

DONOR COORDINATION FORUM

MINUTES OF MEETING, JULY 5TH, 2012

Participants

Mr. Joseph Guntern, Head of the Swiss Cooperation Office **(Meeting Co-Chair)**

Donor/IFIs representatives:

H.E. Mr. Andre Schaller, Ambassador, Embassy of Switzerland in BiH
Ms. Simone Geiger, Embassy of Swiss Confederation/SDC
Ms. Azra Šarenkapa, Embassy of Swiss Confederation/SDC
Ms. Anabela Abreu, World Bank
Mr. Damir Cosic, World Bank
Ms. Florence Bauer, UNICEF
Ms. Ela Challenger, USAID
Ms. Catherine Constant, French Embassy
Mr. Libor Krkoska, EBRD
Mr. Slavomir Goga, Embassy of the Czech Republic
Ms. Jantine van Bakel, Embassy of the Kingdom of the Netherlands
Ms. Aler Grubbs, USAID
Ms. Azra Dzigal, Embassy of the Kingdom of Spain/AECID
Mr. Jonathan Francis, Embassy of the Kingdom of Sweden/Sida
Mr. Slavomir Goga, Embassy of the Czech Republic
Ms. Christiane Heinze, German Embassy
Ms. Alexandra Hilbig, GIZ
Ms. Gabriela Huskic, KfW
Ms. Fatima Krivošija, Embassy of the Kingdom of the Netherlands
Ms. Anne Macleod, UK Embassy
Mr. Ognjen Grujić, Embassy of the Kingdom of Norway
Mr. Gregor Presker, Embassy of Slovenia
Mr. Holger Schroeder, European Commission
Ms. Irina Smirnov, European Commission
Mr. Aris Seferović, UNDP
Ms. Kristen Hartmann, US Embassy

Government representatives:

Ms. Dusanka Basta, BiH MoFT/SCIA **(Meeting Co-Chair)**
Ms. Edina Topcagic, BiH MoFT/SCIA
Mr. Igor Blagojevic, BiH MoFT/SCIA
Ms. Bruna Kjuder, BiH MoFT/SCIA
Ms. Jasmina Salihagic, BiH MoFT/SCIA
Mr. Miroslav Tomic, BiH MoFT
Ms. Miroslava Vidosavljevic, DEI BiH
Ms. Suada Hadzic, MOFTER BiH
Mr. Branislav Rakic, Ministry of Economic Relations and Regional Cooperation RS
Ms. Aneta Raić, PARCO

Meeting Agenda

- Welcome and Opening Remarks
- Presentation of Swiss Development Cooperation in Bosnia and Herzegovina
- Tour de table - general news from all participants of recent developments and activities
- Thematic session "Regional Report for Southeast Europe- BiH Perspective", The World Bank presentation

AD1: Welcome and Opening Remarks

Ms. Dusanka Basta, BiH MoFT/SCIA, welcomed the all attendees, with special regard to H.E. Mr. Schaller, Swiss Ambassador and colleagues from Swiss Embassy and Swiss Cooperation Office in Bosnia and Herzegovina, who cooperated in the organization to the today's meeting. She provided a brief overview of the proposed Agenda, underlining that this one was designed with the intention to achieve more vivid and interactive discussion and invited all participants to take part in the following discussions. Ms Basta introduced Slovenia as a new DCF member, and welcomed Mr. Gregor Presker, representative from Embassy of Slovenia, wishing a good and fruitful future cooperation. Then, Ms. Basta gave the floor to H.E. Mr. Andre Schaller, Swiss Ambassador to Bosnia and Herzegovina to address the meeting.

H.E. Mr. Andre Scheller gave a short overview of Swiss policy on Development cooperation in BiH and its complementarities with the EU integration, underlining the importance of the donor coordination. He noted donors should cooperate amongst themselves, while active across the all levels of governments in BiH, by channelling resources in coordinated and efficient manner and preventing the doubling of efforts. He concluded that mutual exchange of information play an important role in that process and mentioned Swiss good experience of cooperation on joint projects, with other donors in BiH (UNICEF, Sida, WB, Slovenia, France, Germany/GIZ, EU).

Ms. Dusanka Basta thanked the Ambassador and noted that his speech was in line with the efforts MoFT/SCIA are trying to achieve in accordance with the principles of Paris Declaration on efficient aid, to avoid overlapping of activities, to diminish the costs and to channel investments in the priorities that really are important for this country. Then, Ms. Basta gave the floor to the **meeting Co-Chair**, Mr. Guntern, Head of the Swiss Cooperation in BiH.

AD2: Presentation of Swiss Development Cooperation in Bosnia and Herzegovina

Mr. Joseph Guntern welcomed all colleagues and attendees, and referring to the Ambassador's speech, mentioned basic idea of Swiss cooperation in BiH. While active in BiH (16 years) Swiss Cooperation went through different phases (from humanitarian work to the long term oriented development cooperation), and now is working on the basis of cooperation strategies (4-5 years) that are very much related to the country's objectives and policies. Swiss Cooperation are presently defining the new Cooperation Strategy, for period 2013-2016. There will not be significant changes in the new strategy, due to previous good results in certain Sectors. Strategy will define focal areas where their work will be concentrated (related to BiH transition, and in longer period, its perspective of EU integration). He noted that although Swiss Cooperation Office is not a big player, it is a player that can generate an idea and mobilize others in its realization. Finally, he confirmed importance of DCF, but added there is also need for gathering in more specialized groups, mentioning EBRD initiative for gathering of donors that are active in water and sanitation sector, as a good example. For more detailed information about Swiss Cooperation please see the attached presentation.

AD3: Tour de table – general news from all participants of recent development and activities

MoFT/SCIA: Ms. Edina Topcagic presented activities of SCIA/ Division for the Coordination and Mobilisation of International Aid, in the preparation of Donor Mapping Report 2011-2012, noticing that the first draft of Donor Profiles was sent to all DCF members for comments and their approval, while they are processing information collected from donors and BiH institutions, regarding preparation of Sector chapters. The DMR 2011-2012, is planned to be presented and publicised in December 2012, as the first issue prepared by MoFT staff and as a good example of sustainable capacity building in BiH Institutions. The DMR will keep the same layout as previous one but will slightly be shorter, and due to the financial constraints, will be published and distributed only in a CD form. She suggested, if donors would prefer to have the publication in the printed form, they are invited to make the contribution towards the printing costs (example: € 10 000/500 copies in 4 languages). Ms. Topcagic thanked to all participants involved in the DMR 2011-2012 preparation for the excellent cooperation and their support.

EBRD: Mr. Libor Krkoska presented a brief overview of EBRD activities in BiH, underling that in the first half of 2012, EBRD signed and provided financing in 6 transactions worth close to € 97 millions, were focused primarily on private sector, food processing and distribution and microfinance. At the same time, EBRD continued financing projects in municipal infrastructure, water and waste water supply and in the transport sector. He asserted that they expect to provide the same amount in the second half of the year, which makes the amount provided to BiH in 2012 up to € 200 million, mostly to private sector. EBRD also continue activities in the transport sector, and by the end of the year, expects to have full

contracts in place for all road projects. Presently, there are old projects worth € 200 millions (including Corridor Vc) and it is expected that further € 200 millions will be contracted in the next six months (including Dobož - Banja Luka Motorway). In the future, EBRD will focus more on the Private Sector, while still remaining active in the Public Sector, financing the projects in the reform oriented municipalities, on tariff reform and restructuring of public utilities. EBRD is also interested to support privatization process in BiH, in case there should be some progress in that area.

GIZ: Ms. Alexandra Hilbig, presented the new activities of German International Cooperation, mentioning that through Technical Cooperation, they intend to continue to support the following: strengthening of Public Institutions in BiH, Adult Education and funding the Study and Expert Fund, in the total amount of € 6 millions. In the area of Regional Cooperation, they will continue funding the Open Regional Fund (ORF), for energy efficiency projects and projects supporting EU integration of the region, and to funding the Regional Study and Expert Fund, in total amount of € 9,5 millions.

UNICEF: Ms. Florence Bauer noted that UNICEF is currently reviewing their mid-term cooperation program, which would help them define future strategies. She highlighted their priority areas: Justice for children, where working in cooperation with SDC and Sida; Pre-school Education, where UNICEF will fund 12 of 67 municipalities that applied for support. She emphasized the joint activities and good cooperation with French government in terms of Technical Assistance, with EU in the area of social protection and inclusion, and with the Spanish government in the area of Primary education. UNICEF is also working in the areas of early childhood development (supporting health services/primary health care for families at the municipal level), adolescence and youth, employability of young people, violence prevention. Ms Bauer concluded that, in the future mid-term period UNICEF intends to focus on the realisation of Annex 7 process (housing).

WB: Ms. Anabela Abreu focused on The WB activities in the past months and in the near future. She noted that the WB Board recently approved 2 operations, regarding the Irrigation and additional financing for SMEs, in total value of **USD 160** millions. In terms of Technical Assistance, WB is working with BiH governments on Financial Consumer Protection. They recently had completed an assessment and are now discussing, with other partners including the USAID, how to implement the recommendations. The WB, with the EU and representatives of BiH governments, is engaged in the Food Quality Control and Inspections, trying to help BiH to meet EU standards (After Croatia enter EU membership, the standards will be much more demanding). In terms of the future lending, the WB is preparing the Land Administration Project, and upon the request of the BiH Government, by the end of the month, will discuss the future submission of USD 200 million for the Budgetary support. And finally, WB is also preparing Regional Flood Management Operation in cooperation with the representatives of BiH governments.

Sweden: Mr. Jonathan Francis, from the Swedish Embassy, presented the new areas of cooperation in BiH. He mentioned they recently had signed the new cooperation with EIB related to waste water treatment. They intend to support judicial efficiency with the HJPC, and to finalize the cooperation with USAID related to Local Economic Development.

Czech Republic: Mr. Slavomir Goga, from the Czech Embassy, presented the current activities and noted that they are in the process of new project ideas identification, in all priority sectors (except for water supply and sanitation), for the next year. Priority sectors are: Agriculture, Energy, General Environment Protection, Public Administration and partially Health care. He noticed that, in September/ October, they will open the regular public call for small grants (€ 7-8 000 per project) as well as a call for scholarship applications for BiH students. He mentioned a project agreed between the Czech Ministry of Interior and SIPA (clearing Sava river from unexploded ammunition), which implementation was planned for the fall 2012 .

RS/Ministry for Economic Relations and Regional Cooperation: Mr. Branislav Rakic take the opportunity to greet all the participants of the meeting and to thank organizers for invitation and hospitality.

KfW: Ms. Gabriela Huskic, Project Coordinator, informed that the German Government contribution for this year will be up to € 50 million. She mentioned projects in the Energy Sector (renewable energy) and project in the water/wastewater Sector, financed jointly with Swiss Government (feasibility study), referring to rehabilitation of the urban water supply, collecting and waste water treatment in Tuzla, Zenica and Travnik municipalities, consisting of € 19,5 million KfW loan and Swiss Government grant of € 10 million.

Germany: Ms. Christiane Heinze, from the German Embassy, mentioned the news from the ongoing Intergovernmental negotiations between Germany and Bosnia and Herzegovina. She noted that German Foreign Ministry by Economic Cooperation and Development will secure resources and confirmed that Germany will continue funding the same organizations (Registry, ICMP, Press Council, etc.) as it did the previous year.

EU Delegation to BiH: Mr. Holger Schroeder thanked to the host and to Switzerland for the presentation and for ensuring the complementarities of its assistance with European integration. He noted that momentarily EC operates in the framework of the Multi-annual indicative planning document (2011-2013). Regarding the IPA 2012-2013 programming, he hoped, EC will receive a full package from DEI, following approval of a set of proposals by the Council of Ministers. The main priorities in this package will be linked in to Justice and Transport, two significant packages each worth € 45 million, as well as in other areas concerning Law enforcement, Refugee Return and issues preparing BiH for the EU accession of Croatia. Mr Schroeder noted that discussions are well underway in terms of the BiH future EU perspectives (2014-2020), and they expect to have discussions with BiH on the Country Development Strategy and Sector strategies, in the course of next year.

Netherlands: Ms. Jantine van Bakel, from the Dutch Embassy, mentioned contribution of \$ 4,5 million to ICMP (2012/2013) in the framework of Srebrenica programme (worth € 5 million per year), making the Netherlands the largest donor for 2012. She added they will continue being active in this Region, with the focus on commemoration, support to victims, and the Economic Development. Also, until the end of the year, they will continue to support the State Court Registry and the State Prosecutor's Office in BiH. At the moment, they are assessing and contracting a three proposals in the Framework of transition of Society Programmes with the specific focus on Justice and Home Affairs, Human Rights, Press and Media.

MoFTER/Sector for Agriculture, Food, Forestry and Rural Development: Ms. Suada Hadzic informed that MoFTER had prepared the Annual Report on donor support in the field of Agriculture, Food Safety and Veterinary, which can be found at its official website. Also, MoFTER will organize annual donor meeting (September/ October) and will invite all Embassies and partners active in this area. She invited all participants to the meeting and thanked MoFT/SCIA for the support and advice in organizing of their Annual meeting.

DEI: Ms. Miroslava Vidosavljević gave an overview of DEI activities, noticing that current activities are mostly focused on IPA programming 2012/2013, organized in two phases, identification and formulation. As assumed, DEI had the 3RD programming meeting with the EC representatives, where they discussed all sectors and project fiches. General conclusions from all meetings were: July 13th is due date for sectors and project fiches submission; The package can not be completed without the Justice, Transport fiches and European Integration; The fiches should be based on defined EC priorities and must fulfil all quality requirements. She concluded that NIPAC office is trying to make project fiches which can be endorsed by all involved stakeholders

Slovenia: Mr. Gregor Presker thanked for being invited to join DCF. He noted that Slovenia recently has adopted the Resolution on International Development Cooperation, defining Western Balkans and BiH as its priority until year 2015. Agreement on Development Cooperation between Slovenia and BiH, signed in 2003, entered into force in 2007. The amount of overall Development Cooperation from Slovenia for BiH was € 9,7 million, out of which € 1,5 million in 2011 and € 327 000 in 2012, through Bilateral Technical Assistance and for projects regarding Public Service and NGOs. Mr. Presker announced that his colleague will make a detailed presentation on development cooperation for the next meeting.

UK Embassy: Ms. Anne Macleod, from the British Embassy, noted that in previous period, (financial year starting 1st of April), UK continued two main programmes supporting development in BiH; Conflict Prevention Programme and Reuniting Europe Programme (capacity building that would support progress towards the EU). She added that key development for UK assistance in their Conflict Prevention Programme is now based on 3 year Building stability overseas strategy for the Western Balkans (2012-2015). In the forthcoming period, UK will be focused on the work across the Region. In accordance with that, they would be working in a new area - Border Security, and plan to start two new programmes with IOM. However, at the moment the main focus remain on individual projects related to Justice and Security, and will continue their existing support to some of them, like State Prosecutor's Office.

USAID: Ms. Aler Grubbs presented USAID activities, mentioning recently started Anti-corruption Programme that will work through a network of NGOs, and which hopefully will improve transparency and accountability of the Governments. She noted that they are working on designs for several new projects and on large Investment programmes. Two of them will be Governance programmes, one specifically focused on Local Governance, and they also work alongside Sida on the development of the new Local Economic Growth Programme. Finally, due to transition in leadership in USAID, Mission Director Mr Alan Reed would depart BiH next week and the new will arrive in August, while she would leave in two weeks and her replacement would come in August. Ms Grubbs thanked everybody for cooperation, on behalf of Mr. Reed and in her own name, and expressed her appreciation in regard to working with the DCF members in BiH.

Norway: Mr. Ognjen Grujic, from the Royal Norwegian Embassy, noted that they are following already defined priority Sectors in BiH: Judicial, Security, Employment and Education Sectors, and recently have focused on marginalized groups. Last year they also started the Programme for Civil Society strengthening where they gave grants to some organizations to act as watchdogs or to follow the Law adherence in BiH.

France: Ms. Catherine Constant noted that France does not involve lot of funds, but a lot of energy. They are interested to improve education on how to deal with TAIEX or IPA projects. France is waiting for EC to open the opportunity for more twinning projects in which they consider themselves to work inside the institutions and which showed good results in the past enlargement series. Basically French cooperation is divided into: Culture and Francophonie and Technical Cooperation. That includes project of French College in Sarajevo, Cooperation with Universities, including research programmes, and grants for study in France. Finally Ms. Constant mentioned decentralized cooperation which involves activities in Tourism, Human Resources, and NGOs, noticing that France would like to be more involved in areas of governance and Human rights, including Justice (training of judges, prosecutors), TAIEX seminars (human trafficking, human rights, gender).

AD4: Thematic session “Regional Report for Southeast Europe - BiH Perspective”, WB presentation

Mr. Damir Cosic noted he hopes that Report, is going to present, will become regular 6 month Economic Report for 6 SEE countries, (First was in November 2011 and this one in June 2012). The Report consists of two separate analytical reports : The outlook and challenges for 6 countries of SEE6 and the wider Golden Growth Report for SEE6 countries.

The highlights of the presentation were:

•**Developments, outlook and challenges:** In the global context (high oil prices, reduced capital inflows, continued banking crisis in developed countries); SSE6 countries show significant external adjustment, slow real output recovery, rise in public debt, slow recovery of credit market, labour market is significant problem, ineffective poverty reduction, unexploited potential in exports, etc.

•**Golden Growth Report for SEE6 countries,** reasons for optimism: SEE6 are becoming more integrated with Western Europe, SSE6 increased their external trade and trade sophistication, European growth model (income per capita growth) is reachable for SEE6, reforming government expenditure remains key challenges (unfavourable demographic trends in SEE6, in BiH 20% of work force cover pensioners in 2010, while labour force shrinks).

For more detailed information about the WB report, please see the attached presentation.

Mr. Krkoska asked the following questions: regarding the high public debt , EBRD as one of the biggest lender in BiH (the biggest lenders are IFIs), wanted to know whether situation is out of control in terms of sustainability of debt; regarding the low export share in GDP of SSE6, he asked if there is anything they can do about that; and regarding Albania and Kosovo making better performance than the rest of W. Balkans, do they have better labour and governance reforms, that could be replicated in other countries, or their performance is the result of different structure in economy?

Mr. Cosic replied that: in terms of situation in BiH there isn't particular concern due to the structure of debt given the high concessionality by the mentioned lenders. However, governments have gone to local capital markets borrowing at rates far higher of their growth rate, so the debt sustainability is questionable (if you paying interest compared to the overall growth rate - if you pay 6 % in debt, you better be growing 6%). Regarding the export shares, they will remain low, for some of the countries even extremely low. Still, Region has a growth potential in the future. The reforms in the area of enterprises on innovation restructuring, R&D sophistication, are expected to tool up economy for export, which would result in employment growth and future growth of SEE6 countries. Regarding Albania and Kosovo, their growth is result of investments and not the reformed labour market and government expenditures (Kosovo has large Public Sector Investments Programme, where they allocated almost 20% of Budget to motorway construction, as well is in Macedonia where there are a lot of public sector investments) while in BiH the Governments have a very low capital budgets and very high current expenditures.

Mr. Guntern commented that situation is heading more towards the poverty reduction scenarios, while BiH objectives are Transition and European integration. He asked are donor agencies really effective when they draw up their strategies, or should they slightly start thinking in different terms? In addition to transition and EU integration should they also start thinking about poverty reduction scenarios? Mr. Guntern then referred to the fact mentioned by Mr. Cosic that countries like BiH have lost 5 years in economic growth, asking what are possible future scenarios after the downturn in the Euro zone?

Mr. Cosic replied that all of those world forecasts are based on assumptions that the Euro zone will stay intact, would not explode and there would not be left by anybody, and that the issues will continue to resolving themselves. In terms of poverty Mr. Cosic fully agreed with Mr. Guntern, that the levels are quite high, stubborn and persistent and how BiH safety net systems and assistance for poor are mistargeted and are not reaching the ones who are in need. Regarding the second question, the situation will became very difficult if another crisis come for households who already depleted their reserves, in terms how are they going to cope with this further if another slowdown occurs, so the social pressures could only grow further.

Ms. Ella Challenger referred to the issue of the unemployment rate, which is according to the WB Report 28-27 %, asking is this the right number.

Mr. Cosic replied that there are two definitions of unemployment; so-called registered unemployment rate (accounting people registered at employment offices) and the other, through a survey according the Standard ILO methodology. People are often registered as unemployed only to collect the health insurance, so if methodology consistent with other countries is applied, then 27% is correct, so that is more appropriate measure of unemployment, in the view of the WB.

Next meeting

Ms. Basta thanked the all participants for attending the DCF meeting and announced the next meeting for September. The meeting was closed at 12:57.

SCIA, July 2012