.

30. On 24 November 2000, the Federal Republic of Yugoslavia was admitted to the membership of ILO. Since then, ILO has initiated a number of activities in the country, particularly in the fields of labour legislation, social dialogue and small and medium-sized enterprise development. Further activities are planned with a view to improving vocational training and social protection systems pending donor contributions.

31. The **Food and Agriculture Organization of the United Nations (FAO)** has provided emergency and development assistances to the affected countries in South-Eastern Europe since 1994. Initially, activities concentrated on emergency assistance to Bosnia and Herzegovina through the distribution of agricultural inputs to war-affected farmers. Some 22 projects for the total amount of \$19.5 million were implemented. Subsequently, FAO assisted the Government in formulating agriculture and forestry rehabilitation projects for World Bank funding in the total amount of \$90.8 million. In 1998, FAO financed under its Technical Cooperation programme the formulation of a Medium-term Agriculture Sector Strategy for Bosnia and Herzegovina (\$396,000). Since May 2000, FAO has been implementing a soils inventory project (\$1 million), financed by the Government of Italy.

32. As from July 1999, FAO has shifted its emergency operations to Kosovo in order to assist returnees and internally displaced persons in recommencing agricultural production activities. To date, a total of 22 emergency assistance projects have been implemented, representing an expenditure of \$17.5 million. In addition, five ongoing projects, for a total amount of \$20 million, provide support for repair of farm machinery, provision of livestock, seed multiplication, forestry rehabilitation, capacity-building in the Department of Agriculture and food security surveillance. These operations will last through early 2003. Moreover, FAO is now preparing an assistance programme, with an emphasis on rehabilitation and development of the province.

33. Following the political changes in the Federal Republic of Yugoslavia at the end of 2000, FAO provided emergency assistance through the delivery of seeds, fertilizer and animal feed to needy farmers in

central and southern parts of Serbia. In addition, an FAO Coordination Unit in Belgrade provides support for agricultural relief and rehabilitation assistance, and is in the process of setting up a regional food security surveillance system. The overall cost of the operation amounts to \$2 million, including a seed potato production component in Montenegro. FAO and Yugoslav authorities have recently approved an assistance framework for the country that spells out the mutually agreed development priorities for the agricultural sector.

34. In the light of recent developments in the former Yugoslav Republic of Macedonia, FAO has drawn up a contingency programme, taking into account the potential impact of population displacements on agricultural activities. This programme comprises support for the development of an appropriate prevention and emergency preparedness strategy and the provision of agricultural inputs (wheat and potato seeds and fertilizer) to allow some 20,000 affected farmers "to catch the next crop". Required funds for this operation would amount to \$7.2 million.

35. In 2000-2001, FAO also provided development support to Albania, Bulgaria and Romania. In Albania, assistance concerned agriculture mechanization, food security and forestry development (\$3.3 million). In Bulgaria, FAO formulated a strategy for agricultural development and food security, and is supporting two technical assistance projects (\$0.8 million): one project is designed to strengthen agricultural development capacity through remote sensing and a geographical information system, and the other one addresses the rehabilitation of sericulture. Romania has benefited from a programme in support of plant genetic resources (\$131,000) and a project for rural development. All the three countries concerned (Albania, Bulgaria and Romania) are members of the Black Sea Economic Cooperation (BSEC) organization, for which FAO is currently preparing a technical assistance project with the objective of enhancing intraregional trade as a component of the FAO's Regional Programme for Food Security.

36. FAO's role in rehabilitation and reconstruction of the agriculture sector in the Balkans was discussed at the FAO Regional Conference for Europe, held in Portugal in July 2000. In defining its activities in the European region, FAO gives particular attention to the following priorities: (a) poverty reduction, through support to sustainable rural livelihoods and food

security; (b) food safety and quality; (c) sustainable management of natural resources; and (d) institutional capacity-building to support the process of transition to a market economy in the rural sector. Contacts have also been established with the Stability Pact for South-Eastern Europe, with a view to including agriculture in its initiatives and activities.

37. The **United Nations Educational, Scientific and Cultural Organization (UNESCO)** has continued to provide assistance to the Balkan countries in all the main areas of its work. In the field of education, UNESCO organized in Bucharest, Romania, from 19 to 22 April 2001 an International Symposium on Regional Cooperation in Central and South-Eastern Europe in the Fields of Education, Science, Culture and Communication. In September 2001, a study on brain drain and academic and intellectual labour markets in South-Eastern Europe was launched, covering Albania, Bulgaria, Romania, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia.

38. Starting in Bosnia and Herzegovina, UNESCO has undertaken a number of projects aimed at assisting the Balkan countries in curriculum development and civic and human rights education. Thus, UNESCO supports the Government of Albania in the introduction of inter-cultural and human rights education in the formal education system, at the primary and secondary levels. In 2001, UNESCO provided technical assistance to the Federal Republic of Yugoslavia in carrying out a comprehensive evaluation of primary education, which was followed by the launching of the country's Master Plan of Education and by the elaboration, jointly with the Council of Europe, of a strategy for human rights and democratic citizenship education. In addition, UNESCO organized jointly with the United Nations Children's Fund (UNICEF) a curriculum development meeting in Kosovo. A regional meeting on curriculum development in the countries of South-Eastern Europe will take place at Ljubljana, Slovenia, in January 2002.

39. UNESCO's Associated Schools project has expanded its network in South-Eastern Europe, comprising now more than 300 schools. A number of UNESCO's Chairs have been set up in the region. UNESCO has established close cooperation with the Working Table I of the Stability Pact, in particular with the Task Force on Education and Youth of the Enhanced Graz Process. In this context, UNESCO has been working together with the Organisation for Economic Cooperation and Development (OECD) to

finalize thematic educational reviews for the countries of the region. It has also cooperated closely with the Council of Europe in the preparation of the Second Meeting of the Ministers of Education of South-Eastern Europe (Strasbourg, France, November 2001).

40. In the field of science, UNESCO has focused its activities on assisting the scientific-intellectual communities of the Balkan countries to better cope with the post-conflict situation in the region. An International Conference on "Reconstruction of Scientific Cooperation in South-Eastern Europe" was organized by UNESCO, in cooperation with the European Science Foundation and the Academia Europaea, in Venice, Italy, from 24 to 27 March 2001. High-level representatives of national and international scientific institutions from 21 European countries, including all seven Balkan States (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia), took part in the Conference, which made significant strides towards revitalizing scientific cooperation across the region as an important factor of socio-economic development and stability. In follow-up, a Round Table of the Ministers of Science on the theme "The Post-conflict Situation in the Balkans: Rebuilding Cooperation in South-Eastern Europe in the Fields of Science and Research" was organized during the thirty-first session of the General Conference of UNESCO (Paris, France, October 2001).

41. In addition, UNESCO provides support to cooperative activities of national scientific institutions in the region. In 2000-2001, UNESCO cooperated actively with the Academies of Sciences and other national institutions of Bulgaria, Croatia, Romania, Slovenia and the Federal Republic of Yugoslavia in the fields of biotechnology, biophysics, chemistry, mathematics, physics, hydrology, coastal zones and small islands management and preservation of cultural heritage. Particular attention is given to the young generation of scientists with a view to encouraging their participation in scientific research and cooperative projects.

42. In the field of culture, UNESCO provided assistance in the establishment of the Museum-Centre ARS Aevi of contemporary art in Sarajevo and launched a project entitled "Towards a plural identity in a region of intercommunity tension". Financed by the Italian Government, the project aims at fostering

inter-cultural communication and combating intolerance and misunderstanding among communities.

43. Within UNESCO's "Women and a Culture of Peace" programme, three activities are particularly relevant: (a) cooperation with the University of California at Berkeley in developing a human rights awareness campaign for women in the Balkans (1999); (b) collaboration with several partners, including the European Commission, in supporting a three-phase project which involved an initiative on "Women's dialogue for the promotion of stability, human rights and peace in South-Eastern Europe" (September 2000), preparation of a training manual on "Promoting women's participation in conflict resolution to build a culture of peace" (February 2001) and a strategy meeting to promote women's contribution to a culture of peace, democracy and human rights (April 2001); and (c) a Forum of Women Artists (FAM) from the Mediterranean for a Culture of Peace (September 2000), which resulted in the establishment of a FAM network including the Balkans.

44. The **World Bank** has continued and reinforced active lending programmes and economic work in all the countries of the Balkan region. Its activities include: investment projects in various economic sectors such as infrastructure, energy, health, and education; analytical work and policy advice to improve the economies of the region; private sector support, including start-up loans and guarantees; and donor coordination. Some notable pieces of analytical work are a Regional Strategy paper (March 2000), post-conflict strategies in Bosnia and Herzegovina and in Kosovo, and an economic recovery programme for the Federal Republic of Yugoslavia, which joined the World Bank Group in May 2001. These documents have provided the Governments and donor community at large with an overall framework for supporting the countries' reconstruction efforts and economic, social and institutional reforms.

45. Following the request of the Federal Republic of Yugoslavia for World Bank membership in October 2000, the Bank embarked on a two-phase assistance strategy for the country. Recognizing that membership and resolution of arrears to the Bank (\$1.7 billion) would take time to complete, the strategy entailed a first phase that enabled the Bank to begin to provide analytical and advisory services and technical assistance without delay. For that reason, the Bank approved the establishment of a \$30 million trust fund

in March 2001. Selected priority activities financed through grants from the trust fund allowed the Bank to support Yugoslavia in its efforts to improve economic conditions in the near term, and assist the Government in shaping its longer-term policy agenda. Projects prepared under the trust fund include grants for technical assistance in the banking sector, privatization, social development, and power rehabilitation.

46. Since membership, the World Bank's support to the Federal Republic of Yugoslavia has reached its second phase, which involves full assistance primarily focused on policy reform in support of fiscal management, private and financial sector development and social sector reform — the country's most pressing reform challenges. The framework for full Bank assistance is detailed in a Transition Support Strategy paper, which outlines the proposed size and content of a first-year programme. As part of the membership package, the Bank approved temporary exceptional eligibility to receive interest-free credits from the International Development Association (IDA), the Bank's concessional lending arm. As a result, up to \$540 million in IDA lending may be made available over a three-year period.

47. Two donor conferences for the Federal Republic of Yugoslavia have been co-organized and co-chaired by the World Bank and the European Commission. At the first donor conference, held in December 2000, donors indicated some \$500 million to support urgent energy, food aid and social protection needs for the winter of 2000-2001. Following the development of an Economic Recovery and Transition Programme, the second donor conference was held in June 2001. At the conference, donors pledged about \$1.3 billion for calendar year 2001, signifying the support of the international community for meeting the needs of the first year of the programme. The programme is outlined in a two-volume report entitled "Breaking with the Past: The Path to Stability and Growth", which was prepared by the Bank and the European Commission, in collaboration with the Yugoslav authorities.

48. The World Bank has continued its separate programme of support to Kosovo, in accordance with the Transition Support Strategy approved in November 1999. Ten social, economic restart and infrastructure projects are under way in Kosovo, with special grant financing from the Post-Conflict Fund of the Bank and with earmarked resources of the Bank's net income in

the Trust Fund for Kosovo, for a total of approximately \$45 million. In addition, four operations and support of the Kosovo budget were approved for a total of \$16 million. Four economic and sector strategies and reports, namely, a Reconstruction and Recovery Programme, an economic report, an agriculture sector note and a social assessment report, have been completed and disseminated in fiscal year 2000. A poverty assessment and a financial sector strategy have also been completed as part of the Bank's work in fiscal year 2001. The Bank and the European Commission have organized three donor meetings for Kosovo, most recently in Pristina in February 2001. Since July 1999, a total amount of \$2.1 billion was pledged by the international community to support Kosovo's reconstruction and economic recovery (excluding humanitarian assistance and military support).

49. Building on the existing collaborative work on a country-by-country basis in South-Eastern Europe, the World Bank and the European Commission were tasked with the special mandate of leading the coordination effort of all bilateral and multilateral aid to the region. Under this mandate, the two institutions are responsible for coordination of matters related to the economic recovery, reform and reconstruction in the Balkans, which includes mobilizing donor support, providing economic analysis, developing appropriate conditions and implementing projects. To implement this mandate, a joint European Commission-World Bank Office was opened in Brussels, Belgium, and a joint web site, providing information on the reconstruction process in South-Eastern Europe, was launched at: <http://www.seecon.org>.

50. In fiscal year 2001, the World Bank has provided loans and exceptional grant financing to the countries of the region worth a total of approximately \$547 million. These include: three operations in Albania for \$28 million; seven projects in Bosnia and Herzegovina for a total of \$124.3 million; four projects in Bulgaria totalling \$102.4 million; two projects in Croatia for \$18.9 million; two projects in Romania for \$130 million; five projects in the former Yugoslav Republic of Macedonia for \$96.4 million and special financing for two projects in the Federal Republic of Yugoslavia totalling \$12 million. The Bank also provided eight grants to Kosovo totalling \$35.1 million. Since the end of the Kosovo crisis, six donor conferences or consultative group meetings were organized for the

countries of the region, at which donors pledged or reported funds worth about \$7.5 billion for emergency, reconstruction and recovery support.

51. On the regional level, the World Bank and European Commission work closely with the Office of the Special Coordinator of the Stability Pact for South-Eastern Europe. The Bank and the Commission have co-organized and co-chaired two regional funding conferences. At the first regional conference, held in Brussels, Belgium, in March 2000, the World Bank presented the Regional Strategy paper entitled "The Road to Stability and Prosperity in South Eastern Europe". For the second regional conference, held in Bucharest, Romania, on 25 and 26 October 2001, the World Bank and the International Monetary Fund (IMF) prepared an assessment paper entitled "Building Peace in South-East Europe: Macroeconomic Policies and Structural Reforms since the Kosovo Conflict", which provides an overview of the regional prospects and policy challenges in the areas of macroeconomic stability, governance, integration with the global economy through trade and investment, and private sector development. In the framework of the Stability Pact, the Bank works closely with its development partners on such regional priorities as the infrastructure and private sector development, the investment compact, trade liberalization and facilitation, the social development initiative, the anti-corruption initiative, and labour redevelopment.

52. The **International Monetary Fund (IMF)** provides financial assistance to the seven Balkan States that have been significantly affected by the recent developments in the region, notably the disruption caused by the sanctions against the Federal Republic of Yugoslavia and the conflict in Kosovo. IMF assistance is part of the ongoing effort to promote macroeconomic stability and structural reforms in these countries and thus contribute to greater integration of the region into the European economy. In this context, IMF adopted a flexible approach to meeting the varying balance-of-payments needs of the affected countries.

53. Since 1999, IMF has increased its financial assistance through augmenting access under existing arrangements by special drawing rights (SDRs) 10 million for Albania and a cumulative SDR 34 million for Bosnia and Herzegovina. Access under new arrangements, specifically SDR 14 million under the Compensatory and Contingency Financing Facility (CCFF), was provided to the former Yugoslav Republic

of Macedonia. In the case of Bulgaria, IMF participated in a Consultative Group meeting in June 1999 and supported the country's request for grants to cover the financial gap generated by the Kosovo crisis. In Romania, a new Standby Arrangement equivalent to SDR 400 million was approved in August 1999. After two purchases totalling SDR 140 million, the programme went off track and expired in February 2001. In Croatia, discussions started in May 1999 on a possible Standby Arrangement to help finance a prospective balance-of-payments gap, but were concluded only after the 2000 elections. The arrangement, in an amount of SDR 200 million, was approved in March 2001.

54. Following the normalization of the political situation in the Federal Republic of Yugoslavia, the lifting of sanctions, and IMF membership in December 2000, the country received post-conflict emergency assistance from IMF in the amount of SDR 117 million. This was followed by a Standby Arrangement equivalent to SDR 200 million, of which SDR 50 million was disbursed upon approval in June 2001.

55. In addition, IMF has continued to provide an uninterrupted flow of technical assistance, including training of local officials at the IMF Institutes in Washington, D.C., and Vienna, Austria. Extensive technical assistance has been also provided to the United Nations Interim Administration Mission in Kosovo (UNMIK). Moreover, IMF participates in the Stability Pact for South-Eastern Europe and other regional forums to help coordinate donor support and economic policy advice in the region.

56. The **United Nations Industrial Development Organization (UNIDO)** has designed its technical assistance programmes for the Balkans, taking into account the activities within the Stability Pact for South-Eastern Europe and other regional cooperative initiatives. The objectives of UNIDO's programmes for the countries of the region mirror those of the Stability Pact, in that both target cooperation with the countries of the region to strengthen their efforts to achieve economic prosperity via economic reconstruction, development and cooperation. In the most seriously affected countries, UNIDO has focused on a special set of its core competencies that reflect most closely the needs and priorities of the countries concerned.

57. UNIDO has developed so-called Ozone Secretariats in Croatia, Romania, the former Yugoslav

Republic of Macedonia and the Federal Republic of Yugoslavia, in order to reduce the utilization of ozone depleting substances. In almost all the countries of the region, UNIDO is currently providing assistance in the refrigeration sector, and in some countries UNIDO is cooperating in the area of tobacco fumigation, soil fumigation, and methyl bromide phase-out. In Croatia and the former Yugoslav Republic of Macedonia, UNIDO has also provided technical assistance for capacity-building in the area of cleaner production. In other countries of the region, UNIDO is working on improving the quality and marketability of food products, repairing and maintaining medical equipment, restructuring enterprises and developing competitiveness, and promoting investment and technology flows. As part of its Global Forum programme, UNIDO has recently organized regional forum activities on industrial cooperation and partnership and on technology foresight in the countries of Central and Eastern Europe, with the participation of the Balkan States.

United Nations programmes and funds

58. The **United Nations Conference on Trade and Development (UNCTAD)** has continued to provide technical assistance to several affected countries in the areas of trade facilitation, investment promotion, transport services and training. Within UNCTAD's Trade Point Programme, further to the national trade points that have been established in Bulgaria, Hungary, Romania, Slovakia and Slovenia, a trade point is being set up in the Federal Republic of Yugoslavia. In addition to the installations of the UNCTAD Automated System for Customs Data (ASYCUDA) in Hungary, Romania, Slovakia and the former Yugoslav Republic of Macedonia, the system was installed in Bosnia and Herzegovina in 2000. Arrangements for a similar customs management project are now being finalized for Albania, including the funding agreement.

59. In the area of investment promotion, UNCTAD provided advisory services on policies affecting cross-border mergers and acquisitions and privatizations to Croatia, Hungary, the Republic of Moldova, Romania and the Federal Republic of Yugoslavia. In June 2000, a training course on foreign direct investment (FDI) trends and policies was organized at the Croatian Institute for Banking and Insurance. At the Summit Economic Forum of the Central European Initiative (Budapest, Hungary, November 2000), with the

participation of government officials and private sectors from all the most seriously affected countries and other Danube riparian States, UNCTAD chaired a panel on export and investment promotion policies and gave presentations on investment promotion and the potential linking of export and FDI promotion.

60. In November 2000, UNCTAD undertook a mission to Tirana, Albania, to collect information for the preparation of a report that aims at developing an investor targeting strategy for Albania, as well as providing a sector-by-sector analysis and making practical recommendations with a view to enhancing FDI inflows to Albania. The report was submitted to the Government in May 2001. UNCTAD also provides technical assistance and advisory services to the Governments of the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia in the process of accession to the World Trade Organization.

61. The **United Nations Development Programme (UNDP)** has continued to provide support to the affected Eastern European countries both inside and outside the Balkan region. UNDP support includes post-humanitarian rehabilitation and socio-economic regeneration, as well as longer-term local and national capacity development, support to good governance, democratization and economic reform, and development of productive facilities, including small and medium-sized enterprises. In Albania, UNDP has supported programmes designed to promote recovery and stability through activities aimed at poverty eradication, job creation, and institutional capacity-building, as well as income-generation activities. For example, an area rehabilitation and recovery operation was designed to develop quick-impact projects for vulnerable populations affected by the crisis. In collaboration with several donors, UNDP has supported civilian disarmament by providing development support in exchange for voluntary surrender of weapons. A new programme has been reconfigured around two main themes: democratic governance (including aid coordination and municipal capacity-building) and human security.

62. In Bosnia and Herzegovina, UNDP is establishing an integrated programme that highlights the country's shift from the immediate post-Dayton priorities towards supporting long-term development. The programme aims at peace consolidation, poverty eradication and local employment creation, as well as

strengthening of the managerial and policy-making capacities of the government structure. It is divided along four major areas of intervention. The first area consists of upstream support to capacity-building and policy formulation in the fields of governance and poverty alleviation. The second area is focused on the area-based development projects designed to support sustainable returnee movements and community development as a whole. The third focus area is support to the national mine action structures through a multi-donor programme which has included a highly successful national mine-awareness campaign. Fourthly, youth issues and gender equality have been identified as major cross-cutting themes of the programme, and environmental sustainability and promotion of human rights are currently being explored by the country office. Most notable donors have been Italy, Japan, Norway, Sweden, the Netherlands, the United Kingdom and the European Commission. The country office is working to develop new partnerships and improve agency alignment through a common country study, which would articulate common goals and coherent activities.

63. In Bulgaria, UNDP has pursued three specific modalities for job creation, focusing on the regeneration of urban centres and the rejuvenation of local economies. A flagship project, "Beautiful Bulgaria", will have succeeded in providing 20,000 temporary jobs and refurbishing 750 urban and rural buildings, cultural sites and monuments by the end of 2001. A Regional Initiatives Fund project, which has evolved into a Social Investment Fund, is aimed at renovating and improving the physical infrastructure and public utilities in the poorest parts of the country. Support to the small and medium-sized enterprise sector has also shown results, through the creation of over 1,700 permanent jobs. In 2000, the Government provided almost \$7 million for the expansion of this programme, which now aims to support small enterprises and microenterprises in predominantly rural districts.

64. In Croatia, UNDP continues to target most of its resources to a multi-donor programme designed to create favourable conditions for the return of displaced persons to the war-torn areas of the country. The programme is intended to strengthen local capacities and community works in such areas as income-generation, support to the most vulnerable segments of the population and rehabilitation of social

infrastructure. To ensure coherence, UNDP provides the overall management and technical support to the programme, while the donors (the European Commission, Belgium and Sweden) generally fund preferred activities in specific areas. In addition, UNDP is actively involved in mine action, climate change and energy issues.

65. In Romania, UNDP has focused on capacity-building, support to the private sector and employment creation activities. Thus, UNDP has initiated a Conflict Prevention project, which is aimed at creating and strengthening conflict analysis and resolution capacities within the Government and civil society, through the establishment of an early warning system and training in conflict mediation techniques. UNDP is also supporting the diversification of Romanian exports through a network of business centres that provide information and assistance in export product design and marketing, particularly in the garment and furniture sectors. In addition, UNDP is involved in employment generation and social integration of young adults through counselling, vocational training and temporary employment opportunities, such as restoration works in the historic centre of Bucharest.

66. In the former Yugoslav Republic of Macedonia, UNDP is supporting local governance through the Municipal Development Programme, which provides a general framework for interventions based on locally identified priorities. Eighty municipalities have received support and 40 municipalities will be strengthened during the next programme cycle. At the national level, UNDP is providing support to the decentralization reform and environmental initiatives, including the establishment of a National Council on Sustainable Development. Other areas of UNDP intervention include activities in job creation and sustainable livelihoods for the poor, as well as the public works clean and green programme, co-sponsored by Norway and Sweden to mitigate the effects of the Kosovo crisis. The Early Warning Project has been most useful in helping to identify and highlight the root causes of the country's present crisis.

67. Following the admission of the Federal Republic of Yugoslavia to the United Nations, UNDP has re-established a country office in Belgrade and renewed its programme to provide strategic development support to the country's new democratic leadership. The programme focuses on national recovery through governance and institutional reforms, human security

and social cohesion, municipal development and environment protection. For example, UNDP promotes institutional reform through the Capacity-Building Fund in partnership with the Open Society Foundation. With funding from the Government of the Netherlands, UNDP helps strengthen civil society as an essential pillar of democratic governance. The City-to-City Programme funded by the Italian Government aims at providing assistance to the most vulnerable populations in six Yugoslav towns. Based on the findings of the United Nations Inter-Agency Assessment Mission to Southern Serbia in February 2001, UNDP has developed an integrated area-based recovery and development programme. An Eco-Development Initiative, a partnership with the Montenegrin Government, is designed to ensure coherence, transparency and progress in the areas of environmental protection and poverty eradication.

68. In Kosovo, UNDP has supported UNMIK's overall efforts to help the province to achieve social and economic recovery and inter-ethnic reconciliation. Since July 1999, UNDP has expanded its operation in Kosovo to roughly \$50 million for 2000-2002. UNDP is focusing on several specific activities, including Kosovo human development reports and poverty assessments, a comprehensive small arms and human security programme, a process of youth empowerment and governance-building, expansion of the highly successful rural employment and reconstruction initiative, support to enterprise development, and institutionalizing local governance and civil service reform. The crucial donor support is provided by EU and the Governments of Japan, the Netherlands, the United Kingdom and Norway.

69. In order to ensure a cohesive approach to the Balkans, UNDP has continued to support regional activities in South-Eastern Europe. For example, a multi-donor "Blue Bird" programme helps think tanks from the countries of the region stimulate debates and wider understanding of regional diversity and commonalities in order to formulate a home-grown vision for the future. UNDP also supports a subregional early warning system based on national early warning reports from all Balkan States that monitor key economic, social, political, ethnic and religious indicators, and provide timely signals of forthcoming crises or emergencies. In addition, UNDP has sponsored a report on human security in South-Eastern Europe to provide a regional dimension to the various

policy dialogues related to post-conflict reconstruction of the region.

70. Moreover, UNDP provides development support to the affected countries outside the Balkan region. In Hungary, UNDP is providing assistance to health sector reform and to integration of the Roma minority into mainstream society through enhancement of their educational and labour assets. In the Republic of Moldova, UNDP is supporting private sector development activities, such as establishing business centres to advise potential entrepreneurs and developing programmes in the area of trade and foreign investment promotion. In Slovakia, UNDP is providing support to advancing good governance and institution-building at the national and local levels. In Ukraine, UNDP is focusing on support to institutional capacity-building for growth-with-equity policy-making, as well as activities to promote employment generation, education and sustainable development with the emphasis on soil and waste management.

71. The **United Nations Environment Programme (UNEP)** has continued to carry out a range of activities, in the context of both emergency humanitarian assistance, in a joint effort with the United Nations Centre for Human Settlements (Habitat), and longer-term support for environmental reconstruction of the Balkan region. In the wake of the Kosovo crisis, a joint UNEP/United Nations Centre for Human Settlements (Habitat) Balkans Task Force (BTF) was set up to investigate the effects of the military actions on the environment and human settlement in the region. In October 1999, BTF issued an assessment report entitled "The Kosovo Conflict: Consequences for the Environment and Human Settlement", which concluded, inter alia, that contamination detected at four environmental "hot spots" in Yugoslavia required immediate clean-up activities to protect human health and prevent further environmental damage. In follow-up, BTF conducted feasibility studies at each of the hot spot sites, in order to identify priorities, costs and appropriate clean-up methods. The feasibility report was released in April 2000. A total of 27 clean-up projects were identified, with high-priority projects requiring an estimated \$20 million.

72. In June 2000, a UNEP Balkans Unit was established to carry on the work of BTF. To address the identified environmental damage in Yugoslavia, the Balkans Unit established, in August 2000, a clean-up

project and began a fund-raising campaign. In November 2000, the Balkans Unit assembled a team of 14 international experts from the International Atomic Energy Agency (IAEA), Finland, Italy, Switzerland, Sweden, the United Kingdom and the United States of America to conduct a field mission to a total of 11 representative hot spot sites located in Kosovo. The mission report, entitled "Depleted Uranium in Kosovo: Post-Conflict Environmental Assessment", was issued in March 2001. As at 1 July 2001, a total of \$8.5 million had been raised for clean-up efforts, and projects are currently being designed, tendered and implemented.

73. Since August 2000, the Balkans Unit added another dimension to its post-conflict activities by turning attention to the environmental conditions in the neighbouring countries — Albania and the former Yugoslav Republic of Macedonia. Two additional post-conflict assessments were conducted which focused on environmental impacts of the Kosovo refugee influxes, the countries' institutional capacities for environmental protection, and the identification of environmental hot spots. The findings were published in December 2000 as a contribution to the objectives of the Stability Pact for South-Eastern Europe.

74. The **Office of the United Nations High Commissioner for Refugees (UNHCR)** has focused its activities in the Balkans on the transition from emergency humanitarian assistance to addressing longer-term development needs. The transition process has been facilitated by the creation and functioning of regional mechanisms within the Stability Pact for South-Eastern Europe, which plays an essential role in the improvement of the situation in the region. Through Working Tables I and III of the Stability Pact, UNHCR has been pursuing its primary objectives of supporting the return of minorities to their places of origin and the establishment of an effective and consistent asylum system throughout the region. In addition, UNHCR has repeatedly requested Working Table II (Economic Reconstruction, Cooperation and Development) to address the special economic problems resulting from the return of minorities, particularly in the design and funding of country development plans. It has been UNHCR's view that countries in the region should benefit from international economic support, if they encourage and achieve the return and full reintegration of their displaced citizens.

75. UNHCR's contribution can only be temporary and serve as a partial and diminishing bridge to the greater effort of the Stability Pact to ensure long-term peace, stability and development in the region. In 2001, UNHCR budgets for the subregion total some \$72.89 million, covering Albania (\$1.6 million), Bosnia and Herzegovina (\$14.9 million), Croatia (\$6.99 million), the former Yugoslav Republic of Macedonia (\$4.46 million) and the Federal Republic of Yugoslavia (\$44.9 million). While this support is not insignificant, the basic needs of the refugee and internally displaced populations are not being fully met through the existing programmes. Within these budgets, UNHCR has promoted local procurement, and has awarded contracts totalling some \$5.3 million, as follows: Albania (\$275,000), Bosnia and Herzegovina (\$1,075,000), Bulgaria (\$727,400), Croatia (\$776,600), Slovakia (\$3,900), Slovenia (\$4,000), the former Yugoslav Republic of Macedonia (\$395,700) and the Federal Republic of Yugoslavia (\$2,118,500).

76. The **World Food Programme (WFP)** is providing emergency food assistance to over 900,000 beneficiaries in the Balkan region. The objective is to ensure that food-insecure refugee, internally displaced and vulnerable resident populations have access to a diet that meets their basic nutritional needs. During the 12-month period ending on 30 June 2001, WFP contributed a total of \$105 million to the region. WFP's contribution has taken the form of in-kind food assistance (180,000 tons), local purchases of goods and services (\$10 million) and capacity-building of local staff and implementing/distribution partners (\$1.2 million).

77. In Kosovo, WFP provided support to UNMIK in designing and establishing a Social Assistance Scheme (SAS), which enabled the Programme to gradually scale down its humanitarian food aid from the 900,000 beneficiaries in July 1999 to the current caseload of 100,000. Assistance under this "safety net" programme will continue through March 2002. Since the outbreak of the conflict in the former Yugoslav Republic of Macedonia, WFP has been also providing food assistance to refugees fleeing into Kosovo. At the end of June 2001, these numbered about 70,000. In Serbia, WFP provides food assistance to a monthly average of 645,000 refugees and vulnerable residents. More recently, WFP has started providing food assistance to some 8,000 refugees from the former Yugoslav Republic of Macedonia, and to returnees to southern

Serbia. In Montenegro, WFP supports some 6,000 refugees, 14,000 persons displaced from Kosovo and 25,000 socially vulnerable residents.

78. In the former Yugoslav Republic of Macedonia, WFP provides food assistance to about 5,500 refugees, and coordinates aid to some 50,000 people internally displaced by the conflict. In Albania, WFP continues the transition from free food distribution to the provision of “food for assets”, a scheme designed to support self-reliance activities undertaken by non-governmental organizations and communal forestry departments. The total beneficiary caseload comprises around 50,000 vulnerable social cases.

79. In addition, WFP’s cash and managerial inputs in the region have contributed to supporting the process of economic recovery and capacity-building in the Balkans. WFP employs locally recruited national staff in its country offices and sub-offices in Albania, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia (Kosovo, Serbia and Montenegro), at a total cost of \$2.3 million for the period from mid-2000 to mid-2001. WFP also engages regional and local actors as its implementing partners. During the first half of 2001, WFP effected local purchases in Serbia of 33,500 tons of food commodities, at a total value of \$4.8 million. In addition, WFP has contracted local transporters to haul food commodities from the port of Thessaloniki in Greece and the port of Bar in Montenegro to various locations within the region, mainly the storage points in Kosovo, Montenegro and Serbia, and for the overland transportation of goods within Albania. These services, including warehouse rental, have contributed close to \$3 million to the local economies in the Balkan region.

C. Regional initiatives and arrangements

80. Since the early 1990s, a number of regional initiatives and cooperative arrangements have been launched to address a range of special economic problems of the affected countries in South-Eastern Europe. Over the years, the focus of international assistance to the region has shifted towards integrating the emergency relief operations into a longer-term regional perspective of economic reconstruction and recovery. By the end of the decade, the process initiated by the European Community to ensure a comprehensive and coherent approach to subregional

priorities resulted in the adoption, in June 1999, of the Stability Pact for South-Eastern Europe. The Pact established a political commitment of the countries of the region and the international community to achieving peace, stability and prosperity in South-Eastern Europe, through concerted efforts in the areas of democratization and human rights (Working Table I), economic reconstruction, cooperation and development (Working Table II) and security (Working Table III). International donor support and coordination, especially in the area of economic reconstruction of the region, is an essential element of the implementation process. Updated information on regional initiatives in the areas of particular concern to the affected countries is provided below.

81. The **European Union (EU)** has been fully committed to peace, stabilization, reconstruction and development in South-Eastern Europe, and has provided substantial financial support to the countries of the region. Indeed, EU (the European Community and member States) is the largest financial provider to international efforts in the Balkan region, having contributed more than euro 17 billion in budgetary, development and humanitarian assistance during the period 1991-2000. In the second half of the decade, the total EU assistance to the western Balkans — Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia (Kosovo, Montenegro and Serbia) — totalled euro 9.2 billion.

82. In the 1990s, the political, trade and financial relations of EU with the western Balkan region focused on crisis management and reconstruction, reflecting the countries’ emergency needs at that time. In 1996-2000, total assistance of EU to the subregion amounted to euro 4.1 billion, including Albania (euro 549 million), Bosnia and Herzegovina (euro 1.67 billion), Croatia (euro 161 million), the former Yugoslav Republic of Macedonia (euro 314 million), the Federal Republic of Yugoslavia (Serbia and Montenegro) (euro 519 million) and Kosovo (euro 783 million). The European Community assistance programmes — the Poland and Hungary Action for Restructuring of the Economy (PHARE) and the rehabilitation and reconstruction programme for the former Yugoslavia (OBNOVA) — have served as the main sources of finance for a range of reconstruction and development activities designed to address specific concerns of the affected countries of the Balkan region in the areas of economic transition,

transport and infrastructure renovation, trade facilitation and investment promotion. In 2000, over euro 520 million was made available under the PHARE and OBNOVA programmes to the western Balkans alone.

83. Since May 1999, EU launched a Stabilization and Association process (SAP), which is now the cornerstone of its policy in the western Balkans. SAP is an ambitious strategy that helps the region to secure political and economic stabilization and to develop a closer association with EU, opening a road towards eventual EU membership once the relevant conditions have been met. The process of preparation, negotiation and implementation of Stabilization and Association Agreements (governing political, trade and economic relations) is underpinned by a single Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme, which replaced since 2001 both the PHARE and OBNOVA programmes for the SAP countries. The CARDS regulation provides some euro 4.65 billion for the period 2000-2006. The CARDS programme will finance projects in four major areas: (a) reconstruction, democratic stabilization, reconciliation and return of refugees; (b) institutional and legislative development, including harmonization with EU standards and norms, to underpin democracy and the rule of law, human rights, civil society and the media, and the operation of a free market economy; (c) sustainable economic and social development, including structural reform; and (d) promotion of closer relations and regional cooperation among SAP countries and between them and EU member and candidate countries. Strategies for programming CARDS support in 2002-2004 for each of the five countries concerned and for regional cooperation have been prepared. The regional cooperation component, totalling euro 197 million, will focus on border management, infrastructure development and institutional capacity-building.

84. At the International Donors Conference (Brussels, 29 June 2001), the European Commission pledged a total of euro 530 million in a financial support package of grants and loans for the Federal Republic of Yugoslavia. The package is a combination of financial support for the Economic Recovery and Transition Programme, developed by the World Bank and the European Commission with the Yugoslav authorities, and macro-financial assistance. In 2001, EU will provide euro 230 million in grant aid to

finance investment, development and institution-building projects in Serbia (euro 200 million) and Montenegro (euro 20 million) and at the federal level (customs and border management). Macro-financial assistance of euro 300 million in grants and loans will be provided for balance-of-payments support in 2001-2002. This funding comes on top of the euro 200 million emergency assistance, which was provided by EU to Serbia last winter to finance the delivery of nearly 7,000 trucks of heating fuel and to pay some 70 per cent of electricity imports, as well as food and medicines. In addition, EU is providing in 2001 humanitarian assistance to Serbia (euro 42 million) and Montenegro (euro 7.5 million). Additional euro 16 million is foreseen for refugee, internally displaced and vulnerable resident populations in the country.

85. EU continues to play a prominent role in the reconstruction of Kosovo, with a total budget allocation of euro 362.5 million for reconstruction, humanitarian and macroeconomic assistance in 2001. Since February 2000, the European Agency for Reconstruction has been responsible for managing the EU reconstruction and development programmes in Kosovo, with the main focus on institutional and managerial capacity-building in such areas as energy, transport, environment, housing, agriculture, local governance, health and enterprise development. Funds channelled through the Agency for reconstruction projects in Kosovo amounted to some euro 260 million in 2000 and euro 285 million in 2001. With the expansion of the Agency's mandate to Serbia and Montenegro in January 2001, it now oversees a total portfolio of some euro 1.1 billion across its three operational centres in Pristina, Belgrade and Podgorica.

86. Two other Balkan countries, Bulgaria and Romania, which are now both candidates for EU membership, together receive approximately euro 900 million per year in pre-accession assistance, which will total euro 6.2 billion for the period 2000-2006. To date, EU has been the region's most important trading partner, with some 80 per cent of all exports from South-Eastern Europe entering the EU market duty-free. Further measures for trade liberalization, FDI promotion, private sector development and infrastructure renovation in the region have been recently approved. Given the importance of strengthening regional cooperation, EU will continue to play a leading role in the Stability Pact for South-Eastern Europe, which provides a wider mechanism for

taking forward regional solutions for sustainable development.

87. The **European Investment Bank (EIB)** has been actively engaged in international assistance efforts for the reconstruction and development of South-Eastern Europe. In the context of the Stability Pact, EIB was mandated to elaborate and coordinate investment programmes for infrastructure projects in the region. Following the First Funding Conference for South-Eastern Europe (Brussels, 29 and 30 March 2000), EIB has taken the lead role in 11 projects and 3 regional studies, which together represent an estimated total cost of some euro 730 million, or 65 per cent of the entire “quick start” package of basic infrastructure projects shortlisted at the Conference. The Bank has thus far provided euro 494 million for nine projects and expects to close soon negotiations for the two remaining ones. It has also supported two regional studies, on transport infrastructure and on air traffic infrastructure, while a third study on environmental management will be launched shortly.

88. As indicated at the Second Funding Conference for South-Eastern Europe (Bucharest, 25 and 26 October 2001), EIB will be the main source of finance to support a new set of 27 projects in key infrastructure sectors — transport, air traffic, energy and water. The total cost is estimated at euro 2.4 billion, one third of which (euro 705 million) will be financed by EIB. The Bank will be involved in 15 projects (for a total cost of euro 1.5 billion), including 8 as the lead agency and 5 as co-financier, in Albania (electricity, roads, ports and waterways), Bosnia and Herzegovina (electricity, roads and railways), Bulgaria (roads and railways), Croatia (electricity), Romania (electricity), the former Yugoslav Republic of Macedonia (roads) and the Federal Republic of Yugoslavia (roads and railways). EIB aims to attract private investors to the region. To this end, it provides global loans for the banking sector to on-lend to small and medium-sized companies. Two global loans have already been concluded, in Croatia and the former Yugoslav Republic of Macedonia. During the period 2000-2007, EIB will lend a total of euro 8.7 billion for investment in South-Eastern Europe.

89. The **European Bank for Reconstruction and Development (EBRD)** has recently expanded its activities in the countries of South-Eastern Europe — Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania,

and, since January 2001, the Federal Republic of Yugoslavia. Within the framework of Working Table II of the Stability Pact, EBRD has been given the mandate to lead and coordinate initiatives that promote private sector development in the region. In 2000-2001, EBRD provided direct funding of euro 523 million to promote public and private sector projects in the region (compared with euro 330 million in 1999). Taking into account a mobilizing factor of co-financing, the total commitments, in which EBRD played a catalyst role, amounted to euro 1.45 billion in new investments, including some of the following examples. Under EBRD’s Trade Facilitation Programme, investment commitments worth euro 62 million were signed by the end of March 2001. An EBRD/United States Trust Fund of \$50 million was established to provide finance for small enterprises and microenterprises, as well as technical assistance. As a result, new micro-banks were set up in Albania, Bosnia and Herzegovina and Kosovo, which attracted additional financing of euro 22 million. Equity finance for small business totals euro 23 million, of which \$8 million was made available in Kosovo (\$4 million from the Government of Italy and \$4 million from EBRD). In addition, EBRD financed six “quick start” regional infrastructure projects — three as the lead agency and three as a co-financier with the World Bank and EIB.

90. In December 2000, EBRD was the first international financial institution to approve membership for the Federal Republic of Yugoslavia, which became effective in January 2001 and was followed by the opening of the EBRD office in Belgrade in April 2001. Since then, EBRD has already signed two projects in Yugoslavia: a euro 8 million investment in a start-up micro-bank and a euro 60 million loan to the municipality of Belgrade. At the Brussels donors conference for Yugoslavia, EBRD pledged euro 240 million for project financing in 2001. This includes planned investments in power, railways and municipalities in Serbia, as well as selected investments in enterprises and banks in both Serbia and Montenegro.

91. As at April 2001, EBRD had total direct commitments worth euro 2.8 billion among 157 projects in South-Eastern Europe, underlying the important role the Bank had assumed as the largest institutional investor in the region. At the end of June 2001, EBRD had a strong pipeline of active projects totalling euro 2.4 billion, representing a 42 per cent

increase from the previous year. Estimated direct funding commitments by EBRD for the year 2001 should exceed euro 600 million and should mobilize a total of euro 1.8 billion in investments.

92. The **Organisation for Economic Cooperation and Development (OECD)** has been actively involved in the workings of the Stability Pact for South-Eastern Europe, in particular the design and implementation of the investment compact and anti-corruption initiative. At the same time, OECD has launched additional country-specific and regional initiatives that support the reform efforts of the countries of the region in such areas as education, economic governance, statistics and the environment.

93. The South-East Europe Compact for Reform, Investment, Integrity and Growth (Investment Compact) sets out the commitments of Stability Pact partners to support and promote structural policy reform in the countries of the region, thereby encouraging private sector development and creating a favourable environment for domestic and foreign direct investment. Ten mutually reinforcing policy areas are covered by the Investment Compact: FDI policies; small and medium-sized enterprise support structures; FDI promotion strategies; fiscal reform and taxes; competition law and policy; corporate governance; financial sector development; accounting regimes and practices; bribery and corruption; and privatization. Progress in policy reform in each of these areas has been advanced through country fact sheets, regional flagship initiatives and monitoring instruments developed by the countries of the region in cooperation with OECD.

94. Several activities were carried out under regional flagship initiatives. A high-level conference on "Foreign Direct Investment: Implementing Best Practice Policy" (Vienna, 8 and 9 November 2000) agreed on an action plan for investment promotion. The Regional Round Table on Investment Promotion was launched at a meeting in Varna, Bulgaria, in July 2000 as a forum for discussing the relevant issues and a vehicle for future work; its second meeting was held in Istanbul, Turkey, in March 2001. In the area of tax policy, four meetings on tax treaty negotiation took place, the first in October 2000 and the most recent in March 2001. On bilateral investment treaties, a "Regional Round Table for the Protection, Treatment and Promotion of Foreign Direct Investment" was held in Dubrovnik, Croatia, on 28 and 29 May 2001.

95. The Stability Pact Anti-Corruption Initiative (SPAI) sets out a number of priority measures to fight corruption. They include: taking effective measures on the basis of existing international instruments; promoting of good governance and reliable public administrations; strengthening of legislation and promotion of the rule of law; promoting transparency and integrity in business operations; and promoting an active civil society. In addition to acting as the co-secretariat, OECD is responsible for the implementation of two key pillars of the Initiative: promoting good public governance and fighting bribery and corruption in business transactions.

96. SPAI is based on a strong monitoring mechanism, which includes a Steering Group composed of target and donor countries and lead agencies. The first meeting of the Steering Group (Strasbourg, 18 and 19 December 2000) acknowledged the efforts made by the countries in implementing SPAI under a set of seven immediate actions: designation of a Senior National Representative, establishment of a national anti-corruption team, public dissemination of SPAI, transparency in government procurement, initial steps against corruption in development assistance etc. The second meeting of the Steering Group (Tirana, 17-20 April 2001) resulted in the adoption of the general assessment report, prepared by SPAI lead agencies. The report analyses, on a country-by-country basis, the extent to which anti-corruption policies, legislation and practices comply with international standards and practices, and identifies targets for reform under each pillar of the Initiative. These recommendations will also serve as a reference tool to assess future progress and as guidelines for specific technical assistance projects.

97. The **Organization for Security and Cooperation in Europe (OSCE)** has focused the work of its field operations in the Balkans on early warning, conflict prevention, crisis management and post-conflict rehabilitation in an effort to promote sustainable stability and security in South-Eastern Europe. By addressing the economic aspects of security, OSCE seeks to benefit not only South-Eastern Europe, but also other areas that have been impacted by the conflict within the region. In a fragile political environment in the Balkans, OSCE contributes to the strengthening of institutional capacities, enhancing civil society and mobilizing political support for tackling economic and environmental issues with

potential national and regional security implications. While being at various stages of development and transition, many countries of the region share common problems, including high unemployment, weak institutions, low income per capita, deteriorating environmental conditions, energy shortages, corruption, and brain drain. To address these issues, OSCE aims to facilitate dialogue and cooperation at the regional level and to help mobilize international resources to assist the affected countries in their efforts to promote political and economic development, thereby fostering stability. As a political facilitator, OSCE continues to provide the framework within which economic development projects, executed by partner organizations, may enhance their impact on the Eastern European States affected by the developments in the Balkans.

III. Conclusions

98. During the period under review, the reconstruction and recovery process in South-Eastern Europe continued to advance, despite all the complexities and setbacks of the evolving situation in the region. With a broad-based international support, the Balkan countries have embarked on the challenging task of economic and social reform, recovery and development. The recent democratic changes in the Federal Republic of Yugoslavia have strengthened the prospects for resuming and enhancing regional cooperation, especially with regard to traditional economic links throughout the Balkans and the rest of Europe. However, ensuring the lasting stability and sustainable development of South-Eastern Europe is a long-term and difficult process, which will require continued and concerted efforts of the countries of the region and the international development actors.

99. The limited number of replies received by the Secretary-General from both the affected States and the donor countries do not provide sufficient material for a conclusive assessment. However, recent analyses by international bodies present in the region indicate that the affected countries of South-Eastern Europe continue to face varying economic difficulties and adjustment problems arising from a number of internal and external factors including, inter alia, the long-term consequences of the developments in the Balkans during the past decade. Based on the progress already made in the improvement of the overall situation in the

region, the ongoing reconstruction and stabilization efforts should effectively address all the special economic concerns of the affected countries. Enhancing regional cooperation, with the emphasis on infrastructure and private sector development, trade liberalization, investment promotion and institutional capacity-building, has already yielded positive results and should further benefit all the countries of the region.

100. The relevant components of the United Nations system, including the international financial institutions, have continued to implement, within their respective mandates and available resources, substantial programmes of financial and technical assistance to the affected countries. Within the emerging national and regional priorities, these programmes have been strengthened, as appropriate, in order to take into account, to the extent possible, the special needs and situations of the affected countries, with a view to providing support to their efforts for economic recovery, structural adjustment and development. With the exception of the evolving situation in the former Yugoslav Republic of Macedonia and its impact on neighbouring countries, short-term funding requirements for emergency relief and humanitarian assistance to the affected populations in the region have gradually scaled down. Overall, the emphasis has shifted to addressing a variety of longer-term economic and social concerns of the affected countries of the region, mainly in support of their efforts for economic reconstruction and sustainable development.

101. The Stability Pact for South-Eastern Europe, especially the effective implementation of its activities in the area of economic reconstruction, cooperation and development, provides an international mechanism for promoting structural reforms and sustainable development in the region. The Stabilization and Association process launched by EU for the western Balkan States provides them with specific guidance for political and economic reforms and opens the way for their integration into the European mainstream. Under the regional reconstruction and development strategy, the global and regional development partners have been accorded lead roles in key sectors, such as infrastructure development (EIB), promotion of the private sector (EBRD), the investment compact and the anti-corruption initiative (OECD) and overall economic framework and donor coordination (European

Community/World Bank). Within the evolving regional priorities, continued donor support, participation of regional organizations and the involvement of the private sector will be essential for reconstruction, stabilization and development in the Balkans as an integral part of Europe.

Notes

¹ Apart from the Federal Republic of Yugoslavia, six States — Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania and the former Yugoslav Republic of Macedonia — have been identified as the most seriously affected countries in the region. In addition, several other Danube riparian States of Eastern Europe, namely Hungary, Slovakia, the Republic of Moldova and Ukraine, also reported, on various occasions, their economic difficulties related to the developments in the Balkans.

² The previous report of the Secretary-General on this subject (A/55/620 and Corr.1) was issued on 10 November 2000.

³ Owing to the fact that the province of Kosovo, Federal Republic of Yugoslavia, is under the interim administration of the United Nations, pursuant to Security Council resolution 1244 (1999), the assistance activities carried out there are covered in separate paragraphs of the report.