

DONOR COORDINATION FORUM

MINUTES OF THE MEETING OF 18TH MAY 2011

Participants

H.E. Dr. Donatus Köck, Ambassador, Austrian Embassy (**Meeting Co-Chair**)

Donor/IFIs representatives

Mr. Jonathan Francis, Swedish Embassy
Ms. Aler Grubbs, USAID/US Embassy
Ms. Ela Challenger, USAID
Ms. Adrienne Galanek, US Embassy
Ms. Deborah Bernlohr, US Embassy
H.E. Mag. Brigitte Öppinger - Walchshofer, ADA
Mr. Robert Zeiner, ADA
Mr. Gunther Zimmer, ADC
Ms. Amira Omanović, ADC
Mr. Dino Mujkić, WUS/Austria
Ms. Nina Kovač, WUS/Austria
Mr. Dino Čehajić, Austrian Embassy
Ms. Azra Šarenkapa, Swiss Cooperation
Mr. Stephan Leudesdorff, KfW
Ms. Jutta Zinnel, GIZ
Mr. Axel Sachs, GIZ
Mr. Reinhard Lüke, GIZ
Ms. Christiane Heinze, German Embassy
Mr. Yoshiaki Makino, Japanese Embassy
Ms. Tomoko Koseko, Japanese Embassy
Mr. Aris Seferovic, UN-RCO
Ms. Anne-Clair Duffay, UNICEF
Mr. Boris Iarochévitch, EU Delegation
Ms. Dominika Skubida, EU Delegation
Ms. Anne MacLeod, British Embassy
Ms. Azra Dzgal, Spanish Embassy
Mr. Marco Chimenton, Italian Embassy/IDC
Mr. Marco Mantovanelli, World Bank
Mr. Goran Tinjic, World Bank
Mr. Damir Cengic, EBRD
Mr. Slavomir Goga, Embassy of Czech Republic
Ms. Anesa Terza Vukovic, Embassy of Czech Republic
Mr. Ian Baker, European Policy Information Centre
Ms. Sanela Klaric, European policy Information Centre

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. 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
Ms. Manuela Stjepanovic, Sector for Coordination of International Economic Aid, Ministry of Finance and Treasury BiH
Mr. Midhat Dzemic, Directorate for European Integration BiH
Ms. Zuhra Talovic, Directorate for European Integration BiH
Mr. Rade Jevtić, Directorate for European Integration BiH
Ms. Sasa Stanic, BiH Directorate for Economic Planning
Ms. Aneta Rajic, PARCO
Ms. Nevenka Dalac, MoFTER
Mr. Zoran Stjepanovic, RS Ministry for Economic Relations and Regional Cooperation

MFIT project staff in attendance:

Mr. Mladen Milanovic, Consultant
Ms. Amra Omerbasic, DME Coordinator
Ms. Samra Muminovic, DME research Assistant

Meeting Agenda

- Welcome and Opening Remarks
 - ADA presentation "15 years of Austrian Cooperation with Bosnia & Herzegovina"
 - ADA presentation on Austrian Phasing out Strategy 2011-2013
 - WUS presentation "15 years of Austrian Support to Higher Education in Bosnia & Herzegovina"
 - GIZ presentation on Donor and Sector Coordination using the example of Land Administration Reform (LAR)
 - The World Bank presentation "Focus on results-The World Bank Country Partnership Strategy for BiH 2012-2015"
 - Tour de table
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AD1: Welcome and Opening Remarks

The meeting was opened by Ms. Dusanka Basta, BiH MoFT/SCIA, who welcomed the members and informed them that this DCF was organized in cooperation with Austrian Embassy and Austrian Development Agency (ADA). Ms. Basta invited H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina, to address the meeting.

H.E. Dr. Donatus Köck, Ambassador, Austrian Embassy, expressed his gratitude to Ms. Basta and to all representatives of the donor community in BiH. During his presentation the Ambassador commented that:

- The Austrian Embassy has particular reason to co-chair this meeting, since yesterday evening it celebrated 15 years of successful development cooperation between Austria and BiH.
- More on this topic will be presented by the special guest, CEO of the ADA, Ambassador Öppinger-Walchshofer.
- H.E. Dr. Köck also introduced Mr Robert Zeiner, who is in charge for project implementation.
- As in most of EU countries, the Ministry for European International Affairs is responsible for drawing the Strategy, as well as for the development policy. ADA is created as an Agency to carry out and implement the projects.
- The Ambassador pays his reference and comments to all of the colleagues from Germany, Switzerland, Sweden, colleagues from the Great Britain and to all to whom Austrians have been working together over the years to assist to BiH in its moving forward.
- After 15 years, the point was reached at which office of ADA in BiH will be closed, by the end of June. However, this does not mean that Austrian assistance will go away permanently. BiH matured and the time has come to concentrate on different kind of providing assistance, throughout the EU integration of this country.
- Austria is leading two EU twinning projects: one on the Indirect Taxation Authority and second one is on Integrated Border Management, which was launched not so long ago.
- H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina made a point that Austria, which does not have only very close historical relations with BiH, has built up very special relationship due to its involvement in economic and business environment in BiH. Austria is the biggest investor in BiH, throughout its banks and building sector enterprises, as well as throughout small and medium businesses that have invested in BiH production facilities, where about a 100% of all the products is been exported in Austria. This almost produced a trade balance in export and import between our two countries in the last year, but due the on-going economic crisis, the results from 2008 was corroded.
- BiH is moving forward in its export sector, and it can be seen that engagement of Austrian companies in BiH has been fructuous already.
- The most important is Austrian engagement in BiH education sector, as a key sector for Austrian development cooperation, but the involvements in the employment and youth sectors should be mentioned as well. Especially in the youth sector that, thanks to Austrian bilateral programme, could provide in jobs for a few thousand young people. Besides, the Austrian universities accommodate around 2.500 students from BiH, and special accent should be, due to visa elimination since December 15th 2010, on mobility of the young and business people, which will allow to BiH to move forward.

H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina expressed his gratitude for the attention and proceeded to the next Agenda item and invited H.E. Mag. Brigitte Öppinger – Walchshofer, ADC, to deliver her presentation.

AD2: ADA presentation “15 years of Austrian Cooperation with Bosnia & Herzegovina”

H.E. Mag. Brigitte Öppinger – Walchshofer underlined that when the ADA office closes down, it does not mean that they are leaving, only that different things will be done in the future. H.E. Öppinger – Walchshofer briefly presented 15 years of Austrian Cooperation with BiH. The main points of her presentation were:

- Austria has worked with BiH since 1992. The start was during the war, with humanitarian aid, than followed by reconstruction after the peace agreement of 1995 and meanwhile in convergence with the EU.
- Since 1992, BiH has been a priority country of Austrian Development Cooperation (ADC) and in 1996 ADC opened an Office in BiH.
- At the beginning ADC had the Reconstruction Programme from 1996–2004, which later on became the first Country Programme from 2005–2007. The Agency as such was founded in 2004, with the first bilateral Country Programme in 2005. In the meantime ADC is having a Phasing out Strategy, starting from 2011, when ADC is closing its office, until 2013, when the present programmes and projects will be hopefully concluded with success.
- As of 2013, Austria and BiH will enter in the new era of cooperation, in use of alternative funding instruments.

- During whole this time ADC have had very close dialogue with the Government, but also with civil society and with other donors, in order to align programmes, to harmonize, to avoid duplications and to harness potential synergies and complementarities.
- As mentioned in the beginning, in 1996, ADC were engaged in reconstruction programme that was involved in higher education, refugee return, water, SME support and human rights and democracy with public administration reform.
- As of 2004, ADC supported BiH in convergence with the EU, throughout three big priorities: education (higher education and vocational training), economic development and employment (ADC assisted to BiH's enterprises in creating around 2.000 new jobs, especially for young people) and governance, as cross-sectoral issue (fostering a common national identity in BiH and supporting the state-institutions).
- With regards to the education sector, ADC's focus was on young people and their support in university education and implementation of the Bologna Process.
- In economic development and employment, as second area, ADC concentrated on the young population and on the disadvantaged parts of population. Modern administration promotes economic development. Efficient land registration was important for ADC, and this organization successfully established modern, computerized registry, with data that were collected from Austro – Hungarian Empire until now days. This was done in cooperation with other partners.
- In area of Governance, ADC promoted institutional capacity development in governance on the state level, including rule of law, democratisation, conflict management, civil society and human rights. ADC done this with support to the State Court in prosecuting war crimes through finance for international judges, through support to the Directorate for Economic Planning and with support to the Ministry of Finance and Treasury in its planning of administrative and control systems for the efficient use of public resources.
- Additional funding, apart from mentioned three areas, ADC provided in demining throughout Demining Programme of the Austrian Ministry for European and International Affairs, in regional cooperation, in NGO cooperation and in last couple of years in business partnerships. More than € 1.2 million was made available per year through these programmes.
- Overall picture since 1995 till 2010 is as follows: the ODA from Austria to BiH was around € 465 million, and out of this sum 14% was channelled throughout ADC, about € 66 million.

AD3: ADA presentation “Austrian Phasing out Strategy 2011 - 2013”

H.E. Mag. Brigitte Öppinger – Walchshofer continued with her presentation on Austrian Phasing out Strategy 2011 – 2013. The main highlights of presentation were:

- By mid – 2011, ADC will close its Office in BiH, but this does not mean that all ADC representatives will leave the country. There is one development attaché, Ms. Amira Omanovic, as a link to all ADC programmes. She and the Desk-officer in Vienna will monitor and supervised all on-going ADC programmes and projects, until they are concluded in the end of 2013.
- ADC was aware that in the whole Region, the engagement of the development agency as ADA is a matter of years, because BiH is not underdeveloped country, such as African or similar countries. BiH needed some assistance at very difficult situation, but today situation is different.
- The conclusion was that ADC is not needed at the same level it needed before, and it will proceed with its next step of cooperation.
- Previously mentioned Education, Economic development and employment, Governance and Gender in BiH will continue to be into ADC focus until 2013. After 2013, ADC will be concentrate on the Business area, in a way to support businesses to come in BiH (because they create jobs and because of the linkage between education institutions). NGO cooperation will go on. Currently, 2 EU twinning projects are implemented by Austrian institutions, but ADC's opinion is that it could be done more. Also, Austrian Development Bank is quite interested to get active in the Eastern European Countries, over their soft loans.
- Ms. Öppinger – Walchshofer provided contact details of ADC focal point in BiH, Ms. Omanovic, and expressed her gratitude for the attention of the participants.

Ms. Basta thanked to Ms. Öppinger – Walchshofer on her words, and invited Ms. Nina Kovač, WUS/Austria, to proceeded to the next Agenda item, which was a presentation on 15 years of Austrian Support to Higher Education in Bosnia & Herzegovina.

AD4: 15 years of Austrian support to Higher Education in Bosnia & Herzegovina

Ms. Nina Kovac, Deputy Regional Manager, World University Services (WUS) complimented all the participants of today's DCF meeting on behalf of WUS Austria. The main highlights of Ms. Kovac presentation were:

- WUS Austria's core mission over the years was to support the human right to education and to provide systematic assistance to the reform and modernization of higher education in South East Europe. WUS Austria was very fortunate to have the Austrian Development Agency (ADA), the Austrian Government, as a partner and a donor for WUS's initiatives and endeavours. This helped on gradual development of higher education in BiH.
- Throughout this joint cooperation over past 15 + years, literally hundreds of projects and activities have been successfully implemented.
- In the last few months, WUS Austria have been researched on wider, long-term effects and impacts that were achieved in BiH's higher education through the cooperation between WUS Austria and ADC. Results were rewarding and motivating for WUS Austria. There are three results of this research: 1.) the Conference that will be held next week in UNITIC business centre regarding the results of cooperation between these two institutions and on impact it has on motivating the academic community of BiH, 2.) in the envelopes that participants have received on the beginning of this meeting is a brochure that highlights the numerous success stories at the BiH Universities that were achieved and the 3.) the short documentary film, that involves more than 20 different interviewees from BiH higher education sector and prospectus of numerous stake-holders.
- Mentioned documentary is recapitulation and promotion of collaboration between WUS Austria and ADC.

Ms. Kovac released the movie.

After the movie is presented, H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina addressed the meeting in order to express his gratitude to all the Ministries that were involved, and especially to the Ministry of Finance and Treasury as the main interlocutor. H.E. Dr. Köck emphasised the role of Ministry of Civil Affairs in the education sector, as coordination point. Also, some of laboratories, especially the one in University of Zenica are modern equipped thanks to the Austrian soft-loan facility.

H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina thanks to WUS and ADA on their efforts in BiH.

Ms. Basta thanked to Ms. Öppinger – Walchshofer on excellent presentation and to Ms. Kovac on excellent movie. Ms. Basta expressed her gratitude to Austria and ADA on the whole assistance provided to BiH in this past period and emphasised that BiH is looking forward to the new way of cooperation.

H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina proceeded to the next Agenda item, inviting Mr. Reinhard Lüke, GIZ, to deliver his presentation.

AD5: Donor and Sector Coordination using the example of Land Administration Reform (LAP)

Mr. Reinhard Lüke, expressed his gratitude for providing him an opportunity to briefly present achievements of the Land Administration Project (LAP). The main points of the presentation were:

- The LAP has been financed in almost equal portions from Governments of Austria, Sweden and Germany. Beside mentioned collaboration between those three donors, LAP established close cooperation with the World Bank and EU funded projects involved in this sector.
- The LAP is considered to be a good example of donor coordination in this sector. The Project has been implemented by GIZ, former GTZ, together with competent institutions in BiH, from which the most significant were two Ministries of finance and two geodetic administrations on entity levels. February 28, 2011 was envisaged deadline for this Project to come to an end, however, in order to accomplish some on-going activities the agreement was reach on Project extension until the middle of 2011.
- Mr. Lüke used this opportunity for brief video-presentation of the achievements of the Project, and he released the movie.

After the movie is presented, H.E. Dr. Donatus Köck, the Austrian Ambassador to Bosnia and Herzegovina emphasized that this Project made a clear contribution not only to legal security than also to economic development of BiH. The Ambassador thanked GIZ and to Mr. Lüke, as well as to partners from Sweden and Germany on their contribution to this important Project.

Ms. Basta invited Mr. Marco Mantovanelli, Head of the World Bank Mission in BiH, to deliver his presentation.

AD6: Focus on results - The World Bank Country Partnership Strategy for BiH 2012 - 2015

Mr. Mantovanelli briefly explained that the World Bank is in the process of preparing the new Country Partnership Strategy for BiH for the period 2012-2015, with emphasis that presented document is still not the final one. The main points were as follows:

- The World Bank is present for 15 years in BiH and besides the look in the future, this presentation will show what the World Bank have learned during its engagement in BiH.
- There were three phases of the World Bank role in BiH: 1.) immediate post-conflict reconstruction (1996-2002), 2.) 2003 – 2007 reforms seem possible and 3.) present - EU accession and crisis mitigation.
- Since 1996 the World Bank implemented 66 projects in BiH in overall amount of \$ 1.6 billion, mostly in interest free IDA credits or IDA grants. BiH still have an access to this line of financing, which is exceptional given the status of development of the country.
- During the first phase of the Bank's involvement, impressive results were achieved in terms of restoring basic infrastructure and services. Fast delivery and implementation was one of the lessons, as well as early wins and strong partnership with other development agencies, especially with EC in mobilizing over \$ 5 billion of support in this reconstruction phase.
- The focus of the World Bank was economic development, so the World Bank tackled reconciliation and reintegration through economic development.
- Every year the World Bank launches the major report on important development issue, the World Development Report (WDR), and this year's edition is dedicated to post-conflict violence and security. This Report provided some lessons learned in this country, as well, and particularly on importance for building legitimate institutions, that can provide security, justice and jobs. Emphasis is on confidence in collective actions (build on the broad band coalitions between state, private sectors, NGO's), and maybe this is what is lacking in BiH. Emphasis is also on early wins, which means that country should have a quick, tangible results in jobs, security and justice. The World Bank in BiH was involved in number of early wins, and conclusion on BiH and experience from the other countries emphasized how top-down approaches needs to be thought carefully, because this is setting basis for the long-term local institutions. Prioritization of early reforms is also equally important.
- After the first, reconstruction phase, the World Bank entered into phase of structural reforms, from 2003 to 2007. Reform-oriented governments were in place and optimism prevailed that the time was right for much needed structural reforms, like public wages, pensions, social security etc.
- However, the World Bank was forced to cancel IDA credits (more than \$ 100 million), because the reform process did not materialize. This was partly due to changing in the political climate (failure of the April package) and partly due to the VAT reform, that was successful reform, but it brought in revenues that have took away the urgency from the politicians on continuation of carrying out the other reforms.
- Lessons were: stronger political – economy analysis (if reforms do not have country ownerships, than do not do them), ability to quickly reallocate resources and maintain the political dialogue of issues of importance (it is important to build country ownership of the important reforms over time).
- In third, today's phase, the World Bank in BiH is focused on supporting BiH towards EU accession, throughout engagement in environment for private sector led growth and the quality of government spending (particularly when it comes to protection of the most vulnerable groups). This does not mean that the World Bank will walk away from difficult reforms, but now this organization is more selective.
- This phase is a low transition from IDA (interest-free) to IBRD (more market-based level of assistance).
- The new factor that hits the World Bank is the economic crisis. The issues like protecting the vulnerable and the restart of economic engine became more important. However, some lessons were learned in this phase, as well. For example, results are possible, even in current stagnation of the country. The World Bank achieved major step forward in structural reforms (social protection and veteran benefits). Its portfolio, which focuses mainly on environment, infrastructure, the local level, primary health, is doing relatively well (disbursement ratio above 25%) over the last 3 years. And, there is a stronger strategic partnership with EC (alignment of Strategies as much as possible).
- During preparation of the Donor Mapping Report, emphasis should be on actually implemented funds, rather than on the funds that are approved or committed, and possibly linked them to concrete results. Otherwise, the approval by itself is meaningless.
- The context in the World Bank's Strategy for the next 3 years is as follows: 1.) Political and 2.) Economic (persistent fiscal deficit is huge problem of BiH).

- Country Development Challenges, as the World Bank sees them, are: 1.) in a short-term, fiscal discipline and a macro stability, 2.) in a medium-term, sustainable economic growth in the post-crisis period (competitiveness to become a major element, but there are some structural gaps, as well as inclusion and acceleration of the reforms for the EU accession and for the establishment of the single economic space).
- The main objective of the World Bank Country Partnership Strategy will be to support strong and inclusive economic growth and EU accession, by tackling some of the competitiveness issues in BiH, by inclusion and by environmental sustainability. Those 3 areas will be focus for the World Bank's attention for the future.
- The focus of the World Bank will be on the results, and the World Bank will maintain the flexibility and will be selective, with continuation in partnerships strengthening, particularly with the EC.

Ms. Basta thanked Mr. Mantovanelli to his interesting presentation, and commented that she will refer onto it after the Tour de Table, regarding the new software of the new donor mapping database.

AD6: Tour de Table

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

EU Delegation: Mr. Boris Iarochевич briefly explained where they are standing with IPA. The Multi-annual Indicative Programming Document (MIPD) was endorsed by the Member States by the end of April, so there is a new Strategy from 2011 to 2013. EU Delegation is currently working with National IPA Coordinator (NIPAC) and the DEI on the IPA Programme 2011. The next IPA Committee will be held in October of 2011, where the EU Member States will have to give an opinion on this IPA Programme. Additionally, the EU Delegation will try to reduce the number of the initiatives and to pay a lot of attention on the results and on the usage of indicators. This work is in progress and DEI will present the Preliminary List of Projects.

Mr. Midhat Dzemic, DEI, proposed to Ms. Basta that Mr. Rade Jevtic, DEI, explains this List more fully, on which Ms. Basta agreed.

DEI: Mr. Rade Jevtic presented himself as a responsible person for IPA programming for NIPAC office in DEI. BiH have entered in the process of sector-wide approach since December 2010. The task of NIPAC was to allocate IPA funds, amounted in € 300 billion, for the next 3 years, in a way that enables or guarantees improvements in SAA process. At the moment BiH does not have SAA in force. There is only Interim Agreement. DEI developed contacts with IFIs, during preparation of the Programme, especially with the World Bank and the European Investment Bank, and it requests for assistance. In 2011, IPA marked 7 sectors for its intervention: Public Administration Reforms, Justice and Home Affairs, Private Sector development, Social Sector development and other issues. Sector-wide approach is operational, and it will be even better when DEI includes all donors in the process of programming, but it is not enough to accept this approach only on the level of state, but also it should be accepted by the beneficiaries.

Ms. Basta suggests to the representative of DEI to present the Preliminary List at the next DCF meeting, because of time limitations caused by previously arranged obligations from the Austrian side. She also commented Mr. Jevtic's presentation and stressed that it has entered into Ministry of Finance and Treasury scope of work.

Due to time limitations, Ms. Basta invited members to present their activities in shortly manner.

USAID: The USAID is working on the next phase of the Country Strategy 2012 – 2016, which means that is a draft version waiting for the Washington approval. After the approval, the USAID is planning to present this Strategy to the DCF members.

Germany: Mr. Stephan Leudesdorff, KfW, fully supported Mr. Mantovanelli's approach regarding the "disbursed" and "committed" funds and which one should be entered into the Donor Mapping Database. He informed the DCF that one week ago Germany and BiH have signed Bilateral Government Agreement 2009, which provides the basis for KfW loans: 1.) small hydro-power plant at the Bosnia river in the RS, up to € 50 million and 2.) pump-storage power plant in Tomislavgrad, in FBiH, up to € 100 million.

MoFT/SCIA: Ms. Basta addressed the members for any comments on the last DCF Minutes of Meeting, and since there was none, it was approved.

Next Meeting

Ms. Basta informed the Forum that the next meeting will be chaired by the Italian Development Cooperation (IC) and the members will be informed in timely manner on place and time of this meeting.

The Austrian Ambassador, H.E. Dr. Donatus Köck, closed the meeting expressing his gratitude on the opportunity to co-chair this meeting.

The meeting closed at 12:40.

SCIA, July 2011