

DONOR COORDINATION FORUM

MINUTES OF THE MEETING OF 14TH OCTOBER 2010

Participants

Mr. Jonathan M. Moore, Deputy Chief of Mission, US Embassy (**Meeting Co-Chair**)

Donor/IFIs representatives

Ms. Aller Grubbs, USAID/US Embassy
Ms. Deborah Bernlohr, US Embassy
Ms. Adrienne Galanek, US Embassy
Ms. Dana Beegun, USAID
Ms. Selma Sijerčić, USAID
Ms. Almira Ramhorst-Vejzagic, USAID
Ms. Elvira Challenger, USAID
Mr. Stephan Leudesdorff, KfW
Mr. Gunter Zimmer, Austria/ADC
Mr. Thomas Ruegg, Swiss Cooperation
Mr. Axel Sachs, GTZ
Ms. Jutta Zinnel, GTZ
Ms. Jasenka Stjepanovic, German Embassy
Mr. Yoshiaki Makino, Japanese Embassy
Ms. Tomoko Koseko, Japanese Embassy
Mr. Csaba Felegyhazi, Hungarian Embassy
Mr. Aris Seferovic, UN-RCO
Mr. Peter van Ruyseveldt, UNDP
Ms. Lucia Desigis, UNDP
Mr. Eric Illes, Swedish Embassy
Mr. Florence Bauer, UNICEF
Mr. Boris Iarochevitch, EU Delegation
Ms. Dominka Skubida, EU Delegation
Mr. Marco Chimenton, Italy/IC
Ms. Ornella D. Loreto, Italy/IC
Ms. Rini Bus, Embassy of the Kingdom of the Netherlands
Ms. Blanca Yanez Minondo, AECID/Spanish Embassy Cooperation
Mr. Orhan Niksic, The World Bank
Mr. Josip Polic, EBRD
Mr. Slavomir Goga, Embassy of Check Republic

Government representatives:

Ms. Dusanka Basta, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH (**Meeting Co-Chair**)
Ms. Zeljka Boljanovic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Mr. Igor Blagojevic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Mr. Ibrahim Omerbasic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Mr. Ivica Mestrovic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Ms. Jasmina Salihagic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Mr Petar Kraljevic, Advisor to the BiH Minister of Finance and Treasury
Mr. Zoran Stjepanovic, RS Ministry of Economic Relations and Regional Cooperation
Mr. Midhat Dzemic, Directorate for European Integration BiH
Ms. Zuhra Talovic, Directorate for European Integration BiH
Ms. Aneta Rajic, PARCO
Ms. Sladjana Surba, PARCO

ACE project staff in attendance:

Mr. Richard Moreton
Ms. Jasminka Joldic
Mr. Mladen Milanovic
Ms. Azra Atlić- Smajlovic
Ms. Lejla Muminovic

Meeting Agenda

- Welcome and Opening Remarks
 - US Activities Overview
 - USAID Presentation of Project Level Donor Coordination
 - USAID Presentation on Youth Assessment
 - Progress on Sector Approach Piloting and Preparation for the Establishment of DCF Sector Sub-Groups
 - Progress on Preparation of the Public Investment Programme and Relevance to Donor Coordination
 - Confirmation of Revisions to DCF Functioning
 - Tour de table
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AD1: Welcome and Opening Remarks

The meeting was opened by Ms. Aler Grubbs, USAID, who welcomed the attendees and thanked them for their attendance. Ms. Grubbs introduced Mr. Jonathan M. Moore, Deputy Chief of Mission, from the US Embassy in Sarajevo, who delivered the opening remarks at this meeting.

Mr. Jonathan M. Moore welcomed the Donor Coordination forum and expressed special thanks to the BiH Ministry of Finance and Treasury and Ms. Dusanka Basta for all her work in management and in organising today's event.

Highlights of Mr. Moore's speech:

- This forum is of the utmost importance for improving donor coordination and country ownership over development. The U.S. fully endorses the 2005 Paris Declaration on Aid Effectiveness, which states that for assistance to be effective, donors must coordinate their programmes and partner countries must exercise leadership over their own development policies.
- The Obama administration recently announced a new U.S. Global Development Policy, the first of its kind by an American administration. This policy emphasises several things, among them broad-based economic growth, the use of technology and innovation in development, and investment in women. The policy also emphasises greater host country responsibility for its own development.
- Over the past 15 years the US foreign assistance programme implemented by USAID and other U.S. agencies has provided more than 1.5 billion dollars to help the development of a multiethnic, stable, prosperous and democratic Bosnia and Herzegovina irreversibly set on the road to Euro-Atlantic integration. In the first 10 years after the conflict, the United States operated a very large bilateral assistance mission focusing on restoring the country's infrastructure, strengthening the private sector and increasing citizen participation in democratic processes. In more recent years, the U.S. has strived to accelerate economic reforms and further strengthen democratic processes, maximising resources through partnership with other donors. In order to reduce duplication of efforts USAID works very closely and successfully with many other donors, even co-funding and developing joint projects. Joint work with other donors is helping to achieve the key development goals. It is, therefore, critical for USA/USAID to continue to deepen donor coordination and joint efforts to help Bosnia's development and progress toward European and Euro-Atlantic integration.

Mr. Moore again thanked Ms. Basta and the DCF, wishing them a good discussion and good coordination.

AD2: USG activities Overview

Ms. Adrienne Galanek, Deputy Chief of Economic Section of the US Embassy provided an overview of the array of the US government agencies that are providing assistance to BiH.

The main points of this presentation were as follows:

- The overarching goal of US assistance is to support BiH's development as a stable, democratic, multiethnic state on the road to European- Atlantic and NATO integration.
- US assistance is focused in three main areas:
 - a) Promoting Peace and Security – the US Defence Attaché's Office (DAO) and Office of Defence Cooperation (ODC) oversee a significant military assistance program that promote the ethnic integration of the armed forces, increases BiH defence capabilities and improves their capacity to participate in NATO missions. The State Department, in coordination with the US Defence Attaché Office, assists BiH with destruction of excess small arms, light weapons and ammunition. Funds are also provided through the US Defence Attaché's Office and USAID for employment skills development and reintegration services for demobilised soldiers. This initiative will partner with NATO and the International Organisation for Migration (IOM). The US Department of Justice's ICITAP programme, strengthens law enforcement's investigative skills, fosters inter-agency coordination and develops an apolitical police force that can successfully combat organised crime, terrorism and secure the country's borders.
 - b) Strengthening Democracy and Governance – USAID, the Office of Public Affairs and the Department of Justice's OPDAT program work to strengthen the judiciary and civil society, rule of law and independent media, increase transparency and promote good governance, civic education and inter-entity cooperation. During the recent elections USAID raised voter awareness, mobilised civic participation and strengthened the Central Election Commission's efficiency and transparency. The US also supports international judges, prosecutors and advisors in the State Court and Prosecutor's Office and the OPDAT programme mentors and trains judges and prosecutors throughout BiH to effectively combat terrorism, organised crime and corruption. Assistance to the International Commission for Missing Persons (ICMP) provides support for exhumation and identification of missing persons.
 - c) Fostering economic growth- USAID promotes energy sector reform, agricultural and SME competitiveness, fosters innovation, increases labour mobility, and provides loan guaranties for SMEs. Through USAID and the US Department for Commerce's Commercial Law Development Programmes, the U.S. is raising public awareness, training judges and prosecutors and strengthening local institution's capacities to protect Intellectual Property Rights. USAID and the US Department of Treasury

help entities to address tax revenue issues and harmonise tax laws. The US Department of Treasury Debt Programme provides technical expertise to BiH officials to issue bonds to satisfy the Currency Deposit Board and assist the state with issuing guarantees for entity owned enterprises resulting in lower cost financing.

USA/USAID programmes demonstrate a willingness to cooperate with other donors and with BiH to secure a peaceful, democratic and prosperous future for BiH.

AD3: USAID Presentation of Project Level Donor Coordination

Ms. Amira Ramhorst–Vejzagic Deputy Director, Economic Office delivered the presentation on project level donor coordination. USAID BiH Mission has partnered with different donors using different partnership models in different development areas:

1. Economic Growth - with Sweden and Norway
2. Local Governance - Sweden and Dutch
3. Energy - UNDP and Germany (GTZ)
4. Financial Sector - Germany (KFW)

The main advantages of the partnerships are: greater breath and depth of assistance in times of declining donor budgets; synergy in applying different development philosophies and approaches in a single project; partnership leverage resources and expertise, cost savings and greater efficiency; enhanced donors voice in the country; greater visibility through co-branding and greater benefit for host country. *For more information on project level donor coordination please see enclosed presentation.*

AD 4: USAID Presentation on Youth Assessment

Ms. Selma Sijerčić, Project Manager delivered a presentation on Youth Assessment. Recently, USAID conducted Youth Assessment in BiH. The main purpose and objectives of this survey were: 1. To survey the youth sector in BiH; 2. Collect basic statistics and key demographic information; 3. Identify priority issues/needs; and 4. To provide findings and recommendations for a stand-alone youth project and USAID's strategy on youth. *For more information on this survey please see enclosed presentation.*

AD 5: Preparation of Public Investment Programme and Progress on Sector Approach Piloting

Mr. Mladen Milanovic, from MoFT/DFID/ACE Project presented progress on three major topics: 1. Public investment planning in the context of strategic planning and budgeting, 2. Progress in design and preparation of PIP and 3. Progress in the piloting of Sector Approach Modality.

Strategic planning and implementation framework include financial framework, strategic planning framework and Implementation framework. New design of PIP has been presented and it includes: 1. PIP projects which encompass: approved projects with secured financing and proposed projects; 2. Link with strategic planning (CDS/SIS, sector strategic plans, institutional strategic plans); 3. Link with EU integration process (SAA, EU Partnership Agreement) and 4. Mechanism for identification of priority projects per institutions. New mechanism for PIP preparation includes: training of budget users; new PIP calendar; rolling out the PIP methodology to RS and FBiH MoFs and preparation of BiH PIP on modular bases. To date, the draft PIP for BiH institutions is prepared and sent to the BiH CoM for approval; draft RS PIP was finalised and approved by the RS Government and Draft FBiH PIP is in the final stages of preparation and is expected to be finalised in early November. *For more information please see enclosed presentation.*

AD 6: Progress on Sector Approach Piloting

Mr. Milanovic presented progress on Sector Approach piloting. Methodology has been prepared for gap analysis in the pilot sectors and scanning of the pilot sectors is in the progress. Further steps in this regard include consultations with responsible entity/BD ministries (Ministry of Finance FBiH, Ministry of Economic Relations and Regional Cooperation of RS, BD authorities) and preparation of development plans for pilot sectors.

In the follow up discussion Mr. Dzemic from DEI asked what would be the role of existing structures related to the EU integration process since there are already established rules, structures and procedures that institutions have to follow. There is the clear role of the EU delegation, Directorate and other BiH institutions.

Mr. Milanovic explained the BiH MoFT position is that the role of all other institutions, not only the DEI is to their best capacity to continue following their plans and continue using their technical assistance, which adds value to the process. The whole process of coordinating institutions at various levels is much more complex. The role of the Ministry of Finance is not to run these processes. The DEI is particularly responsible for the European integration process, creating vertical structures, but there are also other processes parallel to it or consistent with it such as the process of administration reform which is run by the PARCO office. The BiH MoFT wants to

integrate all of these activities fully, to add force to the process. The ultimate aim is implementation of the wider country objectives and the BiH MoFT wants to create structures which are general and able to effectively manage their sector plans through the institutions that are responsible within their constitutional and functional responsibilities. All institutions and all other processes are comparable and will fall into this structure. This is the overall approach. More details will be discussed in the follow up events with the MoFT and its potential main partners - DEI, PARCO, and Directorate of Economic Planning (DEP).

Further comments or queries are to be sent to the MoFT/SCIA by email.

AD7: Confirmation of revisions to DCF Functioning

The attendees were asked to present their comments regarding the previous DCF meeting held on June 7, 2010. As there were no comments the minutes were accepted as a true record of the meeting.

Ms. Basta asked DCF members to provide their comments on the proposed revisions in the functioning of the DCF, if any, by e-mail to the MoFT/SCIA before the next DCF meeting. All comments will be incorporated and the new document will be presented to the forum at the next meeting.

Ms. Basta informed the forum on the forthcoming 2011 global survey on adherence to the Paris Declaration principles and the BiH Government intention to participate in this survey. Donors were asked to actively participate in this survey and are invited to propose a donor focal point for this survey. More information on this exercise will be available in December 2010.

Ms. Basta greeted Mr. Slavomir Goga from the Czech Republic who will present activities and assistance provided to BiH by the Czech Republic.

AD 8: Tour de table

Members were requested to inform the meeting of any interesting current activities:

KfW: Two weeks ago a new bilateral agreement was signed with the BiH Government, supporting German government allocation in 2010 to BiH. Total allocation by the German Government to BiH in 2010 amounts to €108 million, out of which approximately €8 million is for technical cooperation handled by GTZ and approximately €100 million is for new loans handled by KfW. KfW will provide loans to support 3 sectors. There are 2 new projects in the energy sector. Up to €50 million has been allocated for the wind park in RS while another €30 million has been allocated for the pump storage power plant Vrilo. KfW allocated a total of €80 million for this project, €50 million last year, plus €30 million this year. €20 million is allocated to the Municipal Water Supply and Waste Water Treatment project in Tuzla, Travnik and Zenica.

GTZ: Regional Director of GTZ briefly informed the forum on regional cooperation in energy and other sectors. Regional cooperation is established through the Open Regional Fund.

The Czech Republic: Mr. Slavomir Goga, Deputy Head of Mission with Embassy of Czech Republic, thanked the forum for the opportunity to present their activities. Recently the Czech Republic adopted a new development cooperation strategy and BiH is one of the 5 countries that will be receiving their assistance in the next 7 years. The assistance is aimed to support priority sectors such as agriculture and rural development, environmental protection, economy, industrial development and social development. The Czech Republic is also involved in transformation projects supporting human rights, social transformation and democratisation and providing scholarships. Every year at least 10 students and up to 20 students from BiH receive scholarships to study in the Czech Republic. In November a programming mission will come to BiH and they would be glad to meet with other DCF members and coordinate their activities.

Japan/JICA: Japan/JICA is currently implementing a project in Skelani in the Srebrenica area. This project is currently scheduled to end in August next year but JICA is planning to conduct a fact finding mission regarding a feasibility of expanding this project to different local communities starting from next year. A master plan for remediation of environmental hot spots in northern BiH was adopted in August 2010. This project targets hazardous waste in the region. In respect to technical cooperation, as a follow up to the project on sustainable development through eco-tourism, JICA is now planning to implement an international tourism corridor project in Herzegovina. A preparatory study mission for this project is expected at the end of November. JICA is planning to give a grant of 85,000 Euros aimed at the improvement of instruments for Sarajevo Philharmonic Orchestra, scheduled for 26 October. Japan/JICA signed a loan agreement with BiH for the extension of the power plant project.

Hungary: Project support to the Aarhus Convention implementation in BiH has been completed. The promotion event of the new website which provided information on environmental decision making will be held on 18 October on the OSCE, Mission to BiH premises. Hungary has 2 ongoing small grants projects: National Reconciliation among the Youth in the Srebrenica Region and another project to support the Centre for Cultivating Dialogue. Both projects will be closed at the end of this year.

Sweden/Sida: The new Development Cooperation Agreement with BiH was signed last Friday. Annual contribution to BiH in the next four years will be €17 million. These allocations will support mainly governments, justice sector reform and local governance reform. The economic development programme was presented by USAID this morning. The new sector of support is environmental infrastructure, dealing with solid waste and waste water management. Sida is also preparing for the continuation of the ACE project as part of the democratic governance pillar. Sida has a broad portfolio of support of the justice sector with contributions to the State Court, state Ministry of Justice and HJPC. The strategy for next period is way to support initiatives approved in the framework of justice sector reform. Furthermore, Sida is planning to support juvenile justice which is currently carried out by UNICEF. The Justice Sector Reform Fund, currently under preparation, is an important innovation which plans to shift responsibilities to the domestic institutions. MoU for Justice Sector Reform Fund has been approved by the main national institutions and still awaiting a few responses.

WB: The WB is starting preparation of the new country partnership strategy (CPS) which is expected to be finalised by mid next year and become effective at the end of 2011. BiH will have continuous access to IDA funds even though the country is not eligible for this type of assistance any more, through 30 years repayment and zero interest rate credits. New CPS assistance will not have a large number of projects as in the past but rather fewer and larger projects to increase efficiency. There are some dilemmas as to whether the projects should be focused on structural reforms or infrastructure investments. Most probably it is going to be mixture. The envelope for the next CPS is still unknown. Several ongoing projects will continue and will be extended to the next phase such as solid waste management. A Sava Water Way project is in preparation. The WB will probably continue its engagement in the energy sector. Development policy loan took the biggest part of the WB finance this year. It is expected that disbursements in 2010 will amount to 111 million USD. It is expected that development policy operations will continue throughout 2012. A series of policy notes in trade and integrations have been prepared by the WB. In analytical work, a recently completed study analysed the extent to which skills are constraining roots in BiH. The WB is currently launching work on public expenditures and institutional review, which will provide inputs for the next CPS.

EBRD: EBRD is finalising a new country strategy which outlines the EBRD's focus for the next three years in BiH. The public sector's focus is on the implementation of several large transport infrastructure projects. Preparatory work is on the way for a number of municipal infrastructure projects: two in Sarajevo, Plava Voda, one in Capljina and one in Cazin. The bank will try to maintain the same level of activities. The mandate of the bank is also to support the private sector including credit lines and specific projects in energy efficiency and renewable energy.

UNICEF: 2010 is the first year of our country programme. UNICEF's focus is still on social protection and inclusion. The EU and DFID are working at different levels: state, cantonal, municipal level; in the area of legislation, data collection and implementation of centres for young children in several municipalities. UNICEF is also supporting juvenile justice reform at the legislature level. Together with 5 other UN agencies UNICEF is working on youth projects in several municipalities in the area of education and employability. UNICEF is also supporting the governments in implementation of an early childhood development policy. UNICEF is interested in partnering with other donors in the implementation of centres for young children.

EU: The EC is finalising the next three year strategy. The objectives are shared with most of DCF members and comments are expected by October 15 later this year or early next year the strategy will be presented to member states. The programming exercise will start in November 2010. The EC will continue to provide €100 million annually. The EC is also planning to start with one sector wide approach in judiciary. There is a possibility that PARCO will be added to this exercise later on.

Next Meeting

Ms. Basta thanked attendees and informed the forum that next meeting will be held in the first part of the December 2010 and will be chaired by Spain/AECID and the Forum will be addressed by H.E. Ambassador of the Spain.

The meeting closed at 12:50.

SCIA, October 2010