

DONOR COORDINATION FORUM (DCF)
MINUTES OF MEETING, DECEMBER 13TH, 2017

Participants

Mr Ian Brown, Head of EBRD Office in BiH, Ms Dusanka Basta, BiH MoFT/SCIA

(Meeting Chairs)

Donor/IFIs representatives:

Mr Kent Larson, USAID
Ms Ela Challenger, USAID
Ms Dobrila Vukmanović, USAID
Mr David Kramer, Switzerland
Ms Barbara Dätwyler Scheuer, Switzerland
Ms Normela Hodzic Zijadic, EUD
Mr Gianluca Vannini, EUD
Mr Jan Snaidauf, EUD
Ms Sezin Sinanoglu, UNCT
Mr Aris Seferovic, UNCT
Ms Geeta Narayan, UNICEF
Mr Sebastian Damm, Embassy of Germany
Mr Matthias Schmidt-Rosen, KfW
Ms Brigitte Heuel – Rolf, GIZ
Mr Mario Vignjevic, Embassy of Sweden/SIDA
Mr Nedim Bukvic, Embassy of Sweden/SIDA
Ms Anesa Terza Vukovic, Embassy of the Czech Republic
Mr Akihito Teruuchi, Embassy of Japan
Ms Lana Guberovic, Embassy of Japan
Mr Nina Bejtich, Embassy of Japan/JICA
Mr Motoyuki Nishida, Japan /JICA
Ms Aniko Gyenge, Embassy of Hungary
Mr Aljaz Zupan, Embassy of Slovenia
Ms Bobana Cegar, IMF
Mr Peter Thomas, UK
Ms Sabina Dapo, UK
Mr Wolfgang Thill, Embassy of Austria
Ms Lada Busevac, IFC

Government representatives:

Mr Sasa Maric, BiH MoFT/SCIA
Ms Jelena Brkic, BiH MoFT
Mr Zoran Danilovic, BiH MoFT/SCIA
Ms Bruna Kjuder, BiH MoFT/SCIA
Ms Gabrijela Bilic, BiH MoJ

● Meeting Agenda

- Welcome and opening remarks
- Presentation prepared by the EBRD in Bosnia and Herzegovina – *Country Strategy for BiH 2017-2022*
- Presentations prepared by jointly by USAID and Swiss Cooperation Office in BiH – *USAID Harnessing BiH Diaspora for Economic Development Activity / MHRM/MFA Diaspora for Development D4D project*
- *Tour de table* – general news from all participants of recent developments and activities and relevant issues
- Closing remarks

● AD1: Welcome and opening remarks

Ms Basta, MoFT, on behalf of the Ministry welcomed all participants of the DCF meeting, introduced the meeting Agenda and the meeting co-chair, the EBRD Office in BiH and gave the floor to Mr Maric, Head of the Minister's Office.

Mr Maric, MoFT, on behalf of the Minister welcomed all DCF participants and excused Minister Bevanda who was not able to attend today's DCF meeting since he is now waiting for possible start of the session of BiH Presidency regarding the budget. Regarding the strengthening of donor coordination, Mr Maric noted that along with previous experience in donor coordination, more targeted and efficient use of international aid in BiH can be assured through joint actions and close cooperation between the domestic authorities and donors. DCF meetings represent the opportunity for all involved to deepen the cooperation, exchange ideas, opinions and positive experiences as well as to discuss challenges faced during practical implementation of current activities. The authorities at all levels of government in BiH are committed to implementing the series of reforms defined in the Reform Agenda and in the Letter of Intent with the International Monetary Fund, with aim of social and economic development and achieving the progress in the EU integration process. Bearing this in mind, and in terms of the importance of the support provided by the IC in the process of reforms and the EU integration, Mr Maric asserted that all stakeholders should continuously work to improve respective partnerships and stressed that MoFT has strong commitment to further deepen this mutual cooperation. Also, MoFT remains at disposal and is open to any suggestions for the overall further improvement. Likewise, MoFT would like to invite all institutions from all levels of government in BiH to be exact as possible and take the advantage of such opportunities as the DCF, to contribute to the development of their own environment. Finally, Mr Maric expressed his gratitude for the assistance provided to BiH, for active engagement and contributions from the donor community.

Ms Basta, then gave the floor to Mr Brown, Head of EBRD Office in BiH.

● **AD2: Presentation prepared by the EBRD in BiH – Country Strategy for BiH 2017-2022**

Mr Brown, EBRD, welcomed all meeting participants and introduced the new five year EBRD Country Strategy for BiH. He noted that in the past EBRD country strategies were produced in large formats as rather long documents of at least 100-150 pages. However, this Strategy is much more concise and includes strategic priorities, i.e. it has much more strategic and focused approach, it is much more understandable and counts just 16 pages (without Annexes). This Strategy was produced on the basis what EBRD did until now, how well that work was or was not accomplished. Based on the challenges the country is facing according to the EBRD criteria, EBRD also defined 3 strategic priorities for BiH.

Mr Brown elaborated on the composition of the current EBRD portfolio, which is just over a EUR 1.00 billion of active lending for 59 projects (89% in the public sector and 11% in the private sector). In terms of portfolio, EBRD has a global target in all 36 countries of operations, that actually less than 20% of EBRD portfolio should be public and over 80% private. BiH has the worst public-private portfolio ratio of any of 36 countries of operations, with the highest public sector portfolio in BiH to the extent that the EBRD sovereign exposure is the third highest in absolute numbers.

In the context of implementation of the previous Strategy 2014-2016, EBRD faced *challenges* such as: Difficult business climate, weak rule of law, inconsistent commitment to reform; privatization was stalled, Corporate sector was shallow; Banking sector was liquid and risk-averse with Non-Performing Loans reduced but still significant; Road sector reforms set back by a pilot PPP project cancellation; FDI are very low; Strategy delivery was vulnerable to external shocks such as 2014 floods. However, there were some *opportunities* as well, such as the Reform Agenda and strong coordination with the authorities and IFIs on prioritization of investment projects as evident by today's DCF meeting and the presence of all stakeholders. In terms of *lessons learned*, meaningful privatization is the best case scenario; working with SMSs can be successful; Targeted lending framework (e.g., Women in Business) works well in risk-averse environment; Regional connectivity projects can be leveraged in joint cooperation and Uncommercial, loss-making municipal utilities can be assisted in introducing cost recovery in tariffs and improved efficiency, subject to local political commitment. In the *Economic context* of the previous Strategy, Mr Brown further presented in more details the Key transition challenges related to realization of the fully functioning market economy (Competitiveness, Governance, Governance, Green transition, Inclusion, Resilience and Integration).

The new EBRD Country Strategy was defined in line with the following: ***What needs to change?*** - Fragmented policy making and complicated procedures for decision making, competitiveness held-back by strong state presence; business climate not conducive to private sector growth; corruption hinder private sector; Poor corporate governance, Managerial capacity is lacking; Poor transport infrastructure; Improve intra and inter-regional energy connectivity networks; Reduce exposure to climate change factors, etc.; ***Can it be changed?*** -Reform Agenda was conducive to lead to change, Best SMEs seek EBRD's support to improve capacity, Some reform – minded municipalities can be champions, Privatisation process can be changed, depending on political will; Regional transport connectivity can be changed, Corridor Vc is key, Third EU Energy Package should be in place in BiH, Carbon intensity and energy efficiency can be improved, Regional renewable energy and energy efficiency initiatives are needed, etc., and ***What can the Bank do?*** -EBRD established 3 strategic priorities: Work on building of the private sector, increasing Banks share in the private business from today's 11%, particularly working with SMSs; Support development of key transport and energy cross-border links to promote regional integration and Support to energy efficiency and RE generation, while working with municipalities to promoting green economy.

In line with these strategic priorities, until 2022 EBRD expects to see: Robust and capable SME/corporate sector (including women-led companies), Improved skills and quality standards for SMEs, Improved investment climate, Decreased state ownership and Commercialised and efficient municipal services; Improved quality and equal access to transport infrastructure, Improved regional

connectivity of energy and climate resilience of transport infrastructure; Increased power generation from renewable resources; Increased EE , as well as water efficiency and waste water treatment, Reduced air pollution and Improved road safety.

The main points of the EBRD presentation:

- Strategy for BiH - Executive summary
- BiH – EBRD Snapshot
- Implementation of Previous strategy 2014-2016
- Economic context: Macroeconomic context and Outlook of Strategy period; Key transition challenges;
- Government priorities and stakeholders engagement
- Defining EBRD B&H Country Strategy Priorities
- Country Strategy Results Framework
- Mapping of International Partners Complementarity in EBRD Business Areas
- Implementation Risks and Environmental and Social Implications
- Donor co-financing assessment
- Political assessment in the context of Article 1 (Annex)

For more details, please see the attached presentation.

Ms Basta thanked for the comprehensive presentation and opened discussion regarding the foregoing presented EBRD Strategy.

Ms Sinanoglu, UNCT, also thanked for extremely comprehensive presentation as well as the political assessment. She asked if the EBRD usually attaches financial portfolio in the strategies.

Mr Brown stated that they do not have the country envelope, and the volume of lending to BiH is entirely demand driven. Last year it was EUR 200.00 m. Depending on the vote on fuel excise tax, which is very important to EBRD lending for Corridor 5 C, and if the tax passes, next year EBRD could have EUR 400.00 m envelope. He concluded that an average lending envelope is in the range of EUR 200.00 m a year, but it could be much higher. If this tax is passed, in terms of Corridor 5 C, EBRD can lend EUR 500.00 m between now and 2020. In fact, the restriction is how fast can be done and not how much EBRD can lend.

Mr Bukvic, Sweden, referred to the later part of the EBRD strategy, related to the Mapping of International Partners Complementarity in EBRD Business Areas and donor co-financing. In terms of bilateral donor cooperation, Sweden was engaged on municipal infrastructure (water purification) and environment, which will continue to be the strategic priority for Sweden in the next few years. Since this presents a growing sector, the importance of such partnerships should be highlighted.

Mr Larson, USAID, thanked for very thorough presentation and commented the presentation part where BiH portfolio is heavily weighted towards the public sector. He asked for some examples what private sector investments in other countries look like.

Mr Brown reiterated that EBRD portfolio composition in BiH covers 76% of infrastructure, energy is 8%, lending to banks for them to lend to SMSs is 12% and direct lending to industry is 4%. Across the Bank as a whole, the energy is a much bigger share of 20-25% , lending to banks is 30%, infrastructure 30% and industry about 25%. Meaning that across other countries, the portfolio chart would cover 4 quarters. Energy is about EUR 2.00 billion a year out of 9.00 billion, FIA is about 2.50 billion, while in BiH infrastructure investments are big and everything else is small in percentages. For instance, in Serbia EBRD signed agreements for 2 big windfarms in 2017, while there isn't a single windfarm in BiH apart from those financed a long time ago by the KfW and they are state owned companies. There isn't any development of wind power in private sector.

Ms Basta announced the second item of the Agenda – presentations of USAID and Swiss Cooperation Office in BiH, and gave the floor to Ms Vukmanovic, USAID Project Management Specialist and Mr Kramer, Deputy Director from the Swiss Cooperation Office in BiH.

● AD3: Presentations prepared jointly by the USAID and Swiss Cooperation Office in BiH – USAID Harnessing BiH Diaspora for Economic Development Activity & MHRR/MoFA Diaspora for Development D4D project

Ms Vukmanovic, USAID, noted that USAID has engaged in Diaspora activity based on the fact that close to 2 million BiH citizens are living abroad. BiH Diaspora equals to 51 % of the current population (according to the latest Census of 3,8 million), which makes BiH one of the top emigrating country in Europe. BiH citizens live in the former Yugoslavia countries, US, Canada, Australia, Scandinavian countries, Germany and other European countries. The second very important fact is that almost US\$ 2 billion is coming into the country in the form of remittances. Most of the remittances money is going for consumption, however big portion of it can be actually used for productive investments. USAID decided to face the challenge and consider what would be the best way to assist diaspora investors and entrepreneurs who would like to invest here and generate jobs and start helping the country and become involved in the country's development. In this regard, one major challenge was so-called **Access to finance**, whereat two years ago in partnership with Sida, USAID signed the agreement with the local bank to support diaspora entrepreneurs (US\$10 m), which drew big interest and is going well for the time being.

Diaspora for Economic Development Activity was launched in april 2017 and will last until 2022 (worth US\$ 5.20 million) which aims to catalyse diaspora contribution to socio-economic development in BiH and create jobs through diaspora investments. This project consists of 3 components, where USAID recognize the need for intervention. Diaspora investments are streamed through:

Component 1 - Leveraging diaspora input into the policy-making process: Supporting diaspora investors' advocacy efforts and Work with the government to develop a diaspora investment strategy paper;

Component 2- Rolling-out BH Diaspora Marketplace to provide investment incentives: Business plan competition to source innovative and high-growth oriented business ideas and Supporting start-ups and early-stage investments through TA and grant programs) and

Component 3 - Building sustainable local platforms to facilitate diaspora investment: Setting-up a diaspora business center to promote and facilitate investment and Establishing online Business Networking Platform to enable matchmaking between diaspora members.

In terms of developing of Diaspora Investment Strategy and Advocacy (Component 1), USAID will provide TA and support to the Working Group, to be set up by the Ministry of Human Rights and Refugees, in developing a diaspora investment document based on the Council of Ministers' Policy for Diaspora Engagement, while the heart of the USAID Program lies in the Component 2 - BiH Diaspora Marketplace, with the idea to provide access to finance to early stage diaspora entrepreneurs and start-ups. USAID provides not only grant funds but also TA mostly to sectors that are traditionally supported by the USAID for many years (energy, textile, ICT, wood, tourism, agriculture and metal industries). The first Request for proposals resulted in 54 applications received from 20 countries and 5 continents from various businesses, with aggregate investment of US\$ 3.50 billion. Also, within the Component 3, in November, USAID launched the Business Networking Platform (*diasporainvest.ba*) which will enable matchmaking between diaspora entrepreneurs and local private sector. The platform includes the map of diaspora businesses, investors, organizations and local business; all news, information on business environment, success stories, diaspora events, etc.

The main highlights of the USAID presentation:

- Harnessing BiH Diaspora for Economic Development Activity: Three-pronged approach
- Diaspora Investment Strategy and Advocacy: Two-pronged approach
- BiH Diaspora Marketplace- Initial results of the first Request for proposals
- *diasporainvest.ba* – virtual place for diaspora and local business
- TA and Investment Facilitation, Roll- out of TA program

For more details, please see the attached presentation.

Mr Kramer, Swiss, expressed his appreciation to be at today's meeting, to speak about the diaspora issues and the initiative of the Ministry of Human Rights and Refugees and the Ministry of Foreign Affairs, to engage with BiH diaspora abroad, in cooperation with the Swiss Government and also with USAID, UNDP and many other partners. This also shows that the time has come to think about more systematic work towards diaspora and better cooperation based on eye level partnership and not just one way i.e. providing money.

One of the reasons why the Swiss Government decided to engage in BiH migration issues is that Switzerland itself has undergone various stages of migration. For instance, 150 years ago the Government paid one-way tickets to migrants moving to America (see presentation) in the times when Switzerland was the country of emigration, while today it is much more the country of immigration. In this sense, the Swiss Government has extensive experience accumulated and can share now it with BH colleagues.

In more general terms, today the migration issue is considered from two points of view, one is more problem related point, BiH Government obligations and responsibilities (ref. border control, regulating migration influx /outflux, regular/irregular migration, returnees, etc.) and the other is the opportunity side of migration or the diaspora.

In this context, Diaspora should be much more than remittances and as Ms Vukmanovic already mentioned impressive figures, related to remittances, there must be a way to channel all this money in a more systematic and productive way. However, it is much more than that, BiH diaspora in Switzerland has significant potential as development actor and is willing to initiate or expand investments in BiH. This is not just about finances, it's about the diaspora know-how, skills and networks, etc. It is important to note that the approach of the Swiss Government and the MHRR /MFA is to look at diaspora in more comprehensive way. The overall objective of the Swiss-BiH partnership is to create more opportunities and better perspectives for all people in BiH, which can be obtained through comprehensive partnerships with diaspora, which goes both ways and on eye level.

Mr Kramer informed that there are basically three levels in which BiH Ministry of Human Rights and Refugees would like to cooperate together with the partners. One is on the state level (MHRR, MoFA) engaging embassies abroad; Engaging municipalities and proactive communication (one-stop shops for diaspora, connecting points, networks, contacts) and Engaging people through opportunities for diaspora entrepreneurs. Finally, he praised the MHRR/MoFA initiative and invited all interested to join the efforts of BiH Government and create partnerships to systematically include diaspora in the development of BiH.

The main highlights of the Swiss Cooperation Office in BiH presentation:

- Diaspora for Development # D4D
- History of Swiss migration
- Migration is about...
- Swiss-BiH partnership objective
- Engaging MHRR, MoFA and BiH Embassies abroad (Online platform, Representative bodies)
- Engaging municipalities! (Eye level relationships; Proactive communication)
- Engaging people! (Creating opportunities)

For more details, please see the attached presentation.

Ms Vukmanovic emphasized that it is important for USAID to have the Swiss colleagues working in this area together with them and added that it is really important that these activities are coordinated between them, to become complementary and achieve even better results.

Ms Basta thanked for excellent joint presentations and noted that diaspora is very important for BiH society, and in this particular case, it is always good when joint work results in such good stories. She invited all meeting participants to make comments regarding the presentations.

Mr Snidauf, EUD, noted that diaspora engagement and importance is quite clear given the size of it. It generally involves people bound to their country, with potential to contribute in more sustainable way than just the remittances. Diaspora project is provident and adept and thereof the responsibility of the Ministry of Human Rights and Refugees is clear since diaspora is a part of their mandate. However, MHRR was given as the principle partner also for the business related part of the USAID project. This Ministry has also engaged in several other strategy efforts, specifically drafting of strategic documents at the state level, although most of them were not finalized due to the well-known political issues in the country, etc. Seeing the MHRR in diaspora context, the question is what is their actual capacity and potential to work on diaspora investment and related issues. What is the experience coming from that and what are perhaps other institutions involved in this, are there broader stakeholders involved?

Ms Vukmanovic, USAID, reiterated that USAID is working with the Ministry of Human Rights and Refugees, which has the legal mandate to work on the strategies and policies. As mentioned in the presentation, USAID program consists of 3 components. Therefore, USAID is working closely with the Ministry only in the part referring to policy drafting papers, which is very important for foreign investors, to have some kind of guidance. However, in terms of the second component (TA and grant programs), USAID has its procedures and policies with the primary goal to involve with the public, to promote the outreach activities, to provide information to those in need, diaspora entrepreneurs and beneficiaries. USAID project also works with two partner organizations „*Naša perspektiva*“ and „*Restart*“ which have long term experience in this business and together with them, USAID established the Diaspora Platform, in order to make this project sustainable. USAID will remain involved in these activities for the next couple of years, build capacities with these two partners to come up with some business plans and to be able to serve the entrepreneurs over the next decade or so. She concluded that USAID does not see the MHRR heavily involved on the business side.

Mr Kramer, Swiss, added that governments of Republika Srpska and the Federation as well as of Brcko District have committed themselves and officially nominated their representatives in the Working groups for elaboration of the strategy, which was not easy to be achieved but it happened. He concluded that it could be seen throughout the country this would be only of benefit and he is quite confident that this strategy will be finalized.

Mr Bukvic, Sweden, thanked both Swiss and USAID colleagues for presentations. As Ms Vukmanovic mentioned, Sweden is working with USAID on joint guarantee. Sweden is in the process of signing the amendment which will make the partner bank capable of covering bigger loans as well as the mentioned guarantee (of 50%), which is risk sharing with the banks. Swedish Embassy will also be interested in doing more with diaspora, it is politically very visible, particularly since Sweden also has a high number of BiH citizens living there, potentially willing to come back and invest in BiH. He concluded that Swiss call for improved coordination is rather appreciated with respect to individual activities and that he will inform the Ambassador on this and say that Sweden definitely need to coordinate also with the MHRR as well.

Mr Teruuchi, Japan, thanked for very informative new diaspora projects presentations of USAID and Swiss Embassy and introduced himself as the new Deputy Head of Mission in the Japanese Embassy. He asked USAID and Swiss colleagues if these projects have any purpose of reconciliation of diaspora communities in European countries. It is known that in Western European countries, or the US or Australia there are also ethnic groups having their own B/C/S communities among diaspora. He asked if these projects have the objective, in rather divided diaspora ethnic community, also to reconcile or work together on some kind of ethnic reconciliation prospective.

Ms Vukmanovic, replied that during the design of the project USAID actually thought a lot about such divisions and asserted that USAID goal is to be focused on the investments, i.e. on the positive side of BiH citizens living abroad who wish to contribute and wish to see something good versus only the negative picture that we face every day. USAID realizes that business does not really recognize limitations and applications so far were received from many countries, from Serbs, Bosnians and Croats who wish to work in any parts of BiH. USAID intentionally did not want to go into these divisions and politics since business is the way to overcome these divisions.

Mr Kramer, Swiss, agreed with the mentioned and noted that in case of Switzerland, it is only the question how the diaspora is organized in the countries where they live. Usually they are not or they are organized along cultural, religious or ethnic affiliations. So, in Switzerland, a couple of years ago private (I-diaspora) initiative was launched and also supported by the Government, which symbolizes a kind of association for everyone who wishes somehow to contribute to BiH.

Ms Basta, MoFT, then opened the floor for discussion and invited all participants to take part at the *Tour de table*.

● **AD4: Tour de table**

Ms Basta, MoFT, briefly informed on the current activities in the Ministry of Finance and Treasury and noted that the Donor Mapping Report 2016, is delayed this year due to several changes and upgrades of the PIMIS software, i.e. its software solution was upgraded to include IPA II sectors in the database. Last year's Report was prepared also in line with IPA II sectors categories, however data were entered manually. Currently this is incorporated in the PIMIS system and DMR 2016 will be available to all by mid of January. Due to this delay, the next DMR 2017 should be finished by July 2018, which is the normal period for preparation of reports. Also, in mid of January, the Questionnaires will be forwarded regarding the Paris Declaration preparation for 2017. All DCF members and BiH institutions are familiar with this Questionnaire and there should not be any problems to fill the data and prepare the new Paris Declaration on Aid Effectiveness Report. Ms Basta then stressed that the Ministry of Finance and Treasury recognized the need to improve aid coordination and aid mechanism in BiH, all in order to make aid efficiency in BiH more effective, for all involved, BiH institutions and donors. Aid effectiveness is the primary goal and the way to achieve that is by improving work with DCF members on one side and BiH institutions on the other side. In that sense, the Ministry of Finance and Treasury has prepared the Concept Note for the Aid effectiveness and improving donor coordination in BiH and sent it to the colleagues in the Swiss Cooperation Office and the UN for consideration and eventually to see what would be the joint future steps for improvement of cooperation. She asked all meeting participants to send to the Ministry any suggestions to improve all these mechanisms in donor coordination, starting from the DCF to Donor Mapping Reports and any activity that would lead to better aid coordination. Ms Basta then gave the floor to Ms Dätwyler Scheuer to present in more details the activities and the status of the new project related to the mentioned Concept Note.

Ms Dätwyler Scheuer, Swiss, informed that regarding the mentioned Concept Note proposal, they were approached in 2017 by the Ministry of Finance and Treasury. Actually, Swiss Cooperation Office and UN decided to jointly explore this project. The idea is to advocate for more aid efficiency and improve coordination in the IC to avoid parallel mechanism, etc. Herewith donors should actually improve and in terms of donor coordination, all existing donor coordination groups are listed on the table (over 40) and this number has increased now to nearly 50 groups that come together and discuss certain issues, etc. From one point, donors should look at better performing among themselves, which should be possible since there aren't so many donors in this country. Another point is to help colleagues from the Ministry of Finance and Treasury, also to improve the donor coordination, aid efficiency, look at the existing mechanisms, for example look at this forum, what could be done there. Eventually if the Ministry agrees, Swiss Cooperation Office together with UN and also with the EU and other donors aboard, will do the assessment of the donor coordination mechanisms and then come up with proposals. Currently, ToR is drafted and hopefully finalized early next year, to enable the assessment and eventually make recommendation for more efficient and more quality donor coordination mechanisms. ToR was developed by the UN and it will probably be co-financed by the EU, UN and Switzerland. These issues could be further discussed at the next DCF meeting.

Ms Sinanoglu, UNCT, noted that donors can do a lot to improve the coordination among themselves. However, in this country it seems these activities are done in two parallel ways. It's not just the donors trying to coordinate among themselves, it's also about what the government priorities are, which actually should be the starting point for donors. Normally it could be expected in any donor coordination efforts, the starting point would be the government's priorities in the national development strategy or some medium term strategy that covers all areas of interest that apply to everybody, and then in line with those priorities, government points where the gaps are, and then in line with this donors identify areas they can support. However, in reality this is not quite the case currently, due to the absence of the overall framework. That is why there is a lot of fragmentation among the donors, simply because everybody has different partners, different priorities and donors pretty much latch onto their global strategic priorities and their assessment and what their partners tell them. So, the overall assessment should address these issues also, since it is not just how the donors could be better responsive to the needs but also what is lacking on the national side to make donor efforts more effective. Donors can coordinate until forever, but it still may not be as effective as they could be, if the other side of the equation is still lagging in some aspect, which is what the UN would like for this review to achieve. In addition to that, it should be noted that donors sitting here are only one subset of the donors in this country. However, there are many other donors from the Middle East, China and many others that also significantly contribute to this country and it is important to find ways and engage with them as well. While donors respect and fully support the Donor Coordination Forum, which is the reason that donors are engaging in this very constructive new dialogue, the government itself is doing a lot of other coordination efforts including the one with the European integration as well as others. Donors would like to see how are the results of these forums discussions conveyed to the Council of Ministers, what kind of debate it sparks there and how that reflects to donors. Ms Sinanoglu concluded that there are several levels of coordination that need to be addressed for this forum to become as effective as everyone would like to see it. However, UN will remain committed to these issues since DCF is an important information sharing forum and it truly counts on this assessment to provide a lot of clues. Finally, she reminded that all of the countries that are represented at this meeting, bilateral donors and even international organizations, have signed up to the Sustainable Development Goals and 2030 Agenda, but there were not any references to that in today's discussions. Ms Sinanoglu encouraged all meeting participants, to think in the

future about how their work is contributing to the SDGs, mentioning example of Czech Development Agency, which anchored their strategy for BiH on SDGs. She proposed that UN can in due course eventually do the mapping exercise of 17 SDGs to see which donors are supporting parts of SDGs.

Ms Dätwyler Scheuer, Swiss, agreed there are two parts of such assistance, on one hand governmental side and on the other donors themselves. In this sense, short term measures and long term measures should be defined. Maybe there will be simple things improved that already had huge impact, however there are also some other longer term issues to be addressed.

Ms Basta, MoFT, also confirmed that coordination has two parts, BiH institutions on one side and donors. They have to work together as a team if they want to achieve something. Ministry is very much aware that the time has come to improve this coordination and that it should be done much more than now. In this regard, the Ministry will communicate all news to everyone on the current status of these activities.

Mr Teruuchi, Japan, referred to the UNRC reasoning and confirmed that he fully agrees with comments on donor coordination. He added that this forum should be improved for better donor coordination. Under the circumstances when individual donors initiated individual donor coordination such as Swiss Embassy and as Ms Dätwyler Scheuer mentioned that there are almost 50 donor coordination groups, he noted that BiH authorities, particularly the Ministry of Finance and Treasury should exercise more ownership of the donor coordination process in accordance with the Paris Declaration on Aid Effectiveness endorsed by BiH. The question is what kind of ownership donors would like to see from BiH Government. Mr Teruuchi informed that he just circulated the last weeks' PIC Steering Board *Communique* and pointed to its content (bottom of the second page) where PIC Steering Board asked the BiH authorities for better donor coordination mechanisms and exercising more ownership of donor coordination, as proposed by Japan to be included in this *Communique*. In terms of the ownership, government strategy is needed which clearly identifies the gap, with clearly defined priority areas, and for each of these areas how much the government can allocate to the budget and how much donor community needs to contribute. Such information are very important for this donor community and it would contribute to better donor coordination in this country. Creating of such strategy is in the hand of entity level and is not in the mandate of the central government. He concluded that he would very much like to see the Ministry of Finance and Treasury to exercise more coordination efforts and if possible representatives from BiH entities and BD should be also invited to the DCF forum in the future.

Ms Basta, MoFT, agreed with the mentioned, noted that the Ministry is completely aware that additional efforts should be undertaken and all stakeholders have to make progress and enhance their work. In this regard, the Ministry has made the joint arrangement with the Swiss and the UN colleagues. Apart from that, the Ministry is working on how to improve the coordination, with or without this project, since it has the obligation to work more effectively. For the next DCF meeting, she proposed to present the public investments in BiH. Ministry has its priorities regarding the strategic areas as well as priorities in high priority projects that require financing from budgets, grants, loans and all other sources of financing and it refers to the entire BiH. It would be very useful to present to DCF participants how this mechanism for prioritization of new projects exists and works here in BiH for all levels of government, for BiH Institutions, BiH Federation, Republika Srpska and Brcko District. She confirmed that this forum should be more proactive and that members have to exchange their views, share new plans and see how to work together in the future. The past can serve as a reference what has been done and what needs to be done and what the priorities are. Ms Basta also noted that representatives from both entities and from the state level are invited to all DCF meetings, however they are not present at today's meeting. Finally, she reminded that there are 10 sectors and approximately 75 subsectors in IPA II classification, some of them are coordinating regularly, some of them on *ad hoc* basis and there is a huge difference in coordination within all these sectors. Ministry of Finance should act as an umbrella for all this sector coordination. However, starting from January, at the DCF meeting, there should be one presentation from the donor side and another from BiH side, what comes more important at the time, regardless of the Ministry, sector or some project.

Mr Vignjevic, Sweden/Sida, thanked both Swiss and USAID colleagues for excellent presentations and noted that the key words mentioned at today's meeting were cooperation, coordination, collaboration, strategies, plans and future. Sweden is working in BiH and the region on the basis of the Strategy 2014-2020. After the Mid-term evaluation of this strategy, Sweden is planning to extend the strategy and bilateral cooperation with BiH and in the countries in the region as well. The pillars of this strategy are well known, however in terms of projects, Sweden is implementing them in cooperation with its partners, starting with the Swiss, USAID, GIZ, UNDP, others as well. From the Swedish point of view, it should be emphasized, that apart from the Reform Agenda in BiH as the guiding document for providing assistance in the country, Sweden also has two main strategic goals and directions coming from the Swedish Government referring to the feminist policy and the environmental policy. In terms of the future plans, in the next period Swedish contribution to BiH will have significantly increased funds in the environmental portfolio part of the Strategy. Another fact relevant for DCF is that Sweden has achieved 99,99% disbursement of funds to their projects, which clearly confirms the relevance of all Swedish projects implemented in BiH with partners. He added that the overall amount for BiH has increased and it is reaching the level before the immigrant crisis from couple of years ago. He emphasized that one of the targets clearly indicated in the Swedish Strategy is the CSOs, where almost all sectors are somehow supported by the interventions in the CSOs sector here. He concluded that the absence of strategies in BiH is the source of problems for the future work of donors, starting from the PAR strategy, PFM state level strategy, agriculture strategy. As soon as these strategies are in place, then there will be the references and guidelines on how to support the implementation of these strategies. Until then, definitely it is not clear to which direction which project will be implemented within certain sectors. In terms of sector coordination and collaboration, Sweden has recently started the PAR sector coordination that was initiated by PARCO with involvement of governmental stakeholders as well as full involvement of donors. He concluded that things are going slowly and as Ms Basta already said, there is a strong need to somehow centralize and improve coordination not only among donors, but to have collaboration and coordination with the state stakeholders.

Ms Hodzic-Zijadic, EUD, briefly informed on the current state of play of EUD activities. She noted EU is in parallel engaged in IPA programming 2018 as well as in Mid-term review of Indicative Strategy Paper, which would extend for BiH until 2020. As already known, unlike other countries in the region, BiH is not covered by the Indicative Strategy Paper (ISP), the strategic document of EU in full-fledged envelope and time horizon 2014-2020, but only 2014-2017, with limited allocations due to the unmet main condition, the existence of countrywide strategies in sectors. Currently, with the Mid-term review and also the revision of the ISP for BiH, with exceptions of transport and environment strategies which have been meanwhile adopted, Indicative Strategy Paper for this 2020 horizon indicates to allocations which could be included potentially, so the allocations in financial terms for BiH could increase if the adoption of the remaining strategies (energy, agriculture) takes place until the end of 2017. In terms of 2018 program, there were 2 programming missions from Brussels together with the all BiH interlocutors at all levels. The idea is to expand and to have the doubled amount of around EUR 80 m (unlike average EUR 40 m) per year allocated to BiH, if the progress is made in those strategies. It was expected that the revision of the ISP will be finished by the end of 2017 or early 2018, however it was delayed and the adoption of the new strategic document is now expected until May-June 2018, which is the new timeline set last month.

Ms Dätwyler Scheuer, Swiss, reminded all meeting participants they can find at the table a short version of the Swiss Cooperation Strategy in English and local languages. This short version was distributed to their partners, for example to mayors, for all those who do not have time to read thick cooperation strategies, but also to Swiss people and members of parliament. The strategy was produced in 5 languages. With regard to current activities, Swiss Cooperation Office implements long term projects, some of them have 12 years life span. The main sectors remain in the focus such as local governance, municipal services, health and also economic development and youth employment as well as migration partnership. She added that in 2018, Swiss Cooperation Office will be engaged in the social inclusion topic, together with the UN they will work on human development report on social inclusion. In the view of 2018 elections, the topics of inequality and poverty need to be brought back to the political agenda. Also, activities are underway to collect and analyse and also publicly discuss information on the situation of the excluded, poor groups and exclusion patterns, with decision makers. Another issue that Swiss Cooperation Office will advocate and promote, together with other donors, is the role and the importance of the SDGs as a global reference. In this context, SDGs could be the possible future reference framework in BiH and in parallel they will be also complementary to the Swiss continued activities to promote in all their projects everything related to the EU integration process. Also, considering that the pre-election time can affect the Swiss projects (i.e. delays are expected and possible blockages in parliaments, etc.), together with partners in joint sectors of operations, Swiss will also try to engage in policy dialogue and mitigate deadlocks.

Mr Zupan, Slovenia, informed that in September 2017, Slovenian Parliament adopted the new Resolution on development cooperation, where Western Balkans remained one of 3 priority areas alongside with Eastern Partnership and Sub-Saharan Africa. However, Western Balkans region is number one and in terms of the goals, the first one would be peaceful and inclusive societies, in particular the good governance, equal opportunities, gender equality and quality of education as the second goal is the climate change. Apart from this, Slovenia is also active in the EU IPA activities, particularly in 2 twinning projects, both together with Austria, which are related to the Rule of law, organized crime, anti-corruption and which present one of the top priorities for Slovenian development cooperation.

Mr Thill, Austria, thanked to Mr Zupan for mentioning the twinning projects implemented both by Slovenia and Austria, dealing with the Rule of law. Austrian development cooperation implements some smaller projects this year, related particularly to areas of handicapped people and health. He informed that Austrian experts are also active in the field of demining and Austrian Development Agency is implementing regional projects but not bilateral projects here in BiH.

Ms Cegar, IMF, introduced herself as local economist in the IMF office in Sarajevo. She noted that IMF had the so-called Article 4 mission in November and discussed with the authorities about the medium-term outlook and recent economic developments. It could be said that there have been some improvements in the structural reforms, however the implementation of the key measure under the Program went slower than expected. In order to bring this Program back on track, the authorities need to meet all IMF standing prior actions, meaning that the BiH Parliament needs to adopt the amendments to the Law on Excise Tax and then the new Deposit Insurance Law, entities' parliaments need to adopt 2018 budgets and Federation Government needs to initiate the due diligence in two telecoms. IMF also expects from the ITA Governing Board to solve the problem with coefficients for revenue allocation and settlement of intra-entity debt. In terms of the IMF mission that will take place in February 2018, regarding the assessment of public investment management arrangement using the Public Investment Management Assessment (PIMA) Framework, yesterday IMF received the letter from the State and the Federation Ministry of Finance where they agree to have the TA mission, while Republika Srpska is not the part of in this mission.

Mr Damm, Germany, briefly reflected on the difficulties regarding the coordination and getting any clear strategies and focus areas from the BiH side and due to the lack of that donors mainly try to align their development aid to the Reform Agenda pointing towards development. In financial terms, he reminded that KfW development bank signed two contracts for the windfarm Hrgud and waste water treatment in Zenica.

Ms Terza Vukovic, Czech, informed that Czech Republic has the new Strategy 2018 -2023. Based on the previous Strategy experience, the new Strategy will also focus on the following 3 sectors- natural resources, with the focus on water and sanitation and based on this, the new waste water and sewage system project is identified in Maglaj which is scheduled to start in 2018. The second sector is the economic development with the focus on renewable resources energy, with the new project also starting in 2018, and the third sector is good governance which is based on capacity building and transfer of knowledge from Czech institutions to assist BiH transition to EU.

Ms Heuel Rolf, GIZ, briefly informed on the latest GIZ activities in the country and in the region. GIZ continues implementing activities in already known areas, however in 2017 it started the new activity, i.e. the TVET (technical and vocational education and training) project which was extended from single cantonal level to include several locations in both entities. Also, additional funds were recently provided for further expansion of these activities. GIZ is preparing the new project in cooperation with the UNDP and ILO, funded by the EU, the contract is just about to be signed, under the heading local development strategies, economic development with the focus on SMSs. In contrast to the ongoing project, it will not be limited to certain municipalities but the countrywide approach will be applied with certain definition of different intervention fields for UNDP and ILO as well as for GIZ. She also used the opportunity to mention the GIZ significant portfolio of regional programs (Sarajevo is the basis for SEE Open Regional Funds) supporting the cooperation between the 6 West Balkans countries, in the context of EU integration, since the cooperation between the countries is a very important aspect in this integration process. Also, GIZ has recently received additional support from the German Ministry which mobilized additional funds in order to support The Berlin Process by certain measures. She concluded that the activities are also underway on implementation of the Multi-annual action plan for creation of the regional economic area, where GIZ will be very much interested to get in touch with donors who are already running or have the intention to start regional measures, in order to consider possibilities for potential cooperation.

Mr Motoyuki, Japan/JICA, noted that JICA is the executing agency for Japan Official Development Assistance (ODA). JICA's activities are based on the Country development cooperation policy by the Japan Government and informed that JICA activities in BiH are implemented in 3 priority sectors - environment, private sector development and peace building process. More detailed information on these activities can be found in the DMR.

Mr Teruuchi, Japan, noted that Japan cooperation policy with BiH can be found on the Embassy web site and added that Japan will continue to assist BiH efforts to be integrated in the EU by using the variety of current Japanese schemes. The focus will remain on the priority areas of Japan such as ethnic reconciliation, education, healthcare, demining and environmental projects and promotion of the SMSs in BiH. Since the last DCF meeting in March, in October the Embassy has donated EUR 70.000 to the healthcare centre in Zepce to purchase the mammographic machine and defibrillator and in November, Japan donated EUR 400.000 for demining of Petrovo, Celic and Han Pijesak municipalities. In the pipeline, Japan is considering further donation to the primary schools in Visegrad, Bijeljina and Rogatica and two additional healthcare centres in Srebrenik and Stari Grad Sarajevo. Also, Japan is planning to fund the demining activities in Novo Gorazde and Bosanka Krupa municipalities. He concluded that together with JICA colleagues, they focus their activities on environmental protection, i.e. the loan was provided in the amount of KM 200.00 m for the fuel gas desulphurization plant construction for Ugljevik thermal power plant, whose construction started in May 2017. In case if BiH Government will consider new projects, Japan is keen to initiate the new project which would mitigate the air pollution in BiH.

Mr Larson, USAID, informed that due to the uniqueness of its procurement system, when the USAID receives its funding, it tends to start a number of new projects in summer and early fall, which means that by December all these activities are starting to be implemented in full capacity such as the Diaspora activity, which already made significant progress especially due to collaboration with the Swiss Embassy in this area and its Development Agency. He reminded that many of donors have heard before the discussions regarding the joint USAID and Swedish project Farma which shows that much can be done in the private sector when donors coordinate with each other. However, there is a lot in BiH other than agriculture, and USAID is very pleased this year to be reengaged in the private sector with the support for SMEs development, with the new activity that started in September (WHAM project) now engaged in full spectrum in private sector from agriculture and non-agriculture. In terms of reconciliation in BiH, USAID started the new reconciliation activity which builds on what has been done in the past by the previous Pro-Future project. USAID will continue working with the decision makers, opinion makers and local citizens to help that reconciliation process here in the country. Also, to help complement media program that was started last spring, USAID launched regional media program in September which will be particularly focused on digital platforms and their sustainability. He concluded that continuous work in the media realm is of importance, since media is a key component assisting BiH dealing with corruption issues identified today.

Ms Basta thanked to all participants for their attendance and closed the DCF meeting.

The meeting was closed at 13:15 hrs.