

Minutes from the Meeting on Donor Coordination in the Western Balkans

Sarajevo, 12-13 February 2015

The Meeting on Donor Coordination in the Western Balkans was held in Sarajevo on 12-13 February 2015. The objective of the meeting was mapping and coordination of donor activities in the Western Balkans to help achieve a better alignment of regional governments' development priorities, donors' sectoral priorities with the priorities set out in the South East Europe (SEE) 2020 Strategy.

The meeting gathered representatives of major donor organizations and international financial institutions, as well as implementing agencies, regional initiatives, beneficiaries and administrations from the SEE. RCC was represented by the Secretary General and the team engaged in the implementation of SEE 2020 Strategy.

Representative of the Council of Ministers of Bosnia and Herzegovina welcomed the participants stressing importance of donor organizations in the WB as well as ensuring exchange of information between donors and the governments on the needs and opportunities for future investments. Secretary General outlined the coordination with donors, international financial institutions and international organizations remains a key ingredient to boosting aid effectiveness and developing capacities in the Western Balkans. With the introduction of SEE 2020 Strategy as well as several regional sectoral strategies, the Western Balkans economies are on a solid footing in terms of key priorities and measures that can be addressed at a regional level.

Setting the scene for functional regional donor coordination

Following the opening remarks, the meeting focused on improvement of donor coordination efforts particularly when it comes to cross-country and/or regional interventions. In this context, representative of London School of Economics and Political Science presented recently finalized study "The political economy of donor intervention in Western Balkans and Turkey: mapping and potential for stronger synergies", which is based on data covering period 2010-2012. The study yielded with a number of conclusions and recommendation including possibility to rationalize the division of labor among donors, a need to improve coordination around sector working groups as well as to provide more donor resources to underfunded initiatives, and to create a single regional donor coordination database or a cooperative network of national donor coordination databases.

SEE 2020 Coordinator outlined the key features of the SEE 2020 Strategy development as well as progress achieved in its five pillars (Integrated Growth, Smart Growth, Sustainable Growth, Inclusive Growth and Governance for Growth) to date. Moreover, he pointed out three main areas of actions within strategy programming, implementation and monitoring specifying activities in each area.

Representative of the European Commission/DG-NEAR reflected on support in the context of European Union (EU) Enlargement Strategy and EU funding (2014-2020) detailing fundamentals of the strategy: (i) rule of law, (ii) economic governance and competitiveness and (iii) public administration reform. He reiterated importance of regional cooperation and regional cooperation platforms such Western Balkans Investment Framework (WBIF) and Western Balkan Enterprise

Development and Innovation Facility (EDIF), sector approach as one important facilitator, and ownership of regional programmes of cooperation as well as increased visibility of EU actions.

Speaking about sectoral donor coordination, representative of Central European Free Trade Agreement (CEFTA), provided an illustration of such approach in practice noting that trade and goods have been fully liberalized and what remains is trade facilitation and further liberalization in trade and services. In this sense, better coordination between national IPA coordinators (NIPAC) and regional organizations is necessary to achieve these objectives.

Further discussion focused on economic reform programmes (ERP), a new initiative by the EU, which should replace national action programmes (NAP) in order to avoid duplication within the SEE 2020 Strategy. The issue will be communicated to the SEE2020 Governing Board at the meeting taking place in late May 2015. However, it will be on each government to decide how they want to proceed in this regard.

Formulating the needs and priorities of the region

The next session provided more information regarding identification of the needs and priorities in the region and gave a description of what is the current state of play with regards to the different national priorities when linked to the regional activities.

Representative of Montenegro gave an overview of experiences and challenges faced by national governments operating in the complex environment caused by the existence of numerous and sometimes overlapping initiatives. Taking into consideration experiences of Montenegro, the presentation underlined the necessity to define roles and responsibilities of regional and national actors and to streamline different priorities and actions within mentioned frameworks. The following presentation focused on the Western Balkans Regional Research and Development Strategy for Innovation in terms of elaboration of its priorities and how they are linked to the SEE 2020 Strategy. Subsequently, representative of South East Europe Transport Observatory (SEETO) described functioning of the organization, its prominent projects and initiatives as well as transport priorities and linkages with SEE 2020 Strategy. Furthermore, representative of OECD described regional approaches to boosting competitiveness in the WB region focusing on significant assets to be leveraged in the future and reflected on the role of the OECD in the region as well as support to the implementation of the SEE 2020 Strategy especially in terms of monitoring. The last presentation of the session focused on main challenges in employment and mobility of the region. Labor markets in the SEE region chronically feature low employment rates, particularly among women and the youth. Under SEE 2020 Strategy Inclusive Growth pillar objective is to enhance employment through skills development, employment creation and labor market participation by all.

Aligning interventions with the needs of the region

The session gave an overview of donor strategies, activities at the regional level towards the funding of the actions related to the SEE2020 Strategy, both from the donor's and the national governments' perspective. Representative of Austrian Development Agency (ADA) supported the establishment of mechanism for donor coordination as policy coherence for development is important for each economy so that all ministries and actors are moving in the same direction. The Agency focuses its activities on six WB economies and Moldova in the several areas of intervention to include sustainable social-inclusive economic development, higher education and vocational training, good governance, human rights and rule of law. He expressed content with implementation of the SEE 2020 Strategy especially with its division into dimensions/sectors and recommended inclusion of data on vulnerable groups of population into the document.

Representative of Central European Initiative (CEI) elaborated on organization's role in promoting regional cooperation both as a donor and project implementer in the sectors of transport, infrastructure, renewable energy and R&D, governance and in tackling intra-regional, technical and

administrative barriers. Moreover, it is establishing guidelines to link the CEI funded programmes with the RCC/SEE 2020 and macro-regional strategies involving the WB region.

Technical assistance of the Federal Republic of Germany in the SEE region is focused in three areas: (i) environment and climate change, (ii) sustainable economic development and (iii) good governance. Bilateral and regional programmes are one of the main issues of supporting economies in the region and their EU integration process efforts. Open Regional Fund for SEE is a major support programme on regional level with volume of 32 million EUR over 4 years and it is linked to the work of the RCC with its contributions aligning with the SEE 2020 Strategy. Representative of the Federal Republic of Germany also pointed out WBIF as an example of bringing all stakeholders and beneficiaries together in addressing key sectors, which fits into the current approach of EU and Berlin process that calls for connectivity which is not limited only to transport and infrastructure. In this context, he encouraged WB governments to promote projects in social sector as well as environment.

Representative of United Nations Development Programme (UNDP) reiterated the flow of aid will drop in the region which will require everybody to be more innovative in finding ways of working together with available funds. Usage of sector coordination approach on regional level and replicating successful stories from the region will be essential. UNDP has been partner with the RCC for extended period of time in security issues and digital society and with the intention to broaden cooperation in the areas of environment and energy, and employment and local development.

Sweden has started implementing 2014-2020 regional strategy focusing on fewer multi-annual projects with sizable budget (3-5 million EUR) in the sectors of economic development, public administration, civil society and environment. The objective of such approach is to increase impact and visibility as well as to facilitate coordination with the stakeholders and partners. Regarding establishment of the regional donor coordination database, its representative voiced that such database would require regular updates and it will be necessary to have somebody on the field to follow projects implementation.

Representatives of European Bank for Reconstruction and Development (EBRD) stressed their involvement in the EU blending mechanisms emphasizing importance of EBRD's engagement in the WB to advance the agenda to the transition to market economies. Significance of WBIF was also reiterated as well as social and environment sectors in reaching out to the municipalities where people need the help the most. Moreover, three regional initiatives in coordinating activities with other players and donors were presented: Investment Climate and Governance Initiative, EDIF and Regional Energy Efficiency Programme.

Activities of Council of Europe Development Bank (CEB) in the WB are mostly centred on housing and judiciary issues with bilateral and multilateral donors as these sectors are not very popular investment areas for national governments. One of the most important projects is Regional Housing Project being realized with the EC support. In terms of regional cooperation, it is mostly concentrated on WBIF particularly in providing technical assistance for preparation of projects to the beneficiaries. Representative of CEB stressed the environment and social sectors should be put in focus in addition to the energy and infrastructure for regional development and stability.

Representative of KfW Development Bank outlined their engagement in the region as well as in the WBIF. Bilateral cooperation is focused mostly in the three areas: (i) energy, (ii) communal infrastructure and (iii) financial sector. In the context of regional cooperation, there are three funds available: European Fund for SEE focusing on micro-financing, Green Growth Fund supporting energy efficiency and renewable energies and Municipal Infrastructure Development Fund that is still in the beginning stage. She pointed out significance of national aspects as they are often prerequisites for regional interventions as well as prioritization due to limited resources and flexibility with methodologies being applied in planning and setting up projects.

Representative of International Organization for Migration appealed on donors to consider investments in the social sector especially to the issues related to the labour migration management.

In regards to the health issues, World Health Organization (WHO) has been supporter and partner in the South East Europe Health Network, which is an example of how to stimulate, facilitate and increase progress more efficiently with less external funding. WHO European region health framework (Health 2020) focuses on improvement of health and reducing inequalities through multi-sectoral approach thus offering a lot of experience and tools in all sectors. Furthermore, it was emphasized that health is an economic sector that is an entry point into other sectors.

Representative of Regional Rural Development Standing Working Group in SEE urged donors to pay more attention to the needs coming from the governments regarding agriculture and rural development as well as food safety as these issues will be difficult for the EU negotiations process.

Representative of Italy, co-chairing WBIF this year, voiced content with this platform especially in donor coordination. The main focus of the platform will be on connectivity in particularly related to the energy and transport areas. As there are no social regional projects to finance within WBIF, she expressed a hope that one of the results of the meeting will be finalizing and indicating some regional social projects to be presented to the WBIF. When speaking about bilateral cooperation, she noted the main areas of priorities of Italy are energy, agriculture, social and private sector.

Breakout sessions

The session provided opportunity for discussion and identification of interventions at regional level with respect to the SEE2020 Strategy and the prepared Regional Programmes. Separate breakout sessions were held to discuss the current state of affairs in three broad areas of intervention.

Group 1: Trade and investment integration, competitiveness and business environment, including environment, energy and transport

During discussions horizontal issues and challenges were detected that could serve as lessons to all actors, particularly RCC, and guide to the further activities, prioritization of the sectors and consequently interaction of the stakeholders. It was concluded it is very necessary to define those sector priorities and conduct these groups in a more effective manner in the future in order to encourage proper interaction and coordination of activities. Coordination on regional and national level was discussed as well as necessity of having involved representatives of NIPACs on horizontal level. In terms of priority areas of the SEE 2020 Strategy, representatives of dimension coordinators presented regional programmes that are currently ongoing, are in the pipeline and are planned for the future financing. Follow up will be conducted between all stakeholders involved and donors.

Group 2: Human capital development and social inclusion

Following presentation of the regional programmes prepared by the regional coordinators in Smart Growth and Inclusive Growth pillars of the SEE 2020 Strategy discussion focused on main action areas like research, cultural heritage, tourism, labour mobility, health and E-governance, close linkages and cross-sectoral perspectives of some of the actions. Establishment of these types of synergies, like the one between labour mobility and mobility of health work force, is one of the most important outcomes of the discussion. However, there is still room for better cooperation among other regional initiatives. Participants agreed that there are considerable gaps and needs in each of the main action areas and focus should be on activities where impact is the greater, the value for money is higher and which have a truly regional perspective. Moreover, importance of research and analytical work that can feed into the policy process was highlighted as well as making reference in both pillars to the platforms established by the EC with the region.

Group 3: Good governance

The discussion focused on the three dimensions of Governance for Growth pillar of the SEE 2020 Strategy. It was particularly underlined inclusion of civil society in all aspects of the pillar. In the dimension of Effective Public Services support should be progressively directed toward the developing e-governance models, e-services and e-capacity building as this approach is cost effective, flexible, increases efficiency, effectiveness and transparency of the public administration both at national and sub-national level. In achieving objectives of the SEE 2020 Strategy within Anti-

corruption dimension, dimension coordinator will broadly cooperate with the existing networks of civil society organizations especially in the area of transparent rule, public procurement, public awareness and protection of whistle blowers. RCC will continue process of consultations within area of Justice as well as further development of the structures that will serve efficient regional cooperation in this dimension.

Upon presentation of conclusions derived from each group the discussion focused on general issues detected in all three groups. Definition of the sector/priority area to coordinate around should be improved as well as need for inter-sectoral approaches once these sectors are identified including cross-cutting issues. Moreover, prioritization of actions is essential due to decreasing donor support. It was also stressed the better coordination among dimension coordinators is required. In regard to the prioritization of regional programmes, it was suggested that donors go through the RCC to see if there is a feedback from the dimension coordinators in case they put importance to the areas of intervention that have not been prioritized or are outside the SEE 2020 Strategy. The participants stressed the coordination is not the final stage of the process, but facilitation and implementation should follow up to what has been prioritized and agreed upon. Finally, issue of awareness raising across the region was identified as an important element of capacity building especially in the combating corruption.

Conclusions and Follow-Up

The Meeting on Donor Coordination in the Western Balkans concluded with the following recommendations and conclusions:

1. It is clear there is no abundance of funds and available funds tend to decrease which makes important for the available ones to be used more effectively and more efficiently.
2. It was agreed the regional cooperation is indispensable and that RCC is recognized as successful regional cooperation platform.
3. It was noticed there is a clear need to strengthen donor coordination by lining donor sector priorities with national sector priorities and to improve coordination around sector working groups.
4. There is a clear need to improve coordination between regional initiatives and NIPACs whose role has been recognized as very important in this process. One of the recommendations was that RCC plays a role of facilitator.
5. Targets set for the priority reforms identified in the ERPs should converge with the targets set within the frameworks of the SEE 2020 Strategy if ERP will serve as a tool for implementation of the Strategy.
6. There is a need to create a single regional donor coordination database or cooperative network of national donor coordination database. In this respect, a general support was given to the idea of having such mechanism including database as repository of the proposed mechanism and RCC is willing to take over this. RCC will, by the end of the first half of 2015, complete the first survey of bilateral donors in terms of their activities in the WB.
7. It was stressed a need to rely and use already established, well-functioning donor coordination platforms such WBIF and EDIF.
8. There is a clear need for improving the coordination in the various policy areas at the national level. One of the recommendations is to provide technical assistance in order to assist the Western Balkan economies to achieve this.
9. As the region is facing similar challenges, exchange of experiences in the process of planning at national level and linkage with regional strategies is necessary and should be encouraged in the future.

10. Having in mind scarcity of funds, there is a need for better prioritization of actions both at the national level in the Western Balkans economies and at the regional one.
11. The need to focus more on social and environment sector as well as cross-sectoral approach was emphasized.
12. It will be necessary to focus more clearly on specific sectors/policy areas or priorities within SEE 2020 Strategy for the next attempts in helping donor coordination in the Western Balkans in order to provide a possibility for a more concrete and tangible discussions and conclusions from the groups.
13. RCC intends to organize a regional donor coordination meeting each year with the next scheduled at the end of this year.