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brief 31

Demobilizing and Retraining for the Future

*The Armed Forces in Serbia and
Montenegro*



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The Geneva Centre for the Democratic Control of Armed Forces (DCAF) was established in October 2000 on the initiative of the Swiss government. The Centre encourages and supports states and non-state governed institutions in their efforts to strengthen democratic and civilian control of armed and security forces, and promotes international cooperation in this field, initially targeting the Euro-Atlantic regions. To implement these objectives, the Centre:

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- provides its expertise and support to all interested parties, in particular governments, parliaments, military authorities, international organizations, non-governmental organizations, academic circles.

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Public Relations Department of the Ministry of Defense of Serbia and Montenegro.

Soldier of the Serb and Montenegrin Armed Forces during a military exercise nearby Belgrade in June 2003.



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*The Armed Forces in Serbia and
Montenegro*

**Tobias Pietz
with Marc Remillard**



Executive Summary

More than 10 years after the signing of the Dayton Agreement, and over six years after the war in Kosovo, all Western Balkan countries have entered a phase of downsizing and restructuring of their respective armed forces. Even in Serbia and Montenegro (SaM) the goal is to join NATO's Partnership for peace and, eventually, to become a full member of NATO itself.

All countries are facing different challenges in this process. Croatia and Bosnia and Herzegovina have dealt in their downsizing measures mainly with civilians who had taken up guns but nevertheless had a civilian profession and education. SaM has to lay off officers and non-commissioned officers (NCO) who have had a long-time career at the armed forces and probably do not have the needed expertise and qualifications to succeed in civilian life.

But besides the social implications of redundant personnel and war veterans in SaM which on their own constitute a heavy burden for the current government the Ministry of Defense also has to cope with the challenge of modernizing its army for future tasks in international missions. An analysis of data provided by the General Staff of the Armed Forces in Serbia and Montenegro (VSCG) exposes the main problems:

- The VSCG is currently suffering not only from old equipment but also from an aged officers corps
- The division of ranks is out of balance, with too many high-ranking officers and too few NCOs
- Even though the military reform started already four years ago, this imbalance has even increased during the last years

The process of downsizing therefore needs to be accompanied by a foresighted recruitment policy if PfP and NATO membership continues to be the main goal of military reform in SaM.

The good news is that the current Project for Resettlement and Retraining (PRISMA) of the General Staff tries to take its recruitment needs into account by setting up a long-term pre-qualification structure which aims to both serve the currently redundant personnel and attract better recruits. PRISMA is likely to face some financial difficulties in the future, and also has some structural issues with which to contend. Nonetheless, as the last country in the region to start the process of downsizing and restructuring, it seems that SaM may avoid some of the mistakes made by others. Regardless, much will depend on the success of the first retraining measures in creating stable employment for the discharged military personnel. Otherwise, the General Staff may have to make the erstwhile voluntary process of officer resettlement a decidedly involuntarily one.

However, while redundant personnel receives support and training, and military pensioners still have advantages from the social benefits and entitlements of the armed forces including comparatively good earnings, war veterans are often neglected and in economically and socially difficult positions. Fair and balanced support of war veterans and other vulnerable groups should be considered.

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During his stays in Belgrade in March and July 2004, the author received help and input from various people and would like to thank all interviewees for their time and contributions. Special thanks go to Vladimir Bilandzic, Novak Gajic and Sonja Stojanovic at the OSCE for providing information and establishing contacts with potential interviewees. The same holds true for Srdjan Gligorijevic from the G17 Institute.

But my main thanks and appreciation go to Colonel Slobodan Tadic from the General Staff of the Armed Forces of Serbia and Montenegro for always being accessible for my questions and requests in a very flexible and open manner and for providing this study with valuable information and statistics.

It goes without saying, however, that only the author is responsible for the views expressed here.

*Tobias Pielz,
July 2005*

Introduction

Having been unable to stabilize itself politically or economically, Serbia and Montenegro still constitutes an uncertain factor in the Western Balkans. The country—or rather the loosely linked union of two states—has been struggling with political unpredictability and shifting alliances from the time of Djindjic' assassination. This situation persisted through Kostunica's election, with the support of Milosevic's party, right up to the election in 2004 of the pro-Western democrat Boris Tadic as the President of the Republic of Serbia. Nevertheless, after years of military resistance to change, the much-needed reform of the Armed Forces of Serbia and Montenegro (VSCG) gained momentum in 2003. It is now one of the biggest reform projects in the country. The considerable increase in popularity that Boris Tadic enjoyed while holding the office of Minister of Defense is an indication of the public attention and importance directed towards military reform.

Much of the reform discussion has circled around restructuring and reducing the VSCG. Political, economic and strategic interests will inform the future size, set-up and tasks of the armed forces. From the very beginning, however, the General Staff (GS) and the Ministry of Defense (MoD) have stressed the importance of clear reintegration measures for redundant military personnel. This need arises not only out of social responsibility, but also as a measure to manage the structure of the VSCG and to attract more, and better, recruits for the future. The resettlement and retraining project (PRISMA) and its main institutional structures were established even before the new Defense Strategy was adopted and without any agreed final numbers for the size and structure of the VSCG. The first round of 100 officers was retrained from September to December 2004 with a view to reintegrating them

into the job-market and civilian life. Another 100 officers began their retraining in January 2005. Future retraining and reintegration measures will depend to a great extent on the success of these pilot training programs in terms of reintegration and real employment.

This *brief*, issued jointly by the Geneva Center for the Democratic Control of the Armed Forces (DCAF) and the Bonn International Center for Conversion (BICC), is the product of a series of activities conducted by these organizations on "Demobilization and Reintegration in the Western Balkans".

The study consists of four areas of analysis:

- The political and economic situation and its potential impact on military reform, reintegration, and retraining measures
- The structure and composition of the Armed Forces of Serbia and Montenegro (VSCG), their problems and planned activities for restructuring, reduction and modernization
- Social issues regarding war veterans, military pensioners and other categories of ex-military personnel
- A description and analysis of the main resettlement and retraining project of the Ministry of Defense in Serbia and Montenegro, entitled PRISMA.

The main goal of this *brief* is to provide an overview over the most pressing issues related to the ongoing military reform. The author tries to derive from the analysis recommendations for policy makers and researchers regarding the future financing, composition and size of the VSCG, as well as the treatment of war veterans, pensioners and future redundant military personnel. The

author also makes recommendations for the PRISMA project on activities, cooperation and funding.

Previous studies on the topic by international research institutions have lacked transparency and have varied considerably in regard to the structure of the Armed Forces of Serbia and Montenegro (VSCG). This is the first to provide detailed and reliable data from primary sources on the size, composition, distribution of ranks and the financial situation of active military personnel and military pensioners. Data was compiled or provided by the General Staff and the Ministry of Defense of Serbia and Montenegro. The provision of this data falls very much into line with the opening up of the VSCG over the last two years towards cooperation with the armed forces of other NATO countries and the application of Serbia and Montenegro to become part of the Partnership for Peace (PFP). As such, it constitutes a positive development for the whole region in terms of trust and cooperation.

This *brief* is based mainly on project documents, official information releases, and interviews conducted with representatives in Belgrade of the Ministry of Defense and other ministries, the General Staff, NGOs and local Serbian think tanks, journalists, as well as international organizations such as the Organization for Security and Co-operation in Europe (OSCE) and the United Nations Development Programme (UNDP).

The Political and Economic Framework

From Milosevic to Post-Djindjic: Military reform and political instability

The victory of Boris Tadic in Serbia's presidential elections on 27 June 2004 has temporarily reinstalled international trust in the reform and democratization movement in Serbia and Montenegro (SaM). After the shock of Serbia's parliamentary elections on 28 December 2003, with the resultant formation of a government tolerated by Milosevic's Socialist Party (SPS), Serbian voters this time preferred the democratic alternative—though Tomislav Nikolic and his nationalist Serbian Radical Party (SRS) still claimed about 45 percent of the vote. Together, the radical SRS and SPS hold one-third of all seats in the Serbian parliament, and therefore remain in a position to block any of the much-needed constitutional reforms in Serbia and Montenegro. However, with the appointment of Prvoslav Davinic of G17 Plus as the new Minister of Defense of SaM, Prime Minister Kostunica and his coalition have indicated their willingness to continue along the path of military reforms initiated by Tadic during his time in office as Minister of Defense.

It is hard to foresee the long-term impact of the results of the Serbian elections at the Union level of Serbia and Montenegro and the Ministry of Defense with its ambitious plans for reforming and restructuring the Army of Serbia and Montenegro (*Vojска Србија и Црна Гора*—VSCG). Much will depend on the relationship between the Prime Minister of Serbia, Vojislav Kostunica (National-Conservative Democratic Party—DSS), and the former Minister of Defense of Serbia and Montenegro, party leader of the Democratic Party (DS) and now President of Serbia, Boris Tadic. One reason for the slow pace of military reform—and security sector reform in general—in Serbia and Montenegro since the fall of Milosevic's regime in 2000 is rooted in the deep rivalry between Kostunica and Djindjic. The

adversaries allied either with representatives of the VSCG or of the special forces of the Serbian Ministry for the Interior (MUP) to strengthen their positions.

Kostunica's well-known reluctance to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY) could have an adverse effect on Tadic's wish to gain membership for Serbia and Montenegro in NATO's Partnership for Peace (PfP) program as soon as possible. NATO still sees the handing over of Ratko Mladic and others indicted for war crimes to the ICTY as a prerequisite for PfP membership.

The legacy of the JNA and the Milosevic regime

During the Cold War, the Yugoslav People's Army (JNA) constituted a well-equipped conventional military with two purposes: territorial defense and the protection of the federal structure of the Yugoslav Republic. Western military observers perceived the JNA and its successor, the Yugoslav Army (VJ), to be one of the most professional armies in post-Communist Europe in respect to organization and expertise. Since 1974 it had also enjoyed a unique position within the federal state, in terms of civil-military relations. The constitution of 1974 gave the JNA a formal mandate within the Yugoslav system to maintain and preserve the Yugoslav federation and its socialist constitutional order.¹ Its pan-Yugoslav mandate put the JNA in a difficult position when the nationalist and secessionist movements began in the late 1980s. In order to fulfill its constitutional role of preserving the federation and also to guarantee its own further existence, the JNA ultimately sided with Milosevic's regime and its nationalist Serbian path. Serbs increasingly dominated the officer corps and, in 1992, the JNA split into the Army of Yugoslavia (VJ) and the Bosnian Serb Army of Republika

Srpska (VRS). The VJ's political and professional autonomy was soon undermined by the Milosevic regime through the establishment of new chains of command and the development of competing security forces such as special units, paramilitary organizations, and the militarization of the Serbian police forces (MUP). In addition, the officer corps was purged and personnel changes undertaken throughout the VJ, often through early retirement and discharge of non-Serbs. A newly established Supreme Defense Council (VSO) made up of the three presidents of the FRY, Montenegro and Serbia, held ultimate command over the armed forces.

Though the VJ claimed to not be officially involved in the war in Bosnia and Herzegovina, it provided technical and personnel support to the VRS and kept close links to it throughout the Milosevic regime. Most of the war crimes and other atrocities carried out by the Serbian side during this war—and also during the Kosovo campaign—were undertaken by Serbian special forces and semi-official units, which had often been recruited randomly at the local level. Nevertheless, the ICTY has indicted numerous members of the VJ for war crimes.

It was somewhat surprising that such a politicized army did not react to Milosevic's call for support after his defeat in the presidential elections of October 2000. Some have argued that this refusal to intervene on behalf of Milosevic was brought about by the opposition promise not to purge or reform the security forces immediately after their victory. Hence, the reluctance of both Kostunica and Djindjic in this respect.² The aforementioned rivalry between these two Serbian politicians enabled the General Staff and the armed forces to preserve their structure and personnel by shifting alliances themselves. At the federal level, the VSO continued to exist, but was more or less controlled by the Federal President, Kostunica. Another obstacle

to military reform was posed by the federal structure of the VJ. With Montenegro trying to distance itself from Serbia, no federal military reforms were possible until the status of the Yugoslav Republic was resolved—an issue that continues to hinder this process today because the status of the newly established state of Serbia and Montenegro will only be decided upon in 2006. This unclear situation, coupled with the obvious unwillingness of at least one of the two parties to the Union to allow any significant progress let alone reform, serves as an excellent excuse for those who genuinely oppose reform.

Crucial changes after Djindjic's assassination

After the assassination of Serbian Prime Minister Zoran Djindjic in March 2003, there was a window of opportunity to finally oust some of the remaining Milosevic-supporters and indicted war crime suspects from all the security forces, including the military, and to take the first steps towards a radical reform of these structures. When Boris Tadic from the Democratic Party (DS) was appointed to the position of Federal Minister for Defense, he soon presented a ten-point plan for defense reform in Serbia and Montenegro. Moreover, his first moves exhibited a resolve—together with that of the new Serbian Prime Minister Zoran Zivkovic—to take on the entrenched interests of the military, intelligence, nationalist and organized crime in Serbia and Montenegro. By 6 May 2003 the Supreme Defense Council (VSO) decided that the army's General Staff would become an organizational unit within the Ministry of Defense. This full subordination of the General Staff to the MoD also put all special units, military intelligence and the army inspectorate within the MoD's jurisdiction.

Crucially, the ongoing support of Mladic and other indicted war crime suspects by the highly politicized counterintelligence arm of the army, the

Kontraobavesajna Sluzba (KOS), may finally be ended by this move—and also because the commander of KOS, Aco Tomic, has been dismissed. In addition, in August 2003 Tadic dismissed 19 Generals and about 300 other high-ranking officers who either held strong ties to the old regime or who were opposed to the reform plans. Besides these personnel changes in the VSCG, the paramilitary units of the Ministry for Internal Affairs (MUP) were also overhauled and the 'Red Berets', a special operations unit of the police, was disbanded, though parts of it have been integrated into a new Gendarmerie force of the MUP.³ Though this move formally enabled civilian control of the General Staff (GS) and KOS, practical implementation is not yet finished. The GS still shows resistance to some orders given by the MoD, while some remaining duplicate structures in the GS and MOD often hinder clear lines of command. Representatives of the MoD continue to refer to the GS as "a state within the state".⁴

Tadic was the first Minister of Defense to allow international advisors—mostly from the United Kingdom and from organizations like DCAF—to analyze and consult the MoD and the General Staff.⁵ Much of the advice from DCAF, in very close cooperation with NATO, came about in the process of drafting and adopting a new Defense Strategy and a White Book on defense. Tadic created an important framework for future reforms, though the upcoming new elections hindered clearer changes while he was in office. Just weeks before Tadic stepped down from his post, Prvoslav Davinic from G17 Plus was appointed as his deputy, thus closing this structural gap and preparing the take-over of the MoD by the new government.⁶

Davinic and the continuation of reforms

Serbian and international analysts mostly welcomed Davinic's appointment to Minister of Defense. Based on the reform plan developed by Tadic and his team, the new

administration has intensified its work in the areas of downsizing, restructuring and financing of the armed forces. With PRISMA, the "Program for Resettlement in Serbia and Montenegro", the MoD has initiated a very ambitious long-term project for downsizing the armed forces through providing retraining and support to redundant personnel.⁷ Most of its activities are planned to be financed through the newly established Defense Reform Fund, though pending property issues are likely to block its smooth functioning in the near future. There remains the question of whether or not the MoD is the legal owner of military property, as well as legal uncertainty regarding the disseizin of property during socialism.⁸

Criticism has been voiced regarding the continuing politicization of the MoD. Heads of sectors and special advisors are being chosen politically, mainly from the G17 Institute, the Atlantic Council (AC) and the Democratic Party (DS), which could lead again to discontinuity after future elections.⁹ It is nevertheless true that it is common practice for political appointees to be put in such positions. Others argue that these organizations and parties have established a crucial network for implementing the thorough defense reforms.

The new Minister for Defense has deepened cooperation with the UK Embassy in Belgrade, which had also been the official NATO contact point for SaM until fall 2004. Both sides signed a memorandum of understanding on 9 July 2004 for the retraining of redundant personnel, which the UK will support not only with advice but also by financial means. As mentioned above, advisors from the UK have been active also in the MoD. They have met some resistance from the General Staff due to the involvement of the UK in the air-campaign against SaM in 1999.¹⁰

Defense strategy and democratic oversight

The Union of Serbia and Montenegro had been struggling for a long time to formulate and pass a Defense Strategy—this finally happened on 18 November 2004 in the Union Parliament. The persistent problems of the two republics also prevented the writing of a National Security Strategy for both republics. This fact is not surprising taking into account that the VSCG is mostly paid and staffed by the Serbian Republic and that Montenegro just recently replaced the VSCG border units with its own loyal border police, which is perceived as more loyal. The unclear future of the Union and the referendum of 2006 have hindered many aspects of the reform of the VSCG. At the MoD, officially a federal institution, representatives have already “both options in mind”, indicating their willingness to reform the VSCG into a future Serbian Army if Montenegro leaves the Union.¹¹ The first formulation of a National Security Strategy with main inputs by the General Staff of the VSCG happened in 2002 but was never published.¹² The first attempt and draft of a Defense Strategy was made by mid-2003 and “sent back to the drawing board after heavy criticism at all levels.”¹³ A new endeavor was undertaken by the current administration in July 2004, but again the passing of the Defense Strategy scheduled for the Union Parliament for 5 July was postponed until its September 2004 session.¹⁴ The main criticism was voiced by representatives of Montenegro regarding, *inter alia*, a paragraph that could mean that the secession of Montenegro jeopardizes the Union and that therefore could be seen as a reason for war. Minister Davinic pointed out that this was a “technical and unintentional mistake”¹⁵ and that only “illegal and armed secessions” would lead to an intervention by the VSCG.

Besides these contentious issues, analysts assess the new Defense Strategy adopted in November 2004 as a “decent

text with respect to threats and priorities”¹⁶ that shows similarities to the ones adopted by neighboring countries. Its approach is positively acclaimed as focusing “entirely on integration with the West”¹⁷, with terrorism and organized crime being the biggest threats for the state to address. The rejection of the strategy by Montenegro until November 2004 was seen as a method of slowing down the reform process of the VSCG.¹⁸ The adoption of this document highlights the importance that the document itself gives to the Union—a fact that Montenegrin politicians leaning towards the idea of an independent Montenegro might dislike. A successful reform program and cooperation between the two republics on the VSCG could help change public opinion positively towards the Union and spoil the hopes of those in favor of secession.¹⁹

General criticism has also arisen regarding the procedure of formulating and adopting the Defense Strategy. NGO representatives disapprove that no public discussion was held about this important change in threat perceptions and strategy at the VSCG and that no NGO or think tank has been actively involved in its formulation.²⁰ Though this reproach might go a little too far, other commentaries clearly reject the idea that the Defense Strategy and the military doctrine were written by the General Staff of the VCSG instead of the Foreign Office in cooperation with the MoD.²¹ However, international experts from DCAF were invited by the MoD to help train personnel on drafting the Strategy and, together with NATO and independent experts, are providing significant help in reviewing and commenting on the new Defense Strategy.²²

Civilian control within the MoD—not to mention democratic oversight over the armed forces—has still not been fully established. The constitutional charter of the Union of SaM (2003) did

not include crucial changes regarding the democratic control of the Armed Forces, as the Supreme Defense Council (VSO) is still in supreme command of the military in SaM. The only change was that the VSO, composed of the FRY, Serbian and Montenegrin Presidents, can since make its decisions only through consensus. It leaves open the question how the VSCG will be commanded in the case of disagreement. It also leaves the role of the Minister of Defense and the General Staff unclear in terms of chain of command.²³ And even though the GS is by now officially under the command of the Minister of Defense, the implementation of this change has not yet been completed. Nevertheless, the Union Parliament set up a Defense Committee in July 2004 as a mechanism for parliamentary oversight that has been involved in the discussion, but not formulation, of the current draft of the Defense Strategy.²⁴ Analysts, nevertheless, see democratic oversight as “non-existent at the Union level and [is] unlikely to become functional in the short term”.²⁵

Partnership for Peace and ICTY

In one of his last visits as NATO Secretary General in November 2003, Lord Robertson praised the crucial changes in respect of military reform undertaken by Serbia and Montenegro in 2003: “All this is paving the way for a closer relationship between NATO and Serbia and Montenegro. In particular, it has opened the opportunity for Serbia and Montenegro to join NATO’s Partnership for Peace Programme”.²⁶ Nevertheless, the wish of Defense Minister Tadic to enter PfP by the end of 2003, or at least by the NATO summit in Istanbul in June 2004, was not granted—due to the domestic political uncertainties leading to early parliamentary elections in Serbia in December 2003. Serbia and Montenegro remains the only southeast European country besides Bosnia-Herzegovina that is not a member of PfP.

Nevertheless, the cooperation between NATO and Serbia and Montenegro reached a new level in 2003. Immediately

after Tadic's visit to NATO in May 2003, a team of NATO experts was sent to Belgrade. Military officers were invited to the NATO School in Oberammergau, Germany, to prepare them for PfP. The British Embassy in Belgrade, which had become the focal point for NATO activities in late 2002, increased its support significantly in 2003. In 2004, the VSCG conducted—for the first time ever—two joint exercises with NATO member states Italy and Romania. About 1,350 VSCG soldiers and police took part in the exercise called "Blue Road 2004" on the Danube border with Romania and in the Adriatic Sea.²⁷ In addition, many army officers attended NATO courses and several seminars were provided to MoD and GS personnel in 2004, with 27 already planned for 2005.²⁸

However, though assistance from the international community and NATO has grown since 2003, the important goal of becoming a member of PfP will continue to be at risk due to the various pre-conditions which Serbia and Montenegro has yet to fulfill. While Serbia and Montenegro stopped all financial aid to the Bosnian Serb VRS, and the federal parliament finally ratified the Dayton Peace Accords in December 2002, some conditions have still to be satisfied, *inter alia*: full cooperation with the ICTY. This includes: the surrender of Mladic and Karadzic to The Hague, as reiterated by Lord Robertson in November 2003; the withdrawal of the lawsuit against eight NATO member states involved in the 1999 air-campaign against FRY at the International Court of Justice; and thorough compliance with UN Security Council Resolution 1244 on Kosovo. The issue of extradition of war crime suspects to The Hague continues to be one of the main obstacles to PfP membership, with NATO's new Secretary General de Hoop Scheffer already having stressed this condition numerous times. It seems that President Tadic and Prime Minister Kostunica have finally agreed to increase cooperation with the ICTY, and first

signs indicate that SaM might apply the "Croatian Scenario" by persuading the main war crime suspects to surrender voluntarily.²⁹ In addition, the Ministry of Foreign Affairs forwarded the indictments held against four Generals to the district court of Belgrade, which formally signals the beginning of extradition proceedings. In the Ministry of Defense, Davinic has ordered a closer cooperation with the ICTY.³⁰ However, given the fact that SaM has evaded final ICTY compliance for years and that recent polls still show that about 60 percent of the population³¹ reject cooperation with the ICTY, many analysts warn against too much optimism on this issue.³² Moreover, incidents like the killing of two soldiers at Topcider Barracks in Belgrade in October 2004 have increased international suspicion that the Armed Forces are still actively involved in hiding ICTY suspects.³³

Though PfP membership can only indirectly be seen as an instrument to pressure SaM to comply with the ICTY and other requests, the previously mentioned developments indicate an overwhelming interest in membership. PfP membership is seen by the public, as well as by the military, as a general cure for their problems. Approximately 69 percent of the Serbian and 54 percent of the Montenegrin population are in favor of membership in PfP (conversely, more than 50 percent do not wish Serbia and Montenegro to join NATO).³⁴ The military expects technical and financial support for the modernization of the VSCG because PfP has the primary aim of achieving the interoperability of forces working with NATO on peacekeeping operations. In addition, PfP is meant to stabilize the region through cooperation and the common action of neighboring countries. It could provide in the case of SaM a valuable contribution towards regional stabilization and also increase the speed of military reform. Finally, it would overcome the lasting image of an enemy responsible for war crimes. However, the VSCG currently still lacks the required personnel and capacity to warrant full membership.³⁵

Military reform in stormy seas: Economic issues

The Ministry of Defense recognizes that the economic conditions under which military reforms and especially its reintegration and retraining will be implemented are far from ideal. Those at the MoD implicitly realize that SaM is still an economy in transition experiencing a changing structure of ownership and a reallocation of resources. Dismissed officers will find it difficult to participate as workers in a tight labor market; as prospective entrepreneurs they are likely to experience a shortage of opportunities and resources to develop successful small or medium enterprises. Many of the measures in the retraining and reintegration program of the MoD, which will be discussed in the following chapter, like training, Small and Medium Enterprise Development (SME) or early retirement may fail, or may not provide the discharged personnel with the right qualifications or enough resources for living. This chapter tries to highlight some economic issues which will influence the planned activities.

Although growth in Serbia and Montenegro will continue to be robust by both EU and Balkan standards, its effects will not be shared evenly by the entire population in the short run. Moreover, although the process slowed down in 2004, privatization continues to advance steadily, posing short-term setbacks for employment.³⁶

The minimum wage in Serbia and Montenegro is set mostly as a benchmark since, at 6,090 dinars (85 euros),³⁷ it is insufficient to pay for food and utilities for a family of four.³⁸

However, the average net wage in Serbia in December 2003 was 14,528 CSD.³⁹ Figure 2 shows that during the last three years net earnings have increased significantly more than the cost of living. The purchasing power of the employed, measured by the minimum

Figure 1: Real GDP growth in SCG

Source: Economist Intelligence Unit, various reports

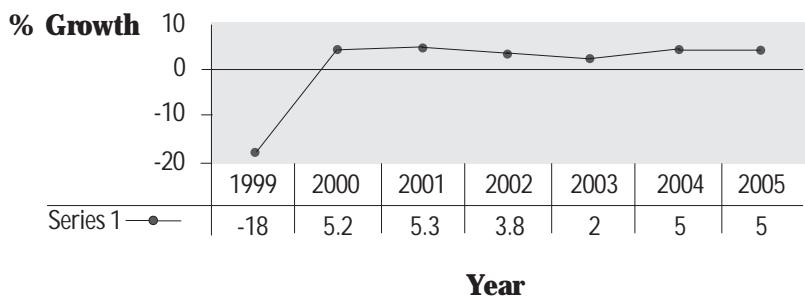
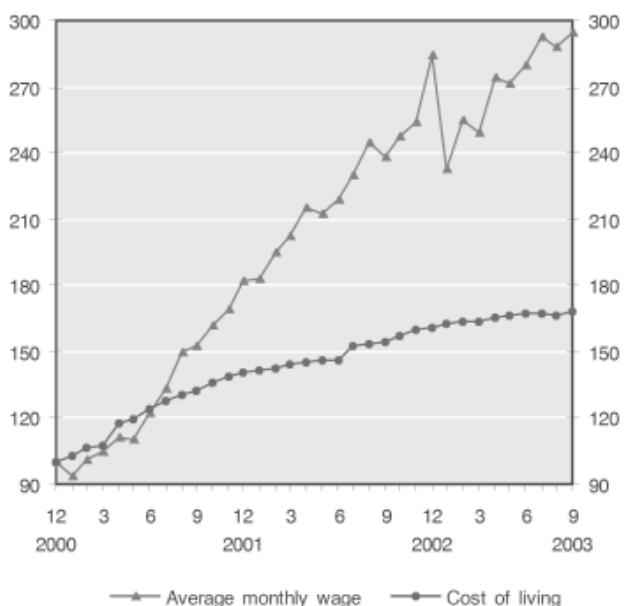


Figure 2: Net earnings and cost of living

Source: National Bank of Serbia, January 2004

Note: December 2000 = 100



consumer basket, rose by over 15.6 percent in Serbia in 2003. Nevertheless, this wealth is not equally distributed amongst the population, industries or regions.⁴⁰

In terms of unemployment, the situation in Serbia and Montenegro is quite difficult. The official employment statistics of the SaM Labor Market Bureau (LMB) estimate that unemployment is as high as 27 percent (see figure 3). However, these numbers are likely to be overstated. The official unemployment rate is based on the registered number of unemployed with the LMB. Some individuals may register in order to have access to various types of benefits provided by the LMB (especially health insurance), although they actually have informal sector jobs and, as a result, may not be actively searching for a job. In certain situations registration with the LMB is required to acquire a new job (e.g., graduates who must register first even if they have already found a job). Thus, registration data overstate the actual level of unemployment in Serbia and Montenegro.

Therefore, it is better to rely on labor statistics provided by the International Labour Organization (ILO). The ILO uses a different set of criteria which tries to take into account informal employment as well as the aforementioned pro forma registrations when calculating the unemployment rate.

The standard International Labor Organization (ILO) definition of unemployment requires that following conditions be jointly met: (i) the person does not have a job; (ii) the person is actively seeking a job; and (iii) the person is available for work.⁴¹ At about 15 percent, the ILO estimate of unemployment in Serbia and Montenegro in 2003 is significantly lower than the official figure, but still constitutes a very high rate (see figure 4). Informally employed persons are not included in the statistics, but jobs in the informal sector are also not the kind of employment that the Ministry of Defense is aiming for with the PRISMA

Figure 3: Total unemployment in Serbia and Montenegro, according to official employment records

Source: LMB SaM, ILO LABORSTA (<http://laborsta.ilo.org/>)

	1999		2000		2001		2002		2003	
	#	Rate (%)	#	Rate (%)						
Total	811,065	21.1	805,795	21.2	850,004	22.3	923,236	24.7	1,018,974	27.6
Men	349,305	16.4	346,009	20.5	369,612	22.6	408,695	...	461,218	...
Women	461,760	26.8	459,786	21.8	480,392	22.1	514,541	...	557,756	...

Figure 4: Serbia and Montenegro total unemployment based on ILO criteria

Source: Labour Force Survey, ILO LABORSTA (<http://laborsta.ilo.org/>)

Notes: October of each year. Persons aged 15 years and over.

	1999		2000		2001		2002		2003	
	#	Rate (%)								
Total	527,962	13.7	480,520	12.6	490,213	12.8	517,287	13.8	562,430	15.2
Men	248,943	11.7	223,563	10.6	242,531	11.1	261,466	12.4	306,408	14.4
Women	279,019	16.2	256,957	15.2	247,682	15.0	255,821	15.8	256,022	16.4

program. It will be much more difficult to provide formal and secure jobs to redundant and retrained military personnel.

Poverty will pose a strong short-term challenge to society in Serbia and Montenegro. Poverty skyrocketed in the 1990s due to the deterioration in social protection, international sanctions and to the inability of public spending to satisfy entitlement levels.⁴² Public spending commitments continue to come under strong additional pressure from the large number of internally

displaced people and refugees requiring health-care, schooling and housing.⁴³

According to the UN, the poverty strongly associated with unemployment is widespread and "a serious source of discontent".⁴⁴ According to its Poverty Reduction Strategy Plan, the Serbian government expects to reduce by half the number of people living in poverty by 2007, by addressing capacity deficits in education, health care, housing and infrastructure.⁴⁵

As is well documented, a large percentage of the populace continues to rely on the "gray" economy in order to survive.⁴⁶

In conclusion, the economic conditions under which the military reform and its ambitious resettlement project will begin operating are not ideal given the economic situation of SaM. The efforts of the state and performance of the world economy and favorable or unfavorable oil prices will be important wild cards to observe.

Figure 5: Poverty in Serbia: Definition and incidence

Source: Survey on the Living Standards of the Population, SMMRI, June 2002

	Financially vulnerable (poverty line 5,507 YUD / 90 euros)			Poor (poverty line 4,489 YUD / 73 euros)		
	Poverty Index	Poverty Gap	Poverty Severity	Poverty Index	Poverty Gap	Poverty Severity
Urban %	16.8	3.3	1.1	7.8	1.5	0.5
Rural %	25.1	6.1	2.3	14.2	3.2	1.1
Total %	20.0	4.6	1.6	10.6	2.2	0.8

From JNA to VSCG: Structure and Problems of the Armed Forces in Serbia and Montenegro

The role and structure of the Yugoslav People's Army (JNA) were mainly built around experiences from the partisan war and the perception of threats of invasion from outside—Involving either NATO or the Warsaw Pact. Territorial defense was the main strategy of the JNA and its subordinate Territorial Defense Forces (TDF). The 1969 military doctrine of

General People's Defense stressed this approach and was the basic concept that formed the JNA's structure and strategy until the 1990s.⁴⁷

The JNA relied heavily on conscripts who were supposed to become part of the JNA reserves or the TDF after completion of their military service. In 1990/91, the JNA consisted of 180,000 soldiers of which over 101,000 were conscripts. With the breakaway of the republics of Slovenia, Croatia and

Bosnia-Herzegovina, the JNA underwent significant changes in size and composition. While some of the military located in these republics left the JNA and formed new armies together with the respective local TDF-forces, JNA-officers and soldiers of Serbian origin left the newly independent republics and joined the JNA on the territory of the Federal Republic of Yugoslavia (FRY).

Figure 6 : Estimated size of the JNA, 1990–1995

Source: Respective annual editions of *The Military Balance*, *The International Institute for Strategic Studies (IISS)*

	1990	1991	1992	1993	1994	1995
Total active	180,000	180,000	135,000	136,500	126,500	126,500
<i>Of which conscripts</i>	101,400	101,400	44,500	60,000	60,000	60,000
<i>Reserves (TDF)</i>	510,000	510,000	400,000	400,000	400,000	400,000
<i>Republika Srpska Bosnia</i>	Not applicable		67,000	80,000	80,000	75,000
<i>Republika Srpska Krajina</i>	Not applicable		16,000	45,000	45,000	45,000

Following this split in 1991/92, the size of the JNA was reduced by about 70,000. Estimates put at about 25,000 the number of draftees who deserted during the war with Croatia.⁴⁸

Nevertheless, an additional 73,000 and 125,000 members of the armed forces of the Serb Republics in Krajina and Bosnia and Herzegovina respectively were linked to the JNA and received support.

In the years following the 1995 signing of the Dayton Peace Agreement, and throughout the war in Kosovo up until

2004, small changes with respect to the overall size of the JNA—later the Armed Forces of Serbia and Montenegro (VSCG)—were witnessed. After a slight increase in 1996 the VSCG was reduced to roughly 48,000 professional members in 2004.

Most of the reductions resulted through retirement or voluntary leave without rights to pension.⁵⁰ Though no data was available for this study on the age structure of the personnel that left voluntarily, most of these are said to have been either young or well qualified

and therefore more likely to find a job outside the armed forces.⁵¹ No clear demobilization or resettlement strategy had been applied during this time period.

The envisaged reform of the VSCG until 2010 includes an ambitious program for downsizing and restructuring the armed forces.⁵² Though much depends on the Defense Strategy and its resultant military doctrine, the VSCG without conscripts will likely be reduced to about 33,000.

Figure 7: Size and composition of the VSCG, 1995–2004 (without conscripts)

Source: VSCG General Staff, July 2004⁴⁹

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>Officers</i>	13,253	12,870	12,768	12,568	11,951	11,253	11,130	10,659	9,744	9,672
<i>NCO</i>	10,385	10,947	11,196	11,258	11,570	11,991	12,585	12,951	13,015	12,889
<i>Civilian Personnel</i>	18,721	19,113	18,582	18,591	17,811	18,208	18,623	19,570	19,500	18,009
<i>Contracted Soldiers</i>	8,874	11,667	11,156	9,353	7,158	6,885	6,960	6,442	7,581	7,541
Total	51,233	54,597	53,702	51,770	48,490	483,37	492,98	49,622	49,840	48,111

Figure 8: Planned reduction of the VSCG, 2005–2010 (without conscripts)

Source: PRISMA Project Document, May 2004

	2005	2006	2007	2008	2009	2010
<i>Predicted number at end of year</i>	49,400	44,750	41,200	37,550	35,000	33,000

While this roughly corresponds with the size and ratio of armed forces in neighboring countries such as Bulgaria, some representatives of the VSCG like General Blagoje Grahovac argue that the VSCG should be reduced even further. Grahovac, a former security advisor to the SaM President, suggested downsizing the VSCG to 16-25,000, with only 3,000 residing in Montenegro. Though this suggestion was seen as being politically motivated and stressing again the hesitant position of Montenegrins towards the VSCG and the Union in general, there are also some points that support it—mainly budgetary, but also strategic reasons.

With all neighboring countries at various stages of force reductions and in preparation of PfP or NATO membership, SaM could also focus on cooperation in the region and enhancing the professionalism of small and specialized forces for peace support operations and other tasks. Bosnia and Herzegovina, for example, will reduce its armed forces to 12,000 by the end of this year. Croatia, also struggling with modernization and increasing the professionalism of its armed forces, decided to downsize to 16,000 active military personnel.⁵³

SaM's new Defense Strategy reflects the country's determination to join the international security structures. But the potential tasks and contributions of the VSCG in such structures do not justify a peacetime strength of 33,000 professionals and 17,000 conscripts as

envisioned for 2010. The MoD can only afford to train and equip some percentage of its units to suit international missions. The alternative of further reductions could have a positive impact on threat perceptions in the region, where Serbia and Montenegro still represent "the greatest challenge and unknown in the Western Balkans".⁵⁴

Another issue that has to be taken into account is the recent development in recruitment and conscription. After the right to conscientious objection in favor of civil service was finally accepted in 2003, the number of persons choosing this option increased dramatically. In a society where strong images of masculinity prevail and the army still holds the second highest level of public approval after the Orthodox Church⁵⁵, this development was both unforeseen and surprising—not least to the Ministry of Defense. By September 2004, following the first round of recruitment with the option of choosing civil service, there were already 4,500 conscientious objectors (CO) waiting for civilian positions. Minister of Defense Prvoslav Davinic had to confess that civil service was introduced "without previous preparations"⁵⁶ and that the MoD at that moment was not able to make enough positions available. If the level of CO increases even further it could be difficult for the VSCG to reach the planned numbers of conscripts and to draft enough recruits in the future.

Financial issues

The tight budgetary situation of the defense sector in Serbia and Montenegro also poses a risk to current reform plans. The overall defense budget has been very low during the past few years, according to estimates by SIPRI.

MoD estimates of future defense budget trends show continuing risks for VSCG funding; the share of military expenditure to GDP will continue to be high (see Figure 10). In addition, the situation could worsen if predicted positive developments in the GDP of Serbia and Montenegro are not realized, as the share could rise to above 3 percent of GDP.⁵⁷ On the more positive side, about 70 percent of the current defense budget is spent on personnel while only 10 percent is spent on the much needed modernization of the armed forces⁵⁸; a lower number of professional members of the VSCG could stabilize the budget and free funds for other pressing needs. Nevertheless, the VSCG is likely to be faced with even greater financial problems in 2005. The Defense Minister's Advisor Kadiljevic has announced that the current budget will satisfy the basic needs of the VSCG only in the first six months.⁵⁹ Food and personnel costs form about 90 percent of the 2005 defense budget, with no assets earmarked for housing or other social programs and only 2 percent for equipment. He predicts that the 2005 budget is likely to be reduced in its nominal value by 300 million euros.⁶⁰ Without the financial support of the UK and the Netherlands, training and reintegration activities under PRISMA could not continue in 2005.

Figure 9: Estimates of Military Expenditure of Serbia and Montenegro, 1999–2002

Source: SIPRI Yearbook 2003. Armaments, Disarmament and International Security

	1999	2000	2001	2002
Military expenditure in millions of US dollars	504	710	583	601

Figure 10: Prognosis of defense expenditure of Serbia and Montenegro until 2008

Source: Ministry of Defense of SaM, 2004

	2004	2005	2006	2007	2008
GDP in billions of US dollars	23.7	26.7	29.2	31.8	33.8
Defense expenditure in millions of US dollars	782	774	730	795	844
Share of military expenditure to GDP in percent	3.3	2.9	2.5	2.5	2.5

The low overall defense budget of SaM and the oversized strength of the VSCG have led to one of the lowest rates of per soldier spending in Europe. The current annual expenses per soldier are calculated by the MoD to be somewhere between US \$5,000 to \$6,500.⁶¹ However, these calculations seem to be based on the assumption of 100,000 members of the VSCG, while more realistically the current size is about 70,000 (including conscripts). This estimate would raise the sum spent per soldier to about US \$10,000 to \$11,000, taking into account the US \$782 million defense budget of 2004. In comparison, Croatia is able to spend about US \$9,781 and the Czech Republic about US \$15,146.⁶² The Ministry of Defense of SaM has claimed that about US \$20,000 per soldier is needed.⁶³ However, it is not clear how such figures can be fulfilled within the

current plans. Moreover, representatives from the MoD claim that salaries are very low, with a professional soldier receiving an average of 274 euros and contracted soldiers about 187 euros per month, which is seen as difficult for keeping qualified professionals, or recruit new ones with such low salaries.⁶⁴ However, recalling the analysis of the labor market (p. 9 ff), the amount paid to officers is significantly higher than the net average monthly income of about 14,528 CSD (ca. 195 euros), and contracted soldiers receive nearly that much. In the current economic situation this should be attractive enough to recruit.

Composition and distribution of ranks and categories

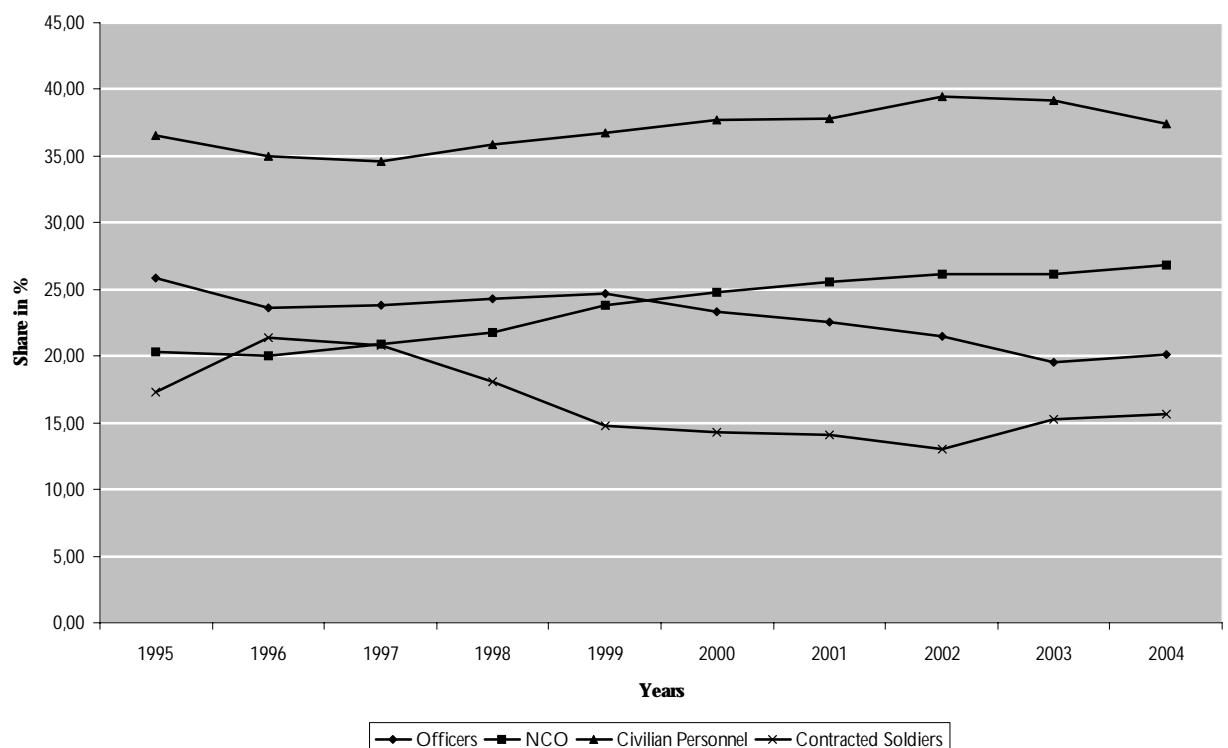
Non-commissioned officers (NCO) and contracted soldiers are very important for any professional army. As can be seen in Figure 11, the overall composition of the VSCG is not very favorable. In 2004 it consisted of about 27 percent NCO and 20 percent officers⁶⁵—falling far short of the ratio of 3 to 1 (NCO/officers) applied as a priority in other restructuring reforms, such as in the Romanian Armed Forces.⁶⁶ In addition, the number of civilian employees in the VSCG continues to be high, at about 37 percent.

Nevertheless, a look at the structural development of the VSCG shows that the MoD has been trying over recent years to slowly increase the share of

Figure 11: Development of share of personnel categories in the VSCG, 1995–2004

In percent

Source: Author's calculations based on data provided by the VSCG General Staff, July 2004



NCOs in the armed forces, while reducing the number of officers and civilian employees. It seems likely that some of the contracted soldiers in 1998 and 1999 were given NCO status.⁶⁷ Regarding the high level of civilian employees, the planned military reform will reduce their share by detaching certain components such as libraries, museums, publishing companies and army clubs from the VSCG. Together with additional resettlement of civilian employees, the reform foresees 12,000 fewer civilians in the VSCG.⁶⁸ However, the problem of the low number of NCO and contracted soldiers will not be easily solved.

A closer look at the structure of ranks in the officer corps reveals an even more crucial issue for the military reform. The disproportionate share of high-ranking officers is a structural problem that is characteristic of all former Communist countries. However, due to the dominating share of Serbs in the senior ranks of officers in the JNA (about 70 percent)⁶⁹, the split from Croatian, Slovenian and Bosnian forces led to a VJ and later VSCG that is characterized by an even more disproportionate distribution of ranks than in other transformation countries.⁷⁰ 47 percent of the officers currently hold the rank of general, colonel or lieutenant colonel.⁷¹ This represents a dysfunctional army

because the lower ranks are very important for the operative functions within the VSCG.⁷² While Figure 11 reveals that the MoD has taken measures to improve the NCO/officer-ratio, no such advances have been made within the officer's corps to redress the ratio of higher to lower ranking officers.

Moreover, Lieutenants and Lieutenant Colonels saw another increase from 2003 to 2004, at a time when Minister Tadic and his advisors had already started their military reform. It seems likely that promotions were used as an instrument to increase the share of high-ranking officers in favor of the

Figure 12: Distribution of officers in various different ranks in the VSCG, 1995–2004

In percent

Source: Author's calculations based on data provided by the VSCG General Staff, July 2004

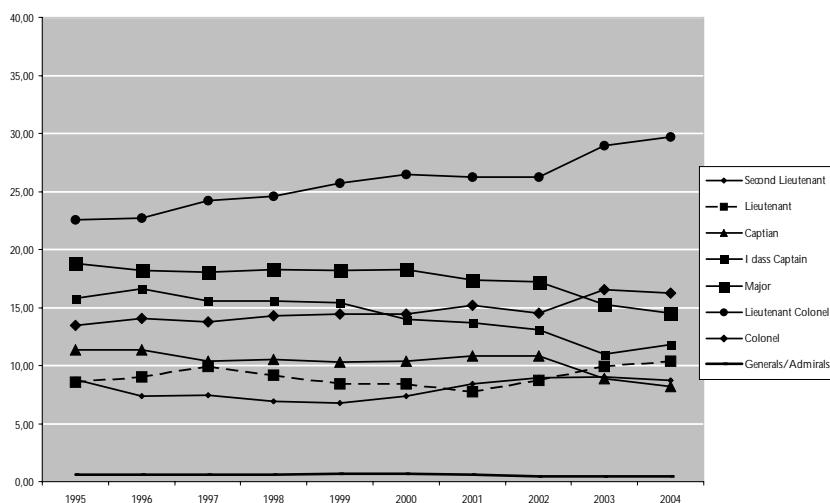
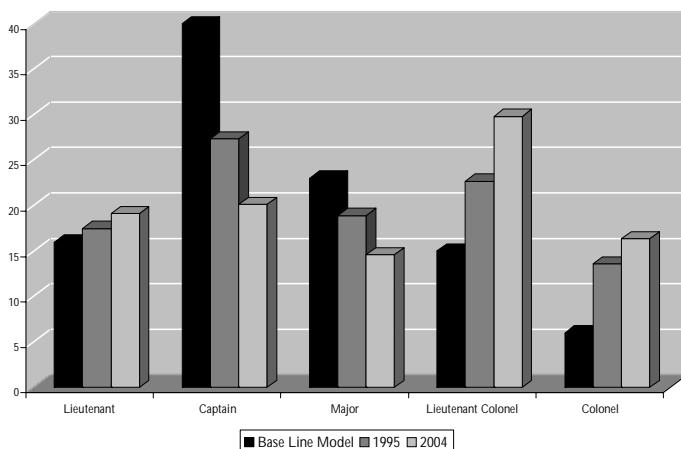


Figure 13: Composition of VSCG officer's corps compared to baseline model

In percent

Source: Author's calculations based on data provided by the VSCG General Staff, July 2004



reform. This strategy might create short-term support, but leads to long-term problems with respect to the structure of the VSCG and to the additional amount of money of the defense budget spent on personnel.⁷³ The disproportion amongst the officer corps is highlighted even more clearly if compared to the baseline model applied to the reform of the Hungarian Armed Forces.⁷⁴

The inadequate structure of the officer corps, already visible in 1995, has continued to deteriorate. The average age of officers is now more than 40 years.⁷⁵ To reform such an outdated and dysfunctional structure will be a difficult task for the Ministry of Defense of Serbia and Montenegro especially bearing in mind the budgetary constraints and economic uncertainties.

Will the VSCG be able to attract enough recruits to increase the number of personnel in the lower ranks? Will it be able to keep up the number of conscripts? It might be worth thinking of further reductions in order to create a more stable, better-financed and structured army, which could also contribute to a decline of old threat perceptions in the region.

Military Personnel in Transition: War Veterans, Pensioners and Dismissed Officers

The current reform of the military in Serbia and Montenegro, with its measures to deal with redundant personnel, covers only one part of the general issue of ex-military personnel in the country: the officers, soldiers and civilians who will lose their positions at the VSCG through reductions over the next 6-8 years. But during the last decade, even more military personnel have been discharged or have left the armed forces or paramilitary groups. Most of these are not in the public eye and will not benefit from the new retraining program of the MoD. Some of these groups may have serious problems in and a negative impact on society (domestic violence, organized crime, etc.); others may be better off than the average population in Serbia and Montenegro and not in need of additional support. One can distinguish three groups of former military personnel and the various challenges with which they have to deal:

- War veterans and trauma
- Pensioners and housing
- Ex-military personnel without entitlements (i.e. short term contract soldiers)

War veterans and trauma

Even in the year 2004, large parts of Serbian society see themselves as victims of the wars of 1991–1999. In addition, the issue of responsibility for and involvement in war crimes of military forces from Serbia and Montenegro are questioned or openly denied in public.⁷⁶ Therefore it is not surprising that, on

the one hand, the VSCG still maintains a high standing among the Serbian and Montenegrin population (about 26 percent of the population continue to deny that any war crimes were committed by the VSCG⁷⁷), while on the other hand, war veterans are marginalized in society.⁷⁸ Though there are sometimes protests by veteran's associations, these groups do not have enough influence to put the issues of reintegration and support on the public agenda.⁷⁹ There are different groups of war veterans: conscripts, former or currently active professional members of armed forces, volunteers and paramilitaries.

Conscripts often had to fulfill their military service at the frontline, especially between 1991 and 1995. Without any pre-war education and traumatized by what they went through, some of these ex-soldiers have failed to reintegrate into society.⁸⁰ The same often holds true for volunteers from the wars that joined paramilitary forces, or "weekend-warriors" that were brought to the front in buses on weekends. These people often had regular employment that they lost after the war due to psychological problems. Some of these ex-soldiers and ex-combatants have been involved in serious war crimes and should be put on trial. However, it is important to see them not only as perpetrators but also as victims, and to acknowledge the negative impact they can have on their communities and society as a whole. Some researchers deny that war veterans

currently pose a threat to society⁸¹, but this seems mainly due to missing data on the size and structure of the problem rather than because it does not exist. In general, it is important to keep in mind that soldiers and officers are highly trained in the use of weapons, organized force and violence, which should not be underestimated.

About 330,000 conscripts did their military service in the JNA from 1990–1995, many of them at the frontline.⁸² Young and inexperienced, these conscripts often struggled even harder than the average soldier with what they had witnessed during the wars and were not able to continue their education or find a job after the end of their conscript period.⁸³ Representatives from the Association for Mental Health/Protection of War Veterans and Victims of Wars (AMH) estimate the total number of ex-military personnel or ex-combatants dealing with psychosocial disorders to be very high, although a quantitative study on this issue is still lacking.⁸⁴ Similar cases and experiences from other countries showed that up to one third of these veterans can have trauma or analogous psychological problems, which can cause additional psychological problems in families and communities.⁸⁵

War veterans, especially paramilitary groups, have been associated with organized crime in Serbia and Montenegro. The assassination of Prime Minister Djindjic and the involvement of ex-paramilitary groups like the "Red Berets" in organized crime show one potential threat posed by war veterans to the still fragile political system in Serbia and Montenegro. Combined with

the huge amount of weapons available to these groups, as well as to the individual veteran, this threat is only likely to increase if economic development is not sufficient for their integration into the economy. Yet there is another threat to Serbian society from war veterans, though this is less obvious and not adequately documented. In a "centuries-old patriarchal culture of admiration for the warrior and his dutiful home-maker wife"⁸⁶, traumatized war veterans in SaM today fail to fulfill the hegemonic masculinity of the "breadwinner" due to unemployment, invalidity and psychosocial problems. They sometimes resort to domestic violence against their partners and family to cope with this failure. Domestic violence increased during and after the wars in Serbia and Montenegro and even involved the threatening of family members with weapons from the war.⁸⁷ Traumatized war veterans can have severe difficulties regarding their abilities to "function" in society. They often lack tolerance to endure the perceived slower transition and democratic procedures. Their fallback in unstable times is to create "war-like situations" in legal or illegal structures. Special units of the armed forces and the police, as well as organized crime, can produce the thrill they need "to function". There are many examples of war veterans joining mercenary groups not just in the Balkans but also in Africa and elsewhere.⁸⁸

War veterans are also one of the main target groups for radical and undemocratic parties in Serbia and Montenegro. In 2003 and 2004, the Serb Radical Party gained most votes in areas where the highest rate of mobilization took place during the wars and where most of the refugees from other republics are currently situated.⁸⁹

As described above, the issue of war veterans is not a priority in Serbia and Montenegro today. Nevertheless, there are two projects currently being

implemented which show not just the need for support of war veterans but also the opportunity of using war veterans to raise public awareness on issues such as war crimes, traumatic experiences and domestic violence. The AMH opened a trauma center for victims of war (including war veterans) in 2002 in Novi Sad and three more offices for counseling in southern Serbia. Due to the limited funds and personnel available, the project has been working so far only on a small scale. Yet despite these limitations, the year 2003 saw 1,351 clients seeking help and assistance in the center in Novi Sad, and in the three centers in southern Serbia, from March 2003 to January 2004, 542 of 1,890 beneficiaries were veterans.⁹⁰ AMH project managers think that these numbers could be significantly higher if public awareness were raised about this issue, especially when facing the continued problem of the dominating machismo-masculinity in Serbia that leads men to seek help only when their psychological problems are unbearable. The AMH sees much more demand for psychological support not only for veterans but also for traumatized citizens in general.

Another project currently being undertaken with war veterans is "Dealing with the Past" by the Belgrade-based Center for Non-violent Action (CNA). It rests on the assumption that war veterans are an important group with which to facilitate public debate on the past, especially concerning the recent wars in Yugoslavia. The CNA selected and trained war veterans for panel discussions with their former "enemies" from Bosnia and Croatia, which could serve as multipliers for constructive dialogue on war-experiences and in building bridges between different religious and ethnic groups in former Yugoslavia.⁹¹ They found ex-combatants to be very motivated to participate in such discussions because for them they constitute opportunities to talk about their suffering and to gain empathy and recognition from a public

that normally ignores them. Though the panel discussions proved to be very successful within communities and created some valid feedback and media coverage in the local area, the CNA has so far been unable to gain the attention of national public media with its project.⁹² It would be an important step for the current government in SaM to acknowledge responsibility for events during the wars, and register the impact they have had on society up to the present day, in order to enable better treatment of all groups struggling with trauma and related problems.

Pensioners and housing issues
The situation of pensioners of the VSCG is seen by the MoD as very important. The issue of housing—a regular entitlement for active and retired military personnel in Serbia and Montenegro—is especially earning a lot of public attention, and causing worry to the MoD. Due to the disintegration of Yugoslavia in the 1990s, a lot of officers and pensioners lost their houses in former Yugoslav Republics such as Croatia, Slovenia and Bosnia.⁹³ At the present time, 1,451 pensioners have an unresolved "housing issue".⁹⁴ Moreover, according to official numbers provided by the MoD, 14,500 active military personnel currently have no housing.⁹⁵ Some of these are likely to be affected by regular or early retirement schemes within PRISMA, the current retraining and reintegration program of the MoD.

Some of the pensioners are earning money in addition to their pension either through a legal job, on the gray market⁹⁶ or by using gardening and small-scale agriculture to improve their living conditions. They are legally entitled to earn additional money and still keep 80 percent of their pension.⁹⁷ Moreover, as pensioners they also have access the military health care system, which is supposed to provide better

services than the regular ones. Though the Association of Military Pensioners is not able to provide the benefits it used to, it is still a valuable lobby organization for retired personnel.

The overall economic situation has had a negative impact on the living standard of military pensioners, and the loss of public reputation has gone hand-in-hand with the loss of many of the entitlements which made this group an elite in terms of wealth and standing in Yugoslav society. Nonetheless, they still constitute a faction which is comparatively well off in today's Serbia and Montenegro.

As described in the economic chapter of this *brief*, the average net wage in December 2003 was about 14,528 Dinars (CSD) or about 193 euros.⁹⁸ The monthly pensions paid to ex-military personnel are an average of 15,939 CSD (about 211 euros).⁹⁹ The biggest group of pensioners, ex-officers (32,000 out of 52,000), receives an average pension of about 17,407 CSD (231 euros)—

almost as much as the highest average net wage in Serbia and Montenegro. The average worker in the region of Beocin, Serbia, earns about 18,702 CSD (249 euros). As earnings and living costs differ greatly within Serbia and Montenegro, military pensioners can actually be better off than many other groups there. Still, one must acknowledge that general living conditions and earnings are far below any Western standards. The above facts are not given as a reason for cutting pensions. But it is important to note that there are other groups of people (like war veterans and invalids, not to speak of refugees or Roma) who are closer to or below the poverty line in Serbia and Montenegro today.

Of course, it is a valid point to stress the importance of attractive salaries and retirement benefits to recruit young and motivated persons into the VSCG, and to keep them there. However, the active and retired personnel of the armed forces are just one part of the society of Serbia and Montenegro. Everything done to support them must always be seen in the wider frame of the needs

and demands of other groups and other sectors of the SaM society and economy.

Ex-military personnel without pension entitlements

The group of ex-military personnel without pension entitlements consists of different types of personnel who left the JNA/VSCG between 1995 and 2004. The number of individuals falling into this category is much higher than the figure for pensioners.¹⁰⁰ Nevertheless, there is a lack of data about this group in terms of their post-military situation. One can distinguish four groups, and four different categories of reasons for their leave or discharge (see Figure 14). The four categories are:

Figure 14: Personnel drain from the VSCG per category, 1995–2004
Totals

Source: VSCG General Staff, July 2004

	Voluntary leave	Expired contract	Disciplinary reasons	Other reasons
<i>Officers</i>	955	non applicable (n.a.)	233	711
<i>NCO</i>	1,320	n.a.	392	783
<i>Civilians</i>	4,362	n.a.	1,699	1,341
<i>Contracted Soldiers</i>	14,537	4,706	n.a.	n.a.
Total	21,174	4,706	2,324	2,835

- Officers
- Non-commissioned officers (NCO)
- Civilian personnel employed in the VSCG
- Contracted soldiers.

The reasons for termination of employment are described by the General Staff of the VSCG as either “upon own request” (without entitlements), expiration of contract, disciplinary reasons or others.¹⁰¹ Most fall into the first category—those who have left voluntarily. Altogether over 21,000 persons took that option between 1995 and 2004.

These numbers seem to highlight again the fact that it was mostly young people (NCO, contracted soldiers) that left the armed forces during these years, causing the disproportionately aged and dysfunctional VSCG of today.

Moreover, it is likely that these persons only left if offered an alternative in the regular job market or the gray market of Serbia and Montenegro. This means that only young, well-qualified and motivated people left the VSCG, while those that stayed did so because they saw no future or career for themselves outside the armed forces. In addition, a high number of technical experts left the VSCG before 1995—the very people who are needed today.¹⁰² These experts, with their in-demand qualifications, were successful in seeking employment either in the Serbian market or abroad.¹⁰³

In a country where professional job counseling and employment bureaus are still inadequate, discharged military personnel depended on their own ability and motivation to find a new job. In some cases this might have proven

successful, but in many cases it is more likely that the employment found was either short term or on the gray market, with no social security.¹⁰⁴ The group of military personnel that left voluntarily constitutes the most important source for the ongoing and future military resettlement project (PRISMA) for redundant personnel. There are about 31,000 individuals who did not receive any support and had no entitlements, and whose experiences can provide the General Staff of the VSCG with information about capacities and qualifications that have proven to be successful for reintegration. A thorough study of the situation of this group could have produced lessons learned and patterns for success or failure that could have guided the current reintegration program with its labor market training and further educational measures. This study recommends that the MoD or other relevant institutions carry out a study as soon as possible to inform and influence the reintegration measures that will be ongoing until 2010 and that are so critical.

The PRISMA Project: Downsizing and Resettlement

Serbia and Montenegro have begun their military reform comparatively late. Other countries such as Bulgaria, Romania and Croatia have already come further in restructuring and reducing their armed forces. This late start could present both advantages and disadvantages for the implementation of the current reforms. On the one hand, the MoD and the General Staff (GS) of the VSCG hope that the inclusion of the lessons learned in other countries will prevent them from making the same mistakes.¹⁰⁵ For that reason, the GS has accepted foreign advice (mainly from the UK) and has undertaken field trips to Russia, Ukraine and Bulgaria to receive first hand information about their downsizing and resettlement of redundant personnel and the experiences gained there. On the other hand, being the last one to implement such reform in the increasingly safe and more stable Western Balkans can also be a disadvantage. Due to the growing notion that Serbia and Montenegro is no longer a threat to the region, international donors might move towards funding projects in other countries—especially since the issue of demobilization and reintegration in post-conflict settings is seen to be most crucial. Restructuring, increasing professionalism and the downsizing of armed forces to make them interoperable with NATO forces are, of course, not very high on the agenda of the international financing institutions which traditionally fund DDR-projects.

Nevertheless, due to the adverse budgetary situation and the dysfunctional structure of the VSCG, there is no option for the MoD other than to reduce its armed forces. Following some of the recommendations in the analysis by an "UNDP Fact-finding Mission for

Military Conversion in 2002"¹⁰⁶, the General Staff of the VSCG has developed a "Program for Resettlement in Serbia-Montenegro's Army" (PRISMA). Next to the UNDP-advised reform of the structures and procedures within the Ministry of Defense, the PRISMA project currently constitutes the most important part as well as the largest activity of the reform of the Defense Sector in SaM.¹⁰⁷

Political background

PRISMA was developed, and the predicted numbers for downsizing fixed, without a Defense Strategy or Military Doctrine yet in place.¹⁰⁸ Though it was important to take this step, the current reform could easily be at risk if political will fades, coalitions break or the Union of Serbia and Montenegro ceases to exist. Any downsizing or restructuring needs to answer basic questions first, which are normally described in Defense Strategies and Doctrines:

- What are the future threats and therefore main tasks of the VSCG?
- What size and structure of the VSCG is needed to respond to these?

As the VSCG is currently the last remaining strong institution linking Serbia with Montenegro, it is easy to predict the following scenario: in 2006, Montenegro declares its independence, abolishes its Navy, and replaces remaining VSCG-units with other loyal Montenegrin security providers to guarantee its autonomy and prevent Serbian military pressure. The whole resettlement set-up and the overall structure of the VSCG would once again need a re-adjustment. The tactical games that have been played by politicians from Montenegro with regard to the Defense Strategy in 2004 seem to indicate the growing possibility of such a scenario.

The MoD seems to be determined that there are no other options: PRISMA has to be implemented to avoid increased disappointment and frustration within the VSCG and to improve its functionality. Moreover, in addition to creating professional structures within the VSCG for retraining and resettlement now and in the future, PRISMA aims to provide social security to military personnel who are afraid of loosing their profession and having no prospects for the future.

This uncertainty about the future is mirrored in various ways by differing numbers contained in PRISMA project documents, analysis by defense advisors and interviews conducted by the author. Though the official PRISMA document targets 5,100 redundant personnel (including 500 civilians) for retraining and resettlement¹⁰⁹, the same document as well as representatives from the GS, the Ministry of Defense, and the UK Embassy estimate that 10-12,000 civilians will either be discharged or detached from the VSCG.¹¹⁰ This difference can be partly explained by the fact that the latter numbers also include those touched by retirement schemes and organizational detachment of their work place (library, museum, etc.) from the core structure of the VSCG. In addition, civilian employees in the VSCG by and large are seen as having a "civilian education" and are therefore more likely to find employment outside the armed forces.¹¹¹ Thus the main beneficiaries of the PRISMA activities will be officers (3,500) and NCOs (1,000).

Figure 15: Predicted reduction of the VSCG, 2004–2010

Source: PRISMA Project Document, May 2004

	2004	2005	2006	2007	2008	2009	2010	Total until 2010
<i>Retirement</i>	2,250	1,350	1,350	1,350	1,300	1,200	1,200	9,000
<i>Organizational detachment</i>	200	1,500	2,500	1,300	1,500	500	-	7,500
<i>Redundant personnel</i>	100	800	800	900	850	850	800	5,100
Total reduction per year	2,550	3,650	4,650	3,550	3,650	2,550	2,000	21,600

With the new Defense Strategy now finally in place, it is important to crosscheck again the measures planned for restructuring and downsizing the VSCG.

Program design and institutional set-up

The PRISMA project is based on a thorough analysis of resettlement and retraining programs and experiences in Bulgaria, Ukraine, Russia and the United Kingdom. Representatives from the General Staff and the Ministry of Defense, who are predominantly in charge of design and implementation of PRISMA, have visited a similar set-up run by an NGO¹¹² in Bulgaria and have benefited from training¹¹³ by the UK-based Manchester Business School and Right Coutts—The Career Transition Partnership.¹¹⁴ In addition, the VSCG GS and other representatives from the MoDs of the Western Balkans exchanged information and experiences concerning resettlement and retraining through the “Working Group on Demobilization and Reintegration for the Western Balkans”, run by the Geneva Center for the Democratic Control of the Armed Forces (DCAF).

It is important to highlight that the PRISMA document very much acknowledges the difficult circumstances under which the current reform takes place. The economic development and

labor market situation, as described on p. 9 ff of this *brief*, will have an especially crucial influence on the size and structure of PRISMA. Indeed, all the numbers and calculations might change during the implementation phase leading to 2010.

A unique, and from the author's point of view very positive feature of PRISMA, is its emphasis on social responsibility when it comes to the downsizing and discharge of personnel. PRISMA acknowledges the fact that a “large number of army members are the sole moneymakers in the family”¹¹⁵ and will try to use principles and special selection criteria to meet their needs. This is also reflected in the questionnaire for the application for support through PRISMA, in which questions regarding the number of unemployed family members and the housing situation of the applicant are included as valid criteria for selection.¹¹⁶ Overall, the registration and selection procedures of redundant personnel for PRISMA support are very well thought through, and also constitute a good overview of and source of data on the skills and levels of education of the military personnel in the VSCG in general.

The institutional set-up of PRISMA is threefold: The highest level of coordination is the National Council for

Redundant Personnel of the VSCG (NCRP) at the Union level, which was established in summer 2004. The NCRP comprises representatives from the Ministries of Labor and Finance of the two republics¹¹⁷, as well as the Ministry of Defense of SaM, and will be in charge of overseeing PRISMA. An Inter-Ministerial Council (IMC) with representatives from the operational levels of these ministries, plus members from other organizations (Employer's Organization, Chambers of Commerce, etc.), other involved ministries (Education, Economy) and the General Staff of the VSCG will meet once a month to analyze the ongoing implementation and make changes and amendments as needed.¹¹⁸ Though this inter-agency approach is very reasonable and could have a positive impact on the program, the decision-making process and the hierarchy within the IMC is not quite clear. Much will probably depend on the motivation and expertise of its members.

In addition, the main decision-making body seems to be the Project Managing Body (PMB) established by the MoD, which is supposed to manage the whole program, including the “control of the entire process of redundant personnel resettlement”.¹¹⁹ From the information obtained through interviews and documents, the author assumes that the General Staff and the Ministry of

Defense would be in main control of the whole implementation, including of the Regional Resettlement Centers. Experiences in other countries have shown that an independent agency might be better suited for the overall coordination of reduction and resettlement instead of having the MoD and GS decide about issues that have a direct impact upon their own size, structure and composition. The Bulgarian example, with the NGO Resource Center Foundation in charge of the resettlement centers, has proven that independent agencies have the ability to conduct such measures.¹²⁰ MoD representatives claim that there is a lack of competent and well-equipped NGOs in SaM to take up such a task.¹²¹ However, the Atlantic Council (AC) of Serbia and Montenegro, a Belgrade-based NGO, has twice offered the MoD to design and implement a resettlement and retraining project.¹²² The proposal from the AC is very much in line with the Bulgarian model—a model that has also influenced the design of the currently implemented PRISMA.¹²³ The AC favors a consortium of NGOs in charge of resettlement and retraining in place of the MoD.¹²⁴ Representatives from the AC still hope to be included in some PRISMA activities in the future and plan to submit another proposal to the MoD soon.¹²⁵ Indeed, PRISMA is officially open to NGO contributions: “NGOs may get involved in the project preparation, direct realization of its contents and control and evaluation of the quality of realization”.¹²⁶ Though past rejections seem to show a lack of substantial interest by the MoD in allowing such involvement, recent talks to MoD representatives indicate a growing acknowledgement of the potential added value of NGOs in the project.¹²⁷

In general, the current project document of PRISMA shows a very detailed and well thought out distribution of tasks to all civilian and military partners. The involvement of Employer's Organizations and Chambers of Commerce could constitute an especially important link to the market.

The main bodies of implementation are the aforementioned Regional Resettlement Centers (RRC) of the MoD, which will conduct the immediate first steps with redundant personnel. Four RRCs are planned in Belgrade, Nis, Podgorica and Novi Sad. To date, the RRC in Belgrade is fully equipped and has been operating since September 2004.¹²⁸ The MoD has trained forty military managers, psychologists and counselors selected from within the MoD and VSCG for the four RRCs. Based on UK job descriptions, the staff of the RRC will run various activities for all redundant personnel, including NCO and civilian employees of the VSCG. The starting point is a personnel interview and counseling session with each individual of about one to two hours.¹²⁹ Using a very detailed questionnaire, the RRC will build up a database for all redundant personnel, and this will be updated to capture the situation of each individual for a period of two years after discharge. During these two years, clients can use the basic services of job counseling as often as they require them. This will enable a thorough analysis of the efficiency and adequacy of the RRC's work, to amend and improve their services in the future. The main service of the RRCs is the so-called “Motivation Course”. This course, which is based on British course descriptions, takes three days and will be taught to groups of about 10-15 persons. The main features include:

- Skills for job searching
- Formulating a CV and a cover letter
- Interview techniques
- Assessment of individual capacities and opportunities.

Another main goal of the course, as well as of the services of the RRCs in general, is to increase the confidence of each participant and to reduce their fear of uncertainty and unemployment. This also includes the task of providing information to all the military personnel of the VSCG in order to prepare them

and to increase the number of volunteers for resettlement. Retraining should be voluntary but not many members of the VSCG are able to take the risk of losing their job without the guarantee of getting a new one through PRISMA. The RRC in Belgrade was able to attract some media coverage and, through this direct provision of information to each military unit, more and more currently employed military personnel are showing an interest by calling or passing by the RRC to get more information.

Traumatic experiences are unfortunately not dealt with explicitly at the RRCs, though it is likely that some of the current military personnel are facing such problems.¹³⁰ When discharged and put into a situation with uncertain prospects for the future, such problems can increase and limit the person's abilities to find a job and resettle outside the “stable” hierarchy and structure of the armed forces. This could also have an impact on families and communities. Asked about that problem, the RRC indicated that the counselor would involve a psychologist if the client showed signs of psychological or trauma-related difficulties. Nevertheless the RRC does not think that this will be a general issue in their work, but rather that it will be dealt with in individual cases.¹³¹ Taking into account the complexity of such disorders it might be reasonable to have a trained psychologist involved in counseling sessions.

The author met a very enthusiastic, motivated and knowledgeable team at the RRC in Belgrade, eager to support the redundant personnel and stressing their social responsibility for guaranteeing the smooth reintegration of their clients. All staff has a military background, which was itself favored by the main donor and informer of the project, the UK. The RRC sees the main advantage of this setup as providing counseling to the military by the military. The RRC staff knows the

issues from their own experience and the clients are more likely to open up in front of "comrades".¹³² Though a valid point, some issues like personal problems and traumas might not be raised due to certain dominating cultures which are especially strong within armed forces—showing "weakness" might not be an option in such a setting. The RRC could perhaps include within its structures representatives from the other partner organizations in the Inter-Ministerial Council (IMC). Dealing with civilian counterparts at an early stage could be beneficial for redundant personnel.

The RRCs are meant to provide the first and basic services to all redundant personnel of the MoD and VSCG who do not meet retirement schemes, including civilians. Resettlement Training Centers (RTCs), on the other hand, will be available mainly to officers and only to some extent to NCOs. Again, the assumption is that civilian employees already hold suitable civilian qualifications for the job market, while officers need to retrain. The first RTC opened in Belgrade in September 2004. Unlike the RRC, the RTC is established at a civilian institute, the Faculty of Organizational Sciences (FON) of the University of Belgrade, and run by the civilian staff of the University.¹³³ The staff employed in the training center has been trained by the UK initiative and closely cooperates with IMC and its partners. The previously mentioned analysis of the labor market by the National Employment Service directly informs the choice of professions to be trained to match existing demand in the regions. The first round of 97 officers that started their retraining on 6 September 2004 have been trained for professions that a first analysis by the National Employment Service showed to be in demand.¹³⁴ A second group of 100 officers are currently being trained. Apart from the retraining center in Belgrade, another retraining center for VSCG officers is about to be opened in Nis. It is expected to be established in

the first half of the year 2005, meaning that the retraining of the first group of officers could begin already in May or June 2005. The center will be financed by the Netherlands; the respective contract was signed in the Dutch Embassy in Belgrade on 30 December 2004. The retraining of 400 officers will be carried out in four cycles over the next two years by the School of Mechanical Engineering in Nis.

Pilot retraining in Belgrade has created impressive employment numbers; 53 of 96 retrained officers found new jobs thus far (55.2 percent).¹³⁵ It is too early to predict the sustainability of these positive results. The MoD has stressed the importance of the pilot scheme's success; that is, leading to the employment of a significant share of the first group. Much will depend on it, especially in terms of attracting more officers to leave their positions and apply for resettlement. Most of the resettlement measures require motivated volunteers to be successful, and confidence in finding further employment will foster motivation.

As mentioned above, the services of the RTC are mostly for officers. In addition, the MoD is also trying to establish retraining services for NCOs and civilian personnel. As there is not enough money to set up additional training centers, and because the MoD wants to avoid the duplication of structures, representatives of the MoD are currently discussing the inclusion of these target groups in training courses provided by Adult Training Centers (ATC). These centers will be established in the framework of the EU CARDS project¹³⁶. Five have opened so far and an additional four will be launched soon. The centers will conduct retraining at secondary school level. CARDS project representatives have already expressed their interest in including

NCO and civilian employees from the VSCG in these activities.¹³⁷ This action would amount not only to a cost-efficient solution to the issue, but could also provide a beneficial cross-reference of the ATCs and the RTCs of PRISMA.

PRISMA also contains some measures for Small and Medium Enterprise (SME) development. These activities have proven to be both successful and beneficial to the overall economy—as was the case in Bosnia.¹³⁸ The first provision of training for self-employment/SME is planned at the RRCs. In addition, SME-specialists at the International Labor Organization (ILO) have been contacted and will hopefully become involved in SME-training. The MoD also plans to provide so-called "extra-ordinary severance pays with the aim of self-employment".¹³⁹ Though this could be a good initiative, there is no description of either the criteria for receiving such a grant or the amount that is envisaged by the MoD. Moreover, this part of the project will depend on "the available financial resources".¹⁴⁰ Without more clarification, this component could easily be open to corruption. It is also strange that this mere four-sentence-long description of an uncertain activity is nevertheless calculated in the overall budget at about € 17 million.¹⁴¹

Another rather vague part of PRISMA is the program for "providing loans to a known employer".¹⁴² This component is meant to at once help the redundant person to find a job and stimulate parts of the economy by providing loans. The idea of providing loans without interest to employers if they employ ex-military personnel throughout the repayment period to the MoD sounds interesting. But again, it leaves too much room for corruption.¹⁴³ For example, there is no clear independent agency and no list of criteria to assess and decide what constitutes a "known employer".

Nevertheless, calculations have been made and the budget proposes € 43,83 million for this component, about 30 percent of the total sum of PRISMA.

Severance pay

PRISMA also includes the provision of severance pay for all professional members of the armed forces (officers, NCOs, civilian employees) that will be made redundant. Though the MoD had planned to decide upon the amount of severance pay by summer 2004, there has not yet been an agreement. Currently the MoD is thinking about not fixing the amount for each individual, but rather calculating it based on certain criteria, especially the time spent in the military.¹⁴⁴ Yet again, despite its

seemingly non-quantifiable nature, the PRISMA budget includes an estimated € 43,74 million for severance pay until 2010—which constitutes also about 30 percent of the overall sum and is planned to be completely covered by the military's own sources.

Funding

Funding constitutes the biggest threat to PRISMA's realization. The MoD has planned to rely equally on internal and external sources for implementing the project. Most of the internal funds are meant to be acquired through the Defense Reform Fund (DRF). Established in May 2004, this fund administers the property and other assets of the VSCG and MoD, which

could be either rented out or sold. The DRF will function in general as a supplement to the MoD budget. This approach is heavily criticized as being short-term and of using up the valuable assets of the MoD to cover running costs of the VSCG.¹⁴⁵ In addition, the MoD lacks the expertise to run the DRF and the whole set-up can easily be targeted for corruption. Therefore, consideration should be given to establishing an independent government agency to run the DRF.¹⁴⁶ Nevertheless, the DRF has not been operational yet due to some unresolved property issues: without changing the constitution it will not be possible for the MoD and DRF to claim military property to be "theirs" and to therefore be able to sell it. Still, the DRF is already compiling a list of property items and collecting papers to prove the ownership of the army.¹⁴⁷ In addition to the difficult discussions at the Union level regarding the ownership of military property in both Republics, the DRF will be facing property claims and serious legal issues from persons whose property was confiscated during communist times.¹⁴⁸ Under these circumstances it can take months or even years until legal ownership of the MoD over military property is clarified and the DRF made operational. Finally, under the current economic situation in Serbia and Montenegro, it will be difficult to realize significant funds through the lease or selling of military assets.

Despite these obstacles regarding internal funds, the PRISMA project has already calculated first estimates for overall expenses for resettlement and retraining until 2010. These calculations are very detailed and reasonable, but the overall budget might be more than PRISMA will be able to receive through the DRF and from international donors.

The overall sum of € 138 million will constitute a significant financial burden on the defense budget in the coming years if international funds and loans are not realized and if even a slow predicted recovery of the economy of

Figure 16: Predicted expenses and potential source of funds

Source: PRISMA Project Document, May 2004, p. 29

Source	Amount in Euro	Percentage
a) Initial program costs		
Own	10,785,626	47.53%
Foreign	11,905,958	52.47%
Total	22,691,584	100.00%
b) Costs of further program realization		
Own	56,654,434	49.19%
Foreign	58,526,187	50.81%
Total	115,180,621	100.00%
Total Program Costs		
Own	67,440,060	48.91%
Foreign	70,432,145	51.09%
Total	137,872,205	100.00%

Figure 17: Comparison of external funds for resettlement or demobilization projects in Southeast Europe

Source: Numbers provided by Stability Pact for SEE, Working Table III, July 2004; Heinemann-Grüder and Pietz, 2003

	Bosnia and Herzegovina	Croatia	Bulgaria	Romania
<i>External funds/loans</i>	Funds received: World Bank (1996–2003): US \$23.5 m; IOM (2002–04): US \$10–15 m	Funds received: IOM (2003–2006): US \$4.4 m Funds/loans expected for project implementation: US \$120 m	Funds received/calculated per year: US \$1 m	Loans received: World Bank (2001): US \$500,000 Total loans: World Bank (2002–2004): US \$3 m

Serbia and Montenegro does not take place.¹⁴⁹ However, the internal costs of about € 10 million per year for basic resettlement and can still be achieved retraining for six years.

On the other hand, the share of over 50 percent or about € 70 million to be provided by international donors or as loans from the World Bank is a very ambitious goal. Looking at other resettlement projects in the region, it seems that the interest of International Finance Institutions (IFI) is not strong enough and may even be decreasing (see figure 17).

Croatia is currently planning a similar project with similar amounts of expected external funding. In both cases the realization of such funds is questionable. Even Bosnia and Herzegovina—whose first World Bank project was a clear post-conflict demobilization and reintegration measure with about 23,000 beneficiaries¹⁵⁰—was not able to acquire international funds at the level requested by the MoD of Serbia and Montenegro. And Bosnia and Herzegovina was very high on the agenda of the international community at that time. Even loans from the World Bank are not likely to

cover the predicted demand. Romania, for example, was only able to attract loans of about US \$3 million for a three-year program.

So far, PRISMA has received financial support from the UK, Norway, and the Netherlands. NATO's Economic Directorate sent their Expert Team for Retraining to Belgrade in 2004 to provide comments on the design of PRISMA. Moreover, NATO's Economic Directorate is currently discussing with the Council of Europe Development Bank the possible funding of technical equipment in the RTCs.¹⁵¹ The UK Ministry of Defense signed a Memorandum of Understanding with the MoD of Serbia and Montenegro on 9 July 2004 in which it was agreed that the UK will pay all costs of the teaching staff and administrative personnel of the RTCs of PRISMA. Altogether, the UK promised to commit itself financially with up to € 450,000 per year for resettlement and retraining in SaM.¹⁵² The Netherlands signed a contract on 17 January 2005 to finance the establishment of a training

center in Nis, the training of the personnel deployed to the center as well as the training of redundant military officers in the center. The value of the project is 700,000 euros.¹⁵³ Another grant of 100,000 euros has been approved recently by the Council of Europe Development Bank for one of the retraining centers. Following a review meeting in February 2005, the management of PRISMA decided to consider the establishment of a retraining center for NCOs instead of opening a fourth retraining center for officers. This move seems logical, taking into account that next to the 3,500 officers, 1,000 NCOs are also supposed to be discharged over the next years. Members of the Nordic Initiative¹⁵⁴ present at the meeting signaled their interest in supporting such a center with either funds or equipment.

Though there seems to be not much room for reducing the expenses of PRISMA with regard to the RRC and RTC measures, the MoD should think about alternatives for financing and implementing other components of PRISMA. It might be reasonable to

reduce the 80 million euros reserved for employment activities. These activities include the aforementioned projects for "extraordinary severance payment" and "loans to a known employer"¹⁵⁵, which seem somewhat uncertain and difficult to quantify at this point anyway, though subsidizing jobs could have a positive effect for employing redundant military personnel and contributing to general economic recovery. Nevertheless, without those projects, the predicted budgetary need would be reduced from 138 million euros to about 77 million euros. In addition, the MoD's intelligent approach of including the training of NCO and civilian employees in CARDS measures could be applied to other parts of the project. Some of it could be realized at the institutions and with the personnel and capacities of the IMC, or as part of currently implemented development and employment projects by the international community: the ILO's project on Social Finance for Support to Self-employment, for example, which will be implemented in 2004–05, or the ILO Local Development Initiatives (LDI).

Nonetheless, the MoD was able to finance through its own and foreign funds the infrastructure, staff, and courses for resettlement and retraining. The first pilot scheme is fully funded. Therefore, the most important step—starting the process and establishing the basic committees, partnerships, and training centers—has been successfully taken. After years of immobility and political instability in Serbia and Montenegro and with the recent changes at the elections and the ongoing trouble of keeping the Union State, it is more than surprising that the MoD and the General Staff have been able to implement this first phase. It seems it was the sense of responsibility of the employees within these institutions—rather than the politicians—which pushed this important part of VSCG reform forward during the last two years. The professionalism and skills of the current manager of PRISMA in particular contributed to this positive

development. It seems that PRISMA can create a drive that will keep the reduction and resettlement process going even if changes in the political or economic arenas occur.

Decisive issues for success or failure

There are of course some remaining risks for the ongoing resettlement and retraining measures. Next to the mentioned reliance on the economic development and the inflow of foreign funds, the success of PRISMA will depend on several factors:

- The professionalism of the staff at the RRC to provide the clients with efficient help and valuable information.
- The same is true for the retraining center at the Faculty of Science.
- A high success rate of the first groups of officers currently trained: a majority must obtain a job to create a positive feedback effect for PRISMA and for the overall climate in the VSCG regarding reform and restructuring.
- An official plan for the structure and size of the armed forces in ten years time, based on a thorough analysis and the new Defense Strategy and Military Doctrine of Serbia and Montenegro, which has been finally adopted by the Union Parliament.
- The solution of property issues and successful implementation of the Defense Reform Fund (DRF): a high share of the internal funds depends on the functioning of the DRF.
- Continuous volunteerism for resettlement and retraining: there is no way of writing a CV or learning interview techniques against one's will.

Conclusions

After years of immobility the reform of the military seems to have finally gained momentum. This positive development is all the more astonishing given the political instability and rapid changes which have occurred during the last two years and which are likely to interfere in the near future. It is a signal of hope for the region that—only five years after the NATO bombing campaign—a coalition within the parliament and a majority of people outside on the streets are endorsing the membership of Serbia and Montenegro in NATO's Partnership for Peace Program¹⁵⁶. This endorsement is also reflected in the new Defense Strategy for Serbia and Montenegro.

Nevertheless, the military reform has to overcome various obstacles. The analysis undertaken in this *brief* revealed the main problem of the VSCG today: its unfavorable and dysfunctional structure and composition regarding ranks and age, which is not likely to change rapidly in the near future.

In a region where almost all neighboring countries are either NATO or PfP members and where there is a strong presence of international forces, Serbia and Montenegro can maintain a smaller army without putting itself at risk. A reduced army could also lessen the financial burden—freeing more money for modernization of the VSCG. Though Serbia and Montenegro is eager to join PfP, it might also debate whether or not it is reasonable to take a slower approach—Croatia was admitted to PfP four years after its application. A longer time horizon could reduce some of the financial pressure of modernization that can come with the membership in PfP and with a Membership Action Plan.

Within the ongoing military reform measures, the Program for Resettlement of Redundant Military Personnel (PRISMA) constitutes the largest activity. PRISMA represents an ambitious project based on a thorough analysis of other cases and experiences for resettlement in the region and beyond. It very much stresses the social responsibility of the state towards the military personnel which will be discharged until 2010, but also aims to establish long-term structures for retraining and continuing education within the VSCG that would attract motivated recruits to serve in the army. Though most of the resettlement and retraining centers are established and the first pilot retraining of officers is currently underway, PRISMA's main risk is the lack of funds for continuation. It will be difficult for the MoD to receive the large envisaged contributions from international financing institutions. Moreover, the second financial fundament of military reform, the Defense Reform Fund, is not likely to function or to lease and sell enough military assets to guarantee the needed monetary inflow. These practical considerations exist apart from general questions of whether selling military assets to finance the military budget is the right approach, because it uses up valuable resources for short term measures.

In an economy struggling with modernization and decreasing employment it will not be easy to successfully reintegrate ex-military personnel into the labor market. It is important that the Ministry of Defense finally undertakes a study on the whereabouts, the successes and failures of the over 21,000 persons who left the VSCG voluntarily without pension entitlements over the 1995 to 2004 period. This could inform the resettlement and retraining measures to avoid mistakes and to show the actual needs of this group. Also key to any

resettlement program is that a follow-up mechanism be built into the program, to constantly adjust as necessary.

This *brief* revealed that military pensioners generally earn the average net salary in Serbia and Montenegro, which enables them to live a decent though not luxurious life. With regard to the under-researched and socially marginalized group of war veterans, one could consider changing current financing priorities at the government level. Often the reintegration of ex-military personnel is justified by the potential threat that this group poses to society when reduction takes place—which was also mentioned by some interviewees regarding the need for PRISMA. Yet war veterans engaged in organized crime are likely to be a bigger threat to society. Redundant personnel from PRISMA, pensioners and war veterans as well as other vulnerable groups in Serbia and Montenegro today should all be equally considered for support, based on justified criteria. These criteria should include the level of education and the current economic or social situation of the members of all groups, for example. The inclusion of NCO and civilian employers of the VSCG at training centers sponsored by CARDS might be a good approach for the future: using existing structures and avoiding duplication while including different target groups in the same support activity.

Recommendations

- A greater reduction of the armed forces (down to about 20,000 professional members) could help to achieve a more reasonable composition of the VSCG in terms of age and ranks, for example, and could free more money for modernization. However, funding for the resettlement process is key.
- More independent supervision of PRISMA and stronger involvement of civilian partners and NGOs in some of its components to guarantee a balanced selection of beneficiaries, professional counseling, and non-military perspectives on arising problems.
- In order to secure PRISMA's existence and activities it might be reasonable to make its structure and measures independent of external funds and the uncertain success of the Defense Reform Fund.
- Intensified integration of the civilian partners in PRISMA (Ministries, Employer's Organizations, etc.), including the delegation of their personnel to the RRCs and RTCs, to reduce costs and secure up-to-date civilian knowledge.
- Increased availability of civilian infrastructure like employment counseling and vocational training for military personnel—maybe through agreements with existing regional employment bureaus, training institutions, etc.
- Follow-up mechanism after 6 months, 12 months or 24 months to ensure that the program is effective.

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List of Selected Acronyms and Abbreviations

AC	Atlantic Council
AMH	Association for Mental Health/Protection of War Veterans and Victims of War
ATC	Adult Training Center
CARDS	EU Community Assistance for Reconstruction, Development and Stabilization
CNA	Center for Non-Violent Action
CO	Conscientious Objectors
CSD	Yugoslav Dinar
DCAF	The Geneva Center for the Democratic Control of Armed Forces
DRF	Defense Reform Fund
DS	Democratic Party
DSS	National-Conservative Democratic Party
FON	Faculty of Organizational Sciences at the University of Belgrade
FRY	Federal Republic of Yugoslavia
GS	General Staff of the Armed Forces
IFI	International Finance Institution
ICTY	International Crime Tribunal for the Former Yugoslavia
ILO	International Labor Organization
IMC	Inter-Ministerial Council
JNA	The Yugoslav People's Army
LDI	ILO Local Development Initiatives
MoD	Ministry of Defense
MUP	Ministry for the Interior
NATO	North Atlantic Treaty Organization
NCO	Non-Commissioned Officer
NCRP	National Council for Redundant Personnel of the VSCG
NGO	Non-Governmental Organization
OSCE	Organization for Security and Cooperation in Europe
PfP	Partnership for Peace
PMB	Project Managing Body
PRISMA	Program for Resettlement in Serbia-Montenegro's Army
RRC	Regional Resettlement Center
RTC	Resettlement Training Center
SaM	Serbia and Montenegro
SME	Small and Medium Enterprises
SPS	Socialist Party
SRS	Serbian Radical Party
TDF	Territorial Defense Forces

Annex

Annex figure 1: Structure and size of the JNA, 1990–1995

Source: Respective annual editions of *The Military Balance*, International Institute for Strategic Studies

	1990	1991	1992	1993	1994	1995
Yugoslavia						
Total Active	180,000	180,000	135,000	136,500	126,500	126,500
<i>Of which Conscripts</i>	101,400	101,400	44,500	60,000	60,000	60,000
Army	138,000	138,000	100,000	100,000	90,000	90,000
<i>Of which Conscripts</i>	93,000	93,000	37,000	37,000	37,000	37,000
Navy	10,000	10,000	6,000	7,500	7,500	6,000
<i>Of which Conscripts</i>	4,400	4,400	4,500	unknown	unknown	4,500
Navy (Marines)	900	900	900	900	900	900
Navy (Coastal Defense)	2,300	2,300				
Air Force	32,000	32,000	29,000	29,000	29,000	29,000
<i>Of which Conscripts</i>	4,000	4,000	3,000	3,000	3,000	3,000
Reserves (Terr Def Force)	510,000	510,000	400,000	400,000	400,000	400,000
Army	440,000	440,000				
Navy	43,000	43,000				
Air Force	27,000	27,000				
Para-Military	15,000	15,000				
Frontier Guards	15,000	15,000				
Civil Defense	2,000,000	2,000,000				
Republika Srpska Bosnia	<i>Non Applicable</i>		67,000	80,000	80,000	75,000
Republika Srpska Krajina	<i>Non Applicable</i>		16,000	45,000	45,000	45,000

Annex figure 2: Number of army personnel per personnel category, 1995

Source figures 2-15: General Staff of the VSCG. July 2004

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	2	1,165	1,167
	Lieutenant	2	1,133	1,135
	Captain	1	1,502	1,503
	I class Captain	5	2,092	2,097
	Major	3	2,487	2,490
	Lieutenant Colonel	22	2,969	2,991
	Colonel	12	1,776	1,788
	Generals-Admirals		82	82
TOTAL OFFICERS		47	13,206	13,253
NCO	Sergeant	5	2,399	2,404
	I class Sergeant	8	1,766	1,774
	Senior Staff Sergeant	10	1,882	1,892
	I class Senior Staff Sergeant	8	1,848	1,856
	Sergeant Major	1	756	757
	Warrant Officer one		1,702	1,702
TOTAL NCO		32	10,353	10,385
Civilian personnel on budget		8,703	10,018	18,721
TOTAL CIVILIAN PERSONNEL		8,703	10,018	18,721
Contracted soldiers		269	8,605	8,874
TOTAL CONTRACTED SOLDERS		269	8,605	8,874
TOTAL ARMY PERSONNEL		9,051	42,182	51,233

Annex figure 3: Number of army personnel per personnel category, 1996

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	3	941	944
	Lieutenant	4	1,159	1,163
	Captain	2	1,464	1,466
	I class Captain	5	2,138	2,143
	Major	3	2,335	2,338
	Lieutenant Colonel	22	2,900	2,922
	Colonel	12	1,800	1,812
	Generals-Admirals		82	82
TOTAL OFFICERS		51	12,819	12,870
NCO	Sergeant	3	2,667	2,670
	I class Sergeant	9	2,007	2,016
	Senior Staff Sergeant	11	1,993	2,004
	I class Senior Staff Sergeant	8	1,929	1,937
	Sergeant Major	1	725	726
	Warrant Officer one		1,594	1,594
TOTAL NCO		32	10,915	10,947
Civilian personnel on budget		9,263	9,850	19,113
TOTAL CIVILIAN PERSONNEL		9,263	9,850	19,113
Contracted soldiers		338	11,329	11,667
TOTAL CONTRACTED SOLDERS		338	11,329	11,667
TOTAL ARMY PERSONNEL		9,684	44,913	54,597

Annex figure 4: Number of army personnel per personnel category, 1997

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	2	951	953
	Lieutenant	3	1,262	1,265
	Captain	2	1,327	1,329
	I class Captain	4	1,979	1,983
	Major	4	2,304	2,308
	Lieutenant Colonel	17	3,074	3,091
	Colonel	9	1,750	1,759
	Generals-Admirals		80	80
TOTAL OFFICERS		41	12,727	12,768
NCO	Sergeant	2	2,380	2,382
	I class Sergeant	10	2,306	2,316
	Senior Staff Sergeant	12	2,154	2,166
	I class Senior Staff Sergeant	7	1,813	1,820
	Sergeant Major		1,035	1,035
	Warrant Officer one		1,477	1,477
TOTAL NCO		31	11,165	11,196
Civilian personnel on budget		9,196	9,386	18,582
TOTAL CIVILIAN PERSONNEL		9,196	9,386	18,582
Contracted soldiers		324	10,832	11,156
TOTAL CONTRACTED SOLDERS		324	10,832	11,156
TOTAL ARMY PERSONNEL		9,592	44,110	53,702

Annex figure 5: Number of army personnel per personnel category, 1998

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant		874	874
	Lieutenant	2	1,148	1,150
	Captain	3	1,321	1,324
	I class Captain	4	1,955	1,959
	Major	4	2,295	2,299
	Lieutenant Colonel	12	3,077	3,089
	Colonel	9	1,789	1,798
	Generals-Admirals		75	75
TOTAL OFFICERS		34	12,534	12,568
NCO	Sergeant	2	2,073	2,075
	I class Sergeant	11	2,717	2,728
	Senior Staff Sergeant	12	2,214	2,226
	I class Senior Staff Sergeant	7	1,675	1,682
	Sergeant Major		1,198	1,198
	Warrant Officer one		1,349	1,349
TOTAL NCO		32	11,226	11,258
Civilian personnel on budget		9,188	9,403	18,591
TOTAL CIVILIAN PERSONNEL		9,188	9,403	18,591
Contracted soldiers		271	9,082	9,353
TOTAL CONTRACTED SOLDERS		271	9,082	9,353
TOTAL ARMY PERSONNEL		9,525	42,245	51,770

Annex figure 6: Number of army personnel per personnel category, 1999

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant		812	812
	Lieutenant	2	1,007	1,009
	Captain	2	1,233	1,235
	I class Captain	5	1,833	1,838
	Major	4	2,167	2,171
	Lieutenant Colonel	12	3,064	3,076
	Colonel	8	1,719	1,727
	Generals-Admirals		83	83
TOTAL OFFICERS		33	11,918	11,951
NCO	Sergeant	1	2,557	2,558
	I class Sergeant	12	2,686	2,698
	Senior Staff Sergeant	13	2,083	2,096
	I class Senior Staff Sergeant	6	1,614	1,620
	Sergeant Major	1	1,448	1,449
	Warrant Officer one		1,149	1,149
TOTAL NCO		33	11,537	11,570
Civilian personnel on budget		8,912	8,899	17,811
TOTAL CIVILIAN PERSONNEL		8,912	8,899	17,811
Contracted soldiers		214	6,944	7,158
TOTAL CONTRACTED SOLDERS		214	6,944	7,158
TOTAL ARMY PERSONNEL		9,192	39,298	48,490

Annex figure 7: Number of army personnel per personnel category, 2000

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant		830	830
	Lieutenant	1	950	951
	Captain	2	1,165	1,167
	I class Captain	5	1,567	1,572
	Major	4	2,054	2,058
	Lieutenant Colonel	12	2,967	2,979
	Colonel	6	1,615	1,621
	Generals-Admirals		75	75
TOTAL OFFICERS		30	11,223	11,253
NCO	Sergeant	3	2,634	2,637
	I class Sergeant	12	2,961	2,973
	Senior Staff Sergeant	13	2,247	2,260
	I class Senior Staff Sergeant	6	1,614	1,620
	Sergeant Major	1	1,531	1,532
	Warrant Officer one		969	969
TOTAL NCO		35	11,956	11,991
Civilian personnel on budget		9,106	9,102	18,208
TOTAL CIVILIAN PERSONNEL		9,106	9,102	18,208
Contracted soldiers		184	6,701	6,885
TOTAL CONTRACTED SOLDERS		184	6,701	6,885
TOTAL ARMY PERSONNEL		9,355	38,982	48,337

Annex figure 8: Number of army personnel per personnel category, 2001

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant		936	936
	Lieutenant	1	858	859
	Captain	2	1,206	1,208
	I class Captain	5	1,514	1,519
	Major	4	1,930	1,934
	Lieutenant Colonel	12	2,905	2,917
	Colonel	5	1,682	1,687
	Generals-Admirals		70	70
TOTAL OFFICERS		29	11,101	11,130
NCO	Sergeant	4	2,798	2,802
	I class Sergeant	13	3,013	3,026
	Senior Staff Sergeant	14	2,634	2,648
	I class Senior Staff Sergeant	6	1,659	1,665
	Sergeant Major	1	1,619	1,620
	Warrant Officer one		824	824
TOTAL NCO		38	12,547	12,585
Civilian personnel on budget		9,122	9,501	18,623
TOTAL CIVILIAN PERSONNEL		9,122	9,501	18,623
Contracted soldiers		204	6,756	6,960
TOTAL CONTRACTED SOLDIERS		204	6,756	6,960
TOTAL ARMY PERSONNEL		9,393	39,905	49,298

Annex figure 9: Number of army personnel per personnel category, 2002

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	1	951	952
	Lieutenant	1	926	927
	Captain	2	1,151	1,153
	I class Captain	4	1,391	1,395
	Major	5	1,834	1,839
	Lieutenant Colonel	11	2,784	2,795
	Colonel	5	1,542	1,547
	Generals-Admirals		51	51
TOTAL OFFICERS		29	10,630	10,659
NCO	Sergeant	4	2,612	2,616
	I class Sergeant	10	3,213	3,223
	Senior Staff Sergeant	12	3,010	3,022
	I class Senior Staff Sergeant	7	1,657	1,664
	Sergeant Major	1	1,703	1,704
	Warrant Officer one		722	722
TOTAL NCO		34	12,917	12,951
Civilian personnel on budget		9,189	10,381	19,570
TOTAL CIVILIAN PERSONNEL		9,189	10,381	19,570
Contracted soldiers		223	6,219	6,442
TOTAL CONTRACTED SOLDERS		223	6,219	6,442
TOTAL ARMY PERSONNEL		9,475	40,147	49,622

Annex figure 10: Number of army personnel per personnel category, 2003

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	1	881	882
	Lieutenant	2	968	970
	Captain	2	860	862
	I class Captain	4	1,067	1,071
	Major	5	1,480	1,485
	Lieutenant Colonel	11	2,810	2,821
	Colonel	5	1,607	1,612
	Generals-Admirals		41	41
TOTAL OFFICERS		30	9,714	9,744
NCO	Sergeant	4	2,169	2,173
	I class Sergeant	9	3,406	3,415
	Senior Staff Sergeant	11	3,324	3,335
	I class Senior Staff Sergeant	7	1,788	1,795
	Sergeant Major	1	1,517	1,518
	Warrant Officer one		779	779
TOTAL NCO		32	12,983	13,015
Civilian personnel on budget		9,189	10,311	19,500
TOTAL CIVILIAN PERSONNEL		9,189	10,311	19,500
Contracted soldiers		246	7,335	7,581
TOTAL CONTRACTED SOLDERS		246	7,335	7,581
TOTAL ARMY PERSONNEL		9,497	40,343	49,840

Annex figure 11: Number of army personnel per personnel category, 2004

Personnel category	Rank	Gender		TOTAL
		Female	Male	
OFFICERS	Second Lieutenant	2	839	841
	Lieutenant	2	998	1,000
	Captain	1	795	796
	I class Captain	5	1,136	1,141
	Major	3	1,402	1,405
	Lieutenant Colonel	12	2,857	2,869
	Colonel	5	1,569	1,574
	Generals-Admirals		46	46
TOTAL OFFICERS		30	9,642	9,672
NCO	Sergeant	5	2,077	2,082
	I class Sergeant	8	3,018	3,026
	Senior Staff Sergeant	10	3,567	3,577
	I class Senior Staff Sergeant	8	1,849	1,857
	Sergeant Major	1	1,434	1,435
	Warrant Officer one		912	912
TOTAL NCO		32	12,857	12,889
Civilian personnel on budget		8,703	9,306	18,009
TOTAL CIVILIAN PERSONNEL		8,703	9,306	18,009
Contracted soldiers		269	7,272	7,541
TOTAL CONTRACTED SOLDERS		269	7,272	7,541
TOTAL ARMY PERSONNEL		9,034	39,077	48,111

Annex figure 12: Military pensions beneficiaries

Basis for utilizing the pension right	No. of users	TOTAL
full old-age pension	23,369	
disability pension	7,364	
early pension	647	52,115
administrative pension	3,096	
family pension	17,639	

Annex figure 13: Housing provided in the period, 1996 to 2004

Year	Service flat given (may be used only while in professional service in the Army)	Flat given on lease (which may be purchased) or loan for flat purchase	TOTAL
1996	332	271	603
1997	427	508	935
1998	301	475	776
1999	226	255	481
2000	215	1,285	1,500
2001	215	624	839
2002	205	3	208
2003	181	9	190
2004	5	236	241
TOTAL	2,107	3,666	5,773

Annex figure 14: Personnel drain from the army in the period from 1995 to 2003 per personnel category and reasons for service termination

Personnel category	Year	Reasons for service termination					TOTAL
		upon request, no right to pension	pension	contract expired	disciplinary reasons	other reasons	
OFFICERS	1995	113	314		37	34	498
	1996	250	256		29	38	573
	1997	105	302		20	57	484
	1998	107	347		98	9	561
	1999	125	443		25	374	967
	2000	136	438		7	66	647
	2001	33	378		8	31	450
	2002	35	679		4	84	802
	2003	51	837		5	18	911
TOTAL OFFICERS		955	3,994		233	711	5,893
NCO	1995	104	249		64	56	473
	1996	195	250		49	84	578
	1997	150	279		49	128	606
	1998	155	277		46	150	628
	1999	187	270		28	146	631
	2000	227	236		55	94	612
	2001	84	197		55	17	353
	2002	115	319		21	91	546
	2003	103	464		25	17	609
TOTAL NCO		1,320	2,541		392	783	5,036
CIVILIAN PERSONNEL	1995	1,407	769		586	376	3,138
	1996	423	403		400	114	1,340
	1997	306	297		84	171	858
	1998	351	243		108	134	836
	1999	472	399		235	162	1,268

CIVILIAN PERSONNEL	2000	521	858		95	99	1,573
	2001	316	883		111	51	1,361
	2002	217	192		21	75	505
	2003	349	205		59	159	772
TOTAL CIVILIAN PERSONNEL		4,362	4,249		1,699	1,341	11,651
CONTRACTED SOLDERS	1995	3,143		1,047			4,190
	1996	1,724		441			2,165
	1997	1,944		644			2,588
	1998	2,523		841			3,364
	1999	2,450		816			3,266
	2000	1,251		416			1,667
	2001	758		254			1,012
	2002	341		113			454
	2003	403		134			537
TOTAL CONTRACTED SOLDERS		14,537		4,706			19,243
TOTAL ALL PERSONNEL CATEGORIES	1995	4,767	1,332	1,047	687	466	8,299
	1996	2,592	909	441	478	236	4,656
	1997	2,505	878	644	153	356	4,536
	1998	3,136	867	841	252	293	5,389
	1999	3,234	1,112	816	288	682	6,132
	2000	2,135	1,532	416	157	259	4,499
	2001	1,191	1,458	254	174	99	3,176
	2002	708	1,190	113	46	250	2,307
	2003	906	1,506	134	89	194	2,829
TOTAL		21,174	10,784	4,706	2,324	2,835	41,823

Annex figure 15: Average pension per categories in 2004

Personnel category	Rank	No. of users	Average pension in CSD	Average pension per personnel category
GENERALS	Army General	4	34,449.15	26,299.60
	Colonel General	113	29,440.95	
	Lieutenant General	273	26,890.15	
	Major General	393	24,903.18	
TOTAL GENERALS		783		
OFFICERS	Colonel	7,536	21,330.96	17,407.27
	Lieutenant Colonel	10,974	17,893.68	
	Major	5,388	15,975.09	
TOTAL OFFICERS		32,438		
NCO	Warrant Officer one	11,437	14,120.61	13,058.35
	Sergeant Major	4,621	12,075.00	
	I class Senior Staff Sergeant	933	11,242.68	
	Senior Staff Sergeant	825	10,471.47	
	I class Sergeant	409	9,522.74	
	Sergeant	471	8,106.84	
TOTAL NCO		18,696		
CONTRACTED SOLDERS	Junior Sergeant	27	6,403.02	6,568.34
	Corporal	108	6,719.97	
	Lance Corporal	63	6,379.24	
TOTAL CONTRACTED SOLDERS		198		
TOTAL		52,115		15,939.54

Annex figure 16: Distribution of ranks compared to baseline model, in percent, 1995–2004

Source: Author's calculations (Category of Lieutenant comprises also Second Lieutenants, Captain includes also first Class Captains) based on data provided by the General Staff of the VSCG, July 2004

	Baseline Model	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Lieutenant	16	17.48	16.48	17.48	16.20	15.34	15.93	16.23	17.71	19.09	19.13
Captain	40	27.33	28.22	26.10	26.28	25.89	24.50	24.66	24.02	19.92	20.12
Major	23	18.91	18.28	18.19	18.40	18.29	18.41	17.49	17.34	15.30	14.60
Lieutenant Colonel	15	22.71	22.85	24.36	24.73	25.92	26.65	26.37	26.35	29.07	29.80
Colonel	6	13.58	14.17	13.86	14.39	14.55	14.50	15.25	14.58	16.61	16.35

Annex figure 17: Distribution of personnel categories of the VSCG in percent, 1995–2004

Source: Author's calculations based on data provided by the General Staff of the VSCG, July 2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Officers	25.87	23.57	23.78	24.28	24.65	23.28	22.58	21.48	19.55	20.10
NCO	20.27	20.05	20.85	21.75	23.86	24.81	25.53	26.10	26.11	26.79
Civilian Personnel	36.54	35.01	34.60	35.91	36.73	37.67	37.78	39.44	39.13	37.43
Contracted Soldiers	17.32	21.37	20.77	18.07	14.76	14.24	14.12	12.98	15.21	15.67

Endnotes

- ¹ James Gow, "Professionalisation and the Yugoslav Army", in Forster et al. (Ed.) *The Challenge of Military Reform in Postcommunist Europe*, 2002, p.185.
- ² Timothy Edmunds, *Defence Reform in Croatia and Serbia-Montenegro*, IISS, Adelphi Paper 360, 2003, p.29.
- ³ Amadeo Watkins, *Serb Special Forces Prepare for Overseas Deployment*, in Jane's Intelligence Review, November 2003.
- ⁴ Interview with a representative of the Ministry of Defence, 15 July 2004.
- ⁵ Edmunds 2003, p.64.
- ⁶ Interview, Srdjan Gligorijevic and Pavle Jankovic, G17 Institute, 25 March 2004.
- ⁷ See the chapter on PRISMA.
- ⁸ Ibid.
- ⁹ Amadeo Watkins, *PfP Integration: Croatia, Serbia & Montenegro*, Conflict Studies Research Center, 2004, p.16.
- ¹⁰ Interview, Srdjan Gligorijevic, G17 Institute, 16 July 2004.
- ¹¹ Interview, Goran Stojanovic, Secretary of the MoD, 15 July 2004.
- ¹² Edmunds 2003, p.45.
- ¹³ Watkins 2004, p.31.
- ¹⁴ Foreign Minister Draskovic requested the dismissal of the Chief of the GS, General Krga because of the "[...]" disastrous mistakes in the document on the SCG Defense Strategy [...] (CCMR Press Release, 2 July 2004).
- ¹⁵ CCMR Press Release, 25 June 2004.
- ¹⁶ Interview, Vladimir Bilandzic, OSCE, 20 July 2004.
- ¹⁷ *Belgrade's Defence Strategy Tilts West*, IWPR, June 2004.
- ¹⁸ Interview with representative of the MoD, 15 July 2004.
- ¹⁹ Interview, Vladimir Bilandzic, OSCE, 20 July 2004.
- ²⁰ Interview with NGO representative, 16 July 2004.
- ²¹ Interview, Lieutenant Colonel Burghard Geller, German Embassy, 21 July 2004.
- ²² The Geneva Center for the Democratic Control of Armed Forces (DCAF) has been involved in that process. Moreover, Dr Vladimir Bilandzic from the OSCE was asked to comment on the Defence Strategy at the Defence Commission of the Union Parliament.
- ²³ Edmunds 2003, p.25ff.
- ²⁴ Unfortunately, this committee is headed by a representative of the Serbian Radical Party (SRS), which does not indicate a change of perspective when it comes to integration into Western institutions and adoption of non-nationalist strategies.
- ²⁵ Watkins 2004, p.20.
- ²⁶ Belgrade, 27 November 2003.
- ²⁷ *Belgrade's Defence Strategy Tilts West*, IWPR, June 2004.
- ²⁸ Ibid.
- ²⁹ *Belgrade's Defence Strategy Tilts West*, IWPR, June 2004.
- ³⁰ Interview, Goran Stojanovic, Secretary of the MoD, 15 July 2004.
- ³¹ *Serb majority against Hague trials*, B92, 1 September 2004.
- ³² *Is Serbia Gearing Up for Hague Cooperation?*, IWPR, 30 July 2004.
- ³³ The two soldiers were killed at Topcider barracks where the VSCG maintains huge underground facilities. Rumor has it that VSCG was hiding Mladic or other Hague suspects there and that the soldiers were killed by their security guards. The slow and unwilling cooperation of the General Staff and the MoD to solve this murder has not helped to confute such allegations.
- ³⁴ Jankovic/Gligorijevic, "Burying the Hatchet", NATO Review 2004.
- ³⁵ Interview, Lieutenant Colonel Burghard Geller, German Embassy, 21 July 2004.
- ³⁶ Grubisic, Zoran, "Impact of the Social Policy Reform on Poverty Reduction: Fiscal Self-Sustainability," pp. 1-2.
- ³⁷ <http://www.invest-in-serbia.com/modules.php?name=News&file=article&sid=21637>
- ³⁸ 100 to 150 euros per month are required to provide food and household utilities for a family of four. Interview with Maria Pineda-Purkarevic, Dubraska Consulting, Sept 2004, Washington, D.C.
- ³⁹ "Prices, Economic Activity, and Domestic Demand," National Bank of Serbia, January 2004, p. 34
- ⁴⁰ Ibid., p.35.
- ⁴¹ See ILO LABORSTA @ <http://laborsta.ilo.org/>.
- ⁴² *Common Country Assessment for Serbia and Montenegro*, Office of the United Nations Resident Coordinator in Serbia and Montenegro, Belgrade, October 2003, p. 19.
- ⁴³ Ibid p. 54
- ⁴⁴ Ibid p. 15.
- ⁴⁵ Ibid p. 27
- ⁴⁶ *Common Country Assessment for Serbia and Montenegro*, Office of the United Nations Resident Coordinator in Serbia and Montenegro, Belgrade, October 2003, p. 26.
- ⁴⁷ Gow 2002, p.183ff.
- ⁴⁸ See www.globalsecurity.org/military/world/serbia.
- ⁴⁹ For detailed information see Tables 2-11 in the Annex.
- ⁵⁰ See Table 16 in the Annex.
- ⁵¹ Interview, Alexander Radic, VIP News Service, Editor "Defence and Security", 26 March 2004.
- ⁵² See also the chapter on the PRISMA project.
- ⁵³ Strategic Defence Review of the MoD of Croatia, March 2005, p. 27.

- ⁵⁴ Ibid.
- ⁵⁵ In July 2004, a poll showed that the Orthodox Church and the VSCG still enjoy the highest confidence with rates of 60 percent for the church and 52 percent for the armed forces (see Daily News MoD SaM, 26 July 2004).
- ⁵⁶ Daily News MoD SaM, 14 September 2004.
- ⁵⁷ In NATO countries, the share normally ranges from 1-2 percent of the GDP.
- ⁵⁸ Watkins 2004, p.18.
- ⁵⁹ Daily News MoD SaM, 4 January 2005.
- ⁶⁰ Ibid.
- ⁶¹ Daily News MoD SaM, 14 September 2004 and Djordjevic 2004.
- ⁶² Ibid.
- ⁶³ Daily News MoD SaM, 14 September.
- ⁶⁴ Djordjevic 2004.
- ⁶⁵ See Table 17 in the Annex for more details.
- ⁶⁶ See information on www.nato.int/romania/mildownsizing.htm.
- ⁶⁷ Similar Steps were taken by other post-socialist armies in the region. The Romanian forces increased their number of NCOs by inclusion of 2,270 contract soldiers in 2001 (see <http://english.mapn.ro/map>).
- ⁶⁸ Prisma Project Document, May 2004, p.6f.
- ⁶⁹ See M. Bassiouni et al. *Annex III The military structure, strategy and tactics of the warring factions*, Final report of the United Nations Commission of Experts established pursuant to security council resolution 780 (1992), New York 1994
- ⁷⁰ Interview, Alexander Radic, VIP News Service, Editor "Defence and Security", 26 March 2004.
- ⁷¹ See Table 16 in the Annex.
- ⁷² Djordjevic 2004.
- ⁷³ Interview, Alexander Radic, VIP News Service, Editor "Defence and Security", 26 March 2004.
- ⁷⁴ Gustav Urbani, *Hungary's Reform of the Armed Forces*, in Andreas Heinemann-Grüder (Ed.), *The Military in Transition. Restructuring and Downsizing the Armed Forces of Eastern Europe*, Bonn 2002, p.28f.
- ⁷⁵ PRISMA Project Document, May 2004, p.6
- ⁷⁶ Interview, Sonja Biserko, HCHR, 16 July 2004.
- ⁷⁷ Jasmina Glisic, *Public Opinion and the Military*, Belgrade 2003, p.9.
- ⁷⁸ Interview, Ivana Franovic, CNA, 19 July 2004.
- ⁷⁹ Interview, Miroslav Hadzic, CCMR, 24 March 2004.
- ⁸⁰ Interview, Sonja Biserko, HCHR, 16 July 2004.
- ⁸¹ Interview, Miroslav Hadzic, CCMR, 24 March 2004.
- ⁸² See figure 6, p. 13.
- ⁸³ Interview, Sonja Biserko, HCHR, 16 July 2004.
- ⁸⁴ Interview, Ursula Renner, ORL, 22 July 2004.
- ⁸⁵ For more information see Joop De Jong, "Traumatic stress among ex-combatants", in Natalie Pauwels (ed.) *War force to work force*, BICC, Baden-Baden, 2000, p. 259-262
- ⁸⁶ Sito-Sucic 2004.
- ⁸⁷ Mrsevic/Hughes 1997.
- ⁸⁸ AMH Project Document 2004, p.3.
- ⁸⁹ Ibid.
- ⁹⁰ Numbers provided by AMH to the author, August 2004.
- ⁹¹ See Wils 2004 for a detailed description of the activities of the CNA.
- ⁹² Interview, Helena Rill, CNA, 19 July 2004.
- ⁹³ Interview, Miroslav Hadzic, CCMR, 24 March 2004. See also Box 2 "Marko"
- ⁹⁴ Numbers on housing issue provided by the MoD, July 2004.
- ⁹⁵ Daily News MoD SaM, 15 September 2004.
- ⁹⁶ Interview, Radmila Bkumiric Katic, MoL of Serbia, 20 July 2004.
- ⁹⁷ Interview, RRC staff, 20 July 2004.
- ⁹⁸ See p. 9 ff.
- ⁹⁹ Numbers provided by the MoD, July 2004. For detailed information see figure 15 in the Annex.
- ¹⁰⁰ See figure 14 in the Annex.
- ¹⁰¹ For detailed information on the personnel drain see figure 14 in the Annex.
- ¹⁰² Interview, Alexander Radic, VIP News Service, Editor "Defence and Security", 26 March 2004.
- ¹⁰³ Miroslav Hadzic from CCMR estimates that in 1992 alone, 3,000 technical experts left the VSCG (Interview, 24 March 2004).
- ¹⁰⁴ Interview, Radmila Bkumiric Katic, Assistant to the Minister of Labour of the Republic of Serbia, 20 July 2004.
- ¹⁰⁵ Interview, Colonel Tadic, GS of the VSCG, 25 March 2004.
- ¹⁰⁶ See Final Mission Report UNDP, submitted April 2002.
- ¹⁰⁷ Interview, Colonel Novosielski, UK Embassy, 21 July 2004.
- ¹⁰⁸ Interview, Zoran Jeftic, MoD, 25 March 2004.
- ¹⁰⁹ PRISMA Project Document, May 2004, p.8.
- ¹¹⁰ Ibid, p.6. Another document provided by the UK Embassy envisages up to 6,000 officers and 3,000 NCO to be redundant and about 10,000 civilian employees in need of resettlement support.
- ¹¹¹ Interview, Colonel Tadic, 15 July 2004.

- ¹¹² The Resource Center Foundation.
- ¹¹³ Trainings took place in Belgrade in February 2004 and in Manchester in March 2004.
- ¹¹⁴ The Manchester Business School has been involved in UK resettlement projects in Ukraine, Georgia, Moldova and Croatia, mainly providing support for the establishment and implementation of resettlement training centers and the qualification of staff for labor market analysis and course design. Right Coutts were contracted by the UK MoD to run resettlement centers for the British Armed Forces.
- ¹¹⁵ PRISMA Project Document, May 2004, p.6
- ¹¹⁶ PRISMA Project Document, May 2004, p.43
- ¹¹⁷ The coordination so far has been much more effective with the respective Serbian Ministries. The Ministry of Labor of the Serbian Republic sees itself as the main link between military and civilian institutions. The MoL prepares a database to match the available employment positions with the redundant personnel. However, the profile of the redundant personnel will be kept at the MoD. Interview, Radmila Bukumiric Katic, MoL, 20 July 2004.
- ¹¹⁸ Ibid, p.21ff.
- ¹¹⁹ Ibid., p.22
- ¹²⁰ The UNDP Fact Finding Mission (FFM) made a similar recommendation in its final report in 2002, p.34
- ¹²¹ Interview, Colonel Tadic, MoD, 25 March 2004.
- ¹²² Six representatives from the MoD took part in a training-of-trainers seminar at the AC with support from the Bulgarian Resource Center Foundation.
- ¹²³ The Atlantic Council, "Program for Social Adaptation and Economic Integration of Individuals Discharged from Professional Military Service into Civil Society", project proposal, Belgrade 2003.
- ¹²⁴ Interview, Veljko Kadijevic, Secretary General of the AC, 23 March 2004.
- ¹²⁵ Veljko Kadijevic, the former Secretary General of the AC has become a special advisor within the Ministry of Defense in 2004.
- ¹²⁶ PRISMA Project Document, May 2004, p.25.
- ¹²⁷ Conversation through email with Colonel Tadic, 13 September 2004. The MoD plans to initiate "a series of activities to increase NGO-interest".
- ¹²⁸ The RRC in Belgrade and its first pilot scheme for 100 officers is funded by the UK, a second one has been funded by the Netherlands in Nis.
- ¹²⁹ Interview with representatives of the Belgrade RRC, 20 July 2004.
- ¹³⁰ See chapter on war veterans and trauma.
- ¹³¹ Ibid.
- ¹³² Ibid.
- ¹³³ Interview, Colonel Tadic, MoD, 15 July 2004.
- ¹³⁴ 141 officers applied voluntarily for the pilot resettlement scheme. The MoD had hoped for a higher number of applicants but is nevertheless content with the quality of the selected persons (Conversation with Colonel Tadic, 13 September 2004).
- ¹³⁵ Email communication, Captain Djordje Petrovic, MoD, 22 March 2005
- ¹³⁶ CARDS (similar to PHARE and TACIS) is a programme by the European Union addressing Central, East and Southeast European countries, and the Central Asian Republics of the former USSR. The purpose of this program is to sustain political and economic convergence of the former communist countries to the European Union and particularly these countries that have applied for EU membership. Participation in this program gives access to EIB, EBRD and World Bank funding.
- ¹³⁷ Conversation with Colonel Tadic, 13 September 2004.
- ¹³⁸ Heinemann-Grüder/Pietz 2003, p.23f.
- ¹³⁹ PRISMA Project Document, May 2004, p.16.
- ¹⁴⁰ Ibid.
- ¹⁴¹ Ibid, p.28.
- ¹⁴² Ibid., p.16.
- ¹⁴³ A similar approach was followed in Bosnia and Herzegovina by the World Bank but did not succeed as especially big companies just tried to get funds without establishing long-term employment opportunities (see Heinemann-Grüder/Pietz 2003, p.20).
- ¹⁴⁴ Conversation with Colonel Tadic, 13 September 2004.
- ¹⁴⁵ Interview, General Hollands, UNDP, 19 July 2004.
- ¹⁴⁶ Ibid.
- ¹⁴⁷ Daily News MoD SaM, 22 September 2004.
- ¹⁴⁸ Interview, Adrien Wilkinson, SEESAC, 21 July 2004.
- ¹⁴⁹ See p. 9 ff.
- ¹⁵⁰ Heinemann-Grüder/Pietz 2004, p.30.
- ¹⁵¹ Phone Interview, Frédérique Jaquemin, NATO Economic Directorate, 24 January 2005.
- ¹⁵² Interview, Colonel Novosielski, UK Embassy in Belgrade, 21 July 2004.
- ¹⁵³ Media Center Belgrade Email Service, 17 January 2005.

¹⁵⁴ The Nordic countries have decided to systemise their defence co-operation with Albania, Bosnia Herzegovina, Croatia, Macedonia and Serbia and Montenegro. In order to achieve this, the Ministers of Defence of the Nordic countries launched the Nordic Initiative for Regional Defence Co-operation at their meeting in Sønderborg on the 22nd September 2004. The overall aim of the initiative is to provide a framework in which to develop and co-ordinate Nordic countries' bilateral and multilateral defence co-operation activities through the sharing of information and bilateral programs.

¹⁵⁵ Both projects were intended to be funded through foreign sources, especially grants and loans. If these projects were cut, the need for external funding would decrease from about € 70 million to only about € 10 million. It seems likely, that such an amount could be raised externally by Serbia and Montenegro.

¹⁵⁶ The Bosnian Serb news agency SRNA has published recent polls that show that about 70 percent of the population of Serbia and Montenegro support SaM-membership in NATO's Partnership for Peace program (SEE Security Monitor, 19 January 2005).

BICC at a glance

BICC is an independent, non-profit organization dedicated to promoting peace and development through the efficient and effective transformation of military-related structures, assets, functions and processes. Having expanded its span of activities beyond the classical areas of conversion that focus on the reuse of military resources (such as the reallocation of military expenditures, restructuring of the defense industry, closure of military bases, and demobilization), BICC is now organizing its work around three main topics: **arms, peacebuilding and conflict**. In doing this, BICC recognizes that the narrow concept of national security, embodied above all in the armed forces, has been surpassed by that of global security and, moreover, that global security cannot be achieved without seriously reducing poverty, improving health care and extending good governance throughout the world, in short: without human security in the broader sense.

Arms: To this end, BICC is intensifying its previous efforts in the fields of weaponry and disarmament, not only through its very special work on small arms but also by increasing its expertise in further topics of current concern such as the non-proliferation of weapons of mass destruction, arms embargoes and new military technologies.

Peacebuilding: BICC is extending its work in the area of peacebuilding. In addition to examining post-conflict demobilization and reintegration of combatants and weapon-collection programs, the Center aims to contribute, among other things, to the development of concepts of security sector reform with an emphasis on civil-military cooperation, increased civilian control of the military, and the analysis of failed states.

Conflict: BICC is broadening its scope in the field of conflict management and conflict prevention, including tensions caused by disputes over marketable resources and transboundary issues such as water.

These three main areas of analysis are complemented by additional crosscutting aspects, for example, gender, pandemics, or environmental protection.

Along with conducting research, running conferences and publishing their findings, BICC's international staff are also involved in consultancy, providing policy recommendations, training, and practical project work. By making information and advice available to governments, NGOs, and other public or private sector organizations, and especially through exhibitions aimed at the general public, they are working towards raising awareness for BICC's key issues.

While disarmament frees up resources that can be employed in the fight against poverty, conversion maximizes outcomes through the careful management of such transformation of resources. It is in this sense that they together contribute to increasing human security.

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