

**Donor Coordination Forum
BiH Parliament Building
Sarajevo, October 6, 2009**

M i n u t e s

Attendees:

Donor Coordination Forum members:

- Ms. Riny Bus, Head of Development Cooperation of the Netherlands, Embassy of the Kingdom of the Netherlands (**Meeting Chair**)
- Mr. Gunther Zimmer, Austrian Embassy/ADC
- Ms. Cristina Gutierrez Hernandez, Spain/AECID
- Ms. Caroline Ravaud, Council of Europe
- Ms. Ruvejda Aliefendić, DFID/British Embassy
- Mr. Richard Jones, Foreign Commonwealth Office
- Mr. Giulio Moreno, EBRD
- Mr. Boris Iarochevitch, European Commission
- Mr. Gilles Kraemer, French Embassy
- Mr. Reinhard Lüke, GTZ
- Mr. Gerald Kühnemund, KfW
- Mr. Kazuyo Hashimoto, JICA
- Mr. Taku Aramaki, Embassy of Japan
- Ms. Franceska Cerri, Italian Cooperation
- Mr. Anders Hedlund, Embassy of Sweden/SIDA
- Mr. Thomas Ruegg, Embassy of Switzerland/SDC
- Ms. Milena Sarić, CP, US Embassy, Civitas in BiH
- Ms. Tracey Newell, U.S. Embassy
- Ms. Sandra Stajka, USAID
- Mr. Allan Reed, USAID
- Ms. Florence Bauer, UNICEF
- Ms. Leila Fetahagić, Embassy of Kingdom of Netherland
- Mr. Høgevoll Kenneth, Norwegian Embassy
- Mr. Marco Mantovanelli, World Bank
- Mr. Aris Seferović, UN RC office

Government participants:

- Ms. Dušanka Basta, SCIA, BiH Ministry of Finance and Treasures
- Ms. Edina Topčagić, SCIA, BiH Ministry of Finance and Treasures
- Ms. Željka Boljanović, SCIA, BiH Ministry of Finance and Treasures
- Mr. Ivica Meštrović, SCIA, BiH Ministry of Finance and Treasures
- Mr. Ibrahim Omerbašić, SCIA, BiH Ministry of Finance and Treasures
- Mr. Petar Kraljević, BiH Ministry of Finance and Treasures
- Ms. Biljana Dakić-Đurić, BiH Ministry of Finance and Treasures
- Ms. Aneta Raić, Public Administration Reform Coordinator's Office (PARCO)
- Ms. Zara Halilović, Directorate for European Integration (DEI)
- Mr. Mithad Džemić, DEI
- Ms. Selma Kasumagić, DEI
- Ms. Zuhra Talović, DEI

- Ms. Ljerka Marić, DEP

ACE Project Staff:

- Mr. Richard Moreton, ACE Project
- Ms. Galia Chimiak, ACE Project (UNDP)
- Ms. Jasminka Joldić, ACE Project
- Ms. Lejla Muminović, ACE Project
- Ms. Meliha Zečević, ACE Project

Agenda

1. **Welcome and opening remarks**
2. **Improving aid co-ordination and effectiveness in BiH**
3. **Purpose and activities of the Public Administration Reform Fund**
4. **“Tour de table”**

AD1 Introduction

The meeting was opened by Ms. Bus who welcomed the attendees and pointed out that in 2009 that was the third DCF session organized under the auspices of the BiH Ministry of Finance and Treasury (BiH MOFT). Ms. Bus expressed her pleasure at the high attendance and her hope to host an interactive and informal meeting. Before proceeding to the first Agenda item attendees were invited to introduce themselves.

AD2

Mr. Moreton presented the goal, purpose and planned outputs of the ACE project that provides technical assistance to BiH MoFT, and is funded by DFID and supported by UNDP. He noted that the project, which will run until March 2011, works together with the Sector for Coordination of International Economic Aid (SCIA) on a daily basis as one team. He explained that the purpose of the ACE project will be achieved through six main outputs, as listed in the attached presentation.

Ms. Basta presented the planned activities of SCIA MoFT for the coming year, summarized as follows:

- The *DME 2008-2009* has been implemented and the 2008-2009 DMR is currently in its final stage of production. SCIA MoFT is planning to host another DCF meeting to present the DME Report. Ms. Basta thanked to all donors for their kind cooperation in providing the information and assisting the production of the Report.
- *Endorsement of Paris Declaration on Aid Effectiveness by the BiH government.* MoFT has led the legal procedure to endorse the Paris Declaration. The next stage will be approval by the BiH Council of Ministers (CoM) followed by signing and submission to OECD.
- *Baseline Assessment of Paris Declaration on Aid Effectiveness implementation in BiH.* Following endorsement of the Paris Declaration an assessment will be made of the state of compliance to its principles in BiH.
- *Written mechanism and procedures for aid coordination.* SCIA MoFT will prepare the mechanism and procedures for aid coordination, which will be sent to all ministries and the donor community for consultation, before sending it for approval by CoM of BiH.
- *MoUs signed with donors committing to new mechanism and procedures.* Signing of MoUs is precondition for building the architecture for this process.
- *Unified criteria for project selection and prioritisation at state and entity level* - with the support of the ACE project to create unified criteria for the state and entities.
- *Public Investment Programme harmonised with the MTEF and Budget.* A process is now underway to improve the PIP and to ensure that it is fully harmonised with the state budget.

- *Monitoring and Evaluation guidelines for development projects at state and entity level prepared.*
- *Preparation of information systems development plan*
- *HRD programme for key state and entity aid coordination staff will be provided in order to improve their capacities.*

Ms. Basta used this opportunity to clarify the roles and responsibilities of MoFT and DEI in Aid Coordination.

According to the BiH Law on Ministries, BiH MoFT is responsible for “**the coordination of international economic assistance to BiH, excluding assistance from the EU**”, i.e. *international assistance from all bilateral donors (EU member states and others) and all multilateral donors, except for the European Commission.*

DEI is responsible for “**the coordination of assistance from the EU to BiH**” - *Programming and coordination of all assistance from the EU provided by the European Commission, predominantly IPA.*

The full presentation of Mr. Moreton and Ms. Basta is attached to this report.

In the follow-up discussion several questions were raised.

Ms. Ravaud, Council of Europe (CoE) asked how international aid coordination is conducted in other countries and who is normally in charge of this process.

Ms. Basta: responded that it varies from country to country. Generally aid coordination is conducted by the Ministry of Finance, as is the case in BiH. She noted that cooperation and communication between MoFT and DEI, as the two institutions in charge of the different parts of international aid co-ordination is very good.

Ms. Halilović (DEI) agreed that it more important how the system works rather than the location of responsibility. In this respect she noted that there is currently very good cooperation between the two institutions. She welcomed the fact that MoFT has assumed the lead in non-EC aid co-ordination complementary to DEI’s role in EC assistance programming.

Mr. Hedlund (SIDA) asked Ms. Basta whether entities conduct aid coordination at the entity level.

Ms. Basta responded that the responsible state and entity level ministers are partners and agreement is always reached by consensus. Everything in BiH should be in agreement with both entities and the state government.

Mr. Hedlund (SIDA) asked what kinds of aid coordination there are in RS and FBiH and how BiH MOFT is planning to deal with these.

Ms. Basta replied that MOFT, being a state institution, has dual areas of competence with entity ministries. The forthcoming aid co-ordination mechanism will clarify which institution is doing what.

Ms. Bus expressed her concern that by the time the improved aid co-ordination mechanism would be in place the volume of donor funds would be limited, questioning how important this mechanism would be when that happens.

Mr. Moreton explained that whereas it is a true that the volume of grant assistance is decreasing, they are still substantial and will remain so for many years to come. Moreover, when concessionary loans are taken into account, the volume of international development assistance is actually increasing.

Ms. Basta also stressed that aid coordination is not related only to grants. It is becoming increasingly important for BiH to take the ownership of the process and prioritize projects in one location, which is the purpose of the PIP. Currently cantons and municipalities nominate projects and MOFT lacks information regarding priorities. On the other side, donors themselves sometimes formulate and fund their own projects. The mechanism will address both of these weaknesses of current approaches.

AD3

Ms. Raić (PARCO) thanked the DCF for the opportunity to present the PARCO activities. Her presentation focused on the PARCO structure and means of operation, pointing out that PAR is a priority on the European path. She presented the PAR Fund management, the current assets of the PAR Fund, Action plan 1, Action plan 2, a list of approved projects and such of projects in preparations as well as a budget estimate for additional funding for projects in preparation. In addition she pointed out that the PAR Fund presents a decentralised management of the donor assets by the bodies of administration - for the first time in BiH. PARCO is in charge of facilitating the implementation of the PAR Fund (currently worth € 5.5 million) and activities. Donors of the PAR Fund are SIDA, DFID, the Embassy of the Netherlands and the EC (through a technical assistance to PARCO). At present 11 projects are being implemented at all levels of government to the amount of approximately € 4 million, which means that 70 per cent of the fund assets has been already approved, and available is only 30 per cent of the fund assets, meaning that only for the projects in preparation around € 1,5 million is lacking.

Ms. Raić suggested donor agencies to consider supporting the PAR Fund because new donation are needed not only for planned project but also for projects that will be related to the Action Plan 2 and invited donors to contact their office if they would need any further information.

The full presentation of Ms. Raić is attached to this report.

In the follow up discussion there was a question related to the speed of implementation of activities. **Ms. Raić** explained that they are currently focusing on technical issues and it is planned that the process will move faster in future.

Ms. Halilović (DEI) agreed that from the second stage the implementation of activities should be faster.

Ms. Bus expressed the opinion that the PARCO Fund is a good initiative, noting that several donors are involved in its operations and that it was not simple to establish such a structure. She then directed a question to MoFT regarding which institution donors should address if they would like to fund PARCO activities, questioning whether in such a case donors should contact MOFT first.

Ms. Basta responded that MOFT's priorities are expressed in the PIP which is the subject of approval by the Council of Ministers (CoM). She noted that all current PARCO Fund projects are included in the PIP and are therefore regarded as Government priorities.

AD4

Ms. Bus asked the donors to commence the “**Tour de table**” and briefly inform attendees regarding new projects, cooperation with other donors, and to mention any problems which they would like to bring to the attention of the meeting. The following contributions were made by donor members:

European Commission (EC): IPA 2009 programming has been completed and is now ready for implementation. The lengthy procedure from approval to signing of projects is one of

the issues that should be addressed. Some €30 millions of approved projects are still awaiting the signature of domestic authorities in order to commence implementation. The EC is in the process of programming IPA 2010 with an expected allocation of €100 million. In 2010 the EC will focus on two priority areas. The first focus is the area of rule of law, judiciary, and policing and anticorruption measures. The second focus is related to economic reforms, anti-crisis package, etc. The EC together with EBRD, EIB and the World Bank will provide around €40-50 million. A decision related to IPA 2010 is expected at the end of June 2010.

World Bank (WB): The WB is providing a mixture of grants, interest free loans and concessional loans. The WB prefers to focus on bigger projects in order not to put too much pressure on domestic institutions which implement these projects. The WB portfolio currently includes 13 active projects worth 370 million USD. The average life of a WB project is 3 years. Project implementation effectiveness depends on the approval procedure which is subject of approval by the three parliaments, Ministry for Foreign Affairs, BiH Presidency etc. Whereas in the past this procedure took 4 to 5 months, now it lasts for 9 to 10 months and is delaying the start of implementation of projects. The project areas where the WB is providing assistance are mainly infrastructure, municipal development, water treatment and the environment. The World Bank-supported lending for 2010-11 is being reprogrammed to assist the Government in mitigating the impact of the global economic crisis. Some 100 million USD is being redirected to support SME investments and operational expenditure, budget support improving the sustainability of social sectors.

Mr. Mantovanelli also informed DCF on the latest development regarding the activities of **International Monetary Fund (IMF)** which has agreed to provide budgetary support to FBiH. The IMF will assess in November 2009 whether FBiH has met the conditions for this support.

EBRD also reported difficulties in the project implementation process. For example funding has been approved for the road corridor VC but no implementation has yet started. EBRD currently has 20 projects to the value of €70 million. Last year the EBRD approved €120 million in new loans. An additional €80 million has been approved, but is currently awaiting ratification. There is progress regarding the speed of private sector investments but the public sector needs to move faster. Currently approved projects can require more than a year to commence implementation. EBRD urges domestic institutions to be more cooperative.

Ms. Bus invited the representatives of the government to transfer the message to the BiH CoM that there is a problem with the speed of implementation of approved projects.

The Netherlands informed attendees on their main sectors of activity which include: support to *returnees* (social housing in order to help closure of collective centers), *private sector development* (SMEs, increase of employment and competitiveness), *good governance* (pilot project with BiH ministry for Human Rights and Refugees, drafting of state level strategy and Guidelines for social protection. Assistance to private sector development has been provided to Regional Development Agency for Central Bosnia (REZ), with the aim to support export with exchange of trade between Netherlands and BiH as well as support to SMEs in order to increase employment and competitiveness. The new project *Value Chains for Employment*, implemented by UNDP aims to support value chains in agriculture, food processing, state Veterinary Service, institutional statistics, Agency for Food Safety.

DFID informed attendees that their current projects are available on the www.donormapping.ba website and that they wish to convey the message of how they maximize their impact by working with other donors such as UNIFEM and USAID (SANI project). DFID announced their graduation date will be February 11, 2011. Even though DFID is closing down its operation in BiH, it will remain active through EC assistance. DFID is also contributing to the development of a joint basket fund in the legal and judicial reform sector together with SIDA and AECID. UK representatives noted that the British Embassy, which has assistance programmes of its own, and DFID intend to work very closely together in the period up to graduation in 2011.

Even though the CoE is not a DCF member, it is actively assisting the BiH government in complying with some 70 conventions ratified by BiH as a member of the Council of Europe. CoE has been primarily providing technical expertise and the country would benefit more if BiH asked for more assistance. CoE is of the opinion that a more dynamic pace of reform would stimulate further contributions on behalf of agencies and BiH should more proactively tap existing resources in terms of available assistance.

KfW informed the DCF regarding projects they are funding in the areas of water treatment, energy and sewage. Unlike most bilateral donors Germany is increasing its contribution to BiH, which almost doubled this year. Regarding the length of the legal procedure accompanying the implementation of projects, Germany noticed progress in the signing of project documentation. Germany also pointed out that municipalities in BiH are performing well.

Currently **GTZ** is implementing four projects in the area of land administration, economic development, HIV-prevention and youth. Next week negotiation will take place regarding new projects on energy efficiency and structuring at the community level.

USAID summarized seven new activities that have started implementation during the last three months. In the justice sector, USAID has allocated USD 8 million for a five-year project. A further grant to the amount of 200, 000 USD has been awarded to Srebrenica region through the Nansen Dialogue Center. USAID is also supporting a project related to the 2010 elections for USD 1, 5 million. Support to the media has been provided to the amount of 300,000 USD during a 2-year period to Media Centre Sarajevo and Association of Journalists.

Finally, two new projects, FARMA and FIRMA, are being funded jointly with SIDA. Fostering Agriculture Market Activity (FARMA) is a four year project of USD 14 million, focusing on improving the competitiveness of BiH agricultural and food producers. Fostering Interventions for Rapid Market Advancement (FIRMA) is USD 21 million project focusing on wood processing, light manufacturing and tourism. USAID started a USD 5 million Intellectual Property Rights project in October 2010.

UNICEF has approved its new five year action plan. UNICEF is funding programmes in the area of children in budgeting and capacity-building at different levels. Another focus area relates to services: immunization, education, protection of children and the fight against exploitation, assistance to social workers centers. Social protection and inclusion projects are conducting a fundraising process since funds for all activities are yet to be secured.

Sweden/SIDA provided an update on its projects' list. There are 38 ongoing projects. Three of the largest projects are the new FIRMA and FARMA projects, noted earlier, and an environmental project which is providing assistance related to solid waste management assisting municipalities in 16 regional land fill sites.

Italy/IC provided a brief update on their ongoing activities. Their area of support covers demining, juvenile justice, minors and agriculture. Italy/IC has recently agreed a new credit line and established closer cooperation with SCIA BIH MoFT to start new stage of cooperation.

Japan/JICA updated the attendees on their current activities that include a loan project of establishing Flue Gas Desulpherization system at Ugljevik Thermal Power Plant, the amount of which is about 100 million euro, and a possibility of a project of demining activities at Gracanica in cooperation with Slovenian ITF.

Norway informed the meeting that they provide assistance in the area of education, institution building, SME and development. In jointly funded project Enhancing the Social Protection and Inclusion System for Children in Bosnia and Herzegovina is implemented by UNICEF, where Norway is funding the component related to social protection. Also, Norway is funding for Srebrenica Region Recovery Programme (SRRP- Phase II) in local governance sector.

DEI expressed their thanks to Spain/AECID for support to a recent programming workshop held in Neum. Following this, they are conducting an exercise to map donor commitments in relation to the IPA Multi-Annual Programming Document. They suggested that the Donor Mapping Exercise may be a key source document in this regard.

Due to time constraints Ms. Bus asked DEI representatives if they could prepare a presentation on their activities for the next DCF meeting. The proposal was accepted.

Next Meeting

The next DCF meeting will be chaired by Mr. Boris Iaroshevich, EC. Ms. Bus invited other donors to volunteer to chair the following DCF meeting.

The DMR 2008-2009 will be presented to DCF member and representatives of domestic institutions and the media in early November 2009.

Ms. Basta announced that on October 13, 2009 UNDP will organize a presentation on their new Human Development Report.

Mr. Gus Mackay, former Head of DFID BiH has departed from Sarajevo and SCIA and the DCF would like to take this opportunity to thank him for his hard work and commitment in his post in BiH. We wish Gus well in his future endeavors.

Having no other business the meeting ended at 13:10 and was followed by a buffet lunch.