

DONOR COORDINATION FORUM

MINUTES OF MEETING, FEBRUARY 06TH, 2014

Participants

Mr Libor Krkoska , Head of EBRD Office in Bosnia and Herzegovina (**Meeting Co-Chair**)

Donor/IFIs representatives:

Mr Marc Mccord, USAID/ Sida GOLD Project
Ms Ajla Mostarac, USAID/ Sida GOLD Project
Mr Trefor Williams, OSCE
Mr Gregor Presker, Embassy of Slovenia
Ms Zahira Virani, UNCT
Ms Leila Fetahagic, Embassy of the Kingdom of the Netherlands
Ms Irena Jankulov, IMF
Mr Paolo Marchi, UNICEF
Mr Jonathan Francis, Embassy of Sweden/SIDA
Ms Aniko Gyenge, Embassy of Hungary
Mr Jun Hirashima, JICA
Ms Ellen Van Reesch, Embassy of the Kingdom of the Netherlands
Ms Gabriela Huskic, KfW
Mr Goran Tinjic, WB
Ms Alma Zukorlic, Embassy of Switzerland
Ms Regula Babler, Embassy of Switzerland
Mr Joseph Guntern, Embassy of Switzerland
Ms Ena Pinjo, Embassy of the Kingdom of Norway
Mr Ognjen Grujic, Embassy of the Kingdom of Norway
Mr Florian Burkhardt, German Embassy
Ms Brigitte Heuel- Rolf, GIZ
Ms Anesa Terza Vukovic, Embassy of the Czech Republic
Ms Amra Dzaferovic, US Embassy
Ms Lauren Popovich, US Embassy

Government representatives:

Ms Dusanka Basta, BiH MoFT/SCIA (Meeting Co-Chair)
Ms Edina Topcagic, BiH MoFT/SCIA
Mr Igor Blagojevic, BiH MoFT/SCIA
Mr Zoran Danilovic, BiH MoFT/SCIA
Ms Bruna Kjuder, BiH MoFT/SCIA
Mr Miroljub Kronic, BiH MoFT
Mr Rifet Hrkic, BiH MoFT
Mr Besim Pasalic, BiH MoFT
Ms Miroslava Vidosavljevic, DEI
Ms Nevenka Dalac, BiH MoFTER
Mr Toni Santic, BiH MoJ
Ms Sasa Stanic, DEP
Ms Aneta Raic, PARCO
Ms Brankica Pandurevic, MoFTER
Ms Irena Kisic, MTT RS
Mr Drazen Marjanac, MTT RS
Mr Mensur Hodzic, MKT BiH

Meeting Agenda

- Welcome and Opening Remarks
- EBRD Strategy for Bosnia and Herzegovina 2014 - 2017
- USAID / SIDA Growth – Oriented Local Development (GOLD) Project
- Tourism in Bosnia and Herzegovina
- *Tour de table* - general news from all participants on current activities

AD1: Welcome and Opening Remarks

Ms Basta, BiH MoFT/SCIA, welcomed all participants and announced the meeting Agenda, expressing her satisfaction with the subjects that will be discussed. Then she gave the floor to Mr Krkoska, Head of EBRD Office in Bosnia and Herzegovina, to address the meeting.

AD2: EBRD Strategy in Bosnia and Herzegovina 2014 - 2017

Mr Krkoska introduced the EBRD as international financial institution focused on development, active in Europe, Central Asia including Mongolia and all the way to southern and eastern Mediterranean with Morocco, Jordan, Tunisia and Egypt as the newest

countries of operations. Similar to other development banks, EBRD is owned by a number of individual countries as well as by the EU and EIB as direct shareholders. In terms of mandate, EBRD supports the development through support of private sector expansion and market interactions. The activities should be focused on private sector financing, with 60% ratio private to public sector (in line with the EBRD Articles of Association). However, in BiH private sector ratio is below the recommended level, meaning that EBRD needs to focus more on the private sector in the future, including market enabling infrastructure, transport, energy as well as utilities, provision of water, waste management, district heating, etc.

EBRD does not provide the soft-loans or grants, all EBRD projects are financed either in the form of loans or equity. Grants managed by EBRD are actually the grants provided by some of the governments, where EU is the largest supporter of EBRD managed programs. However, significant co-financing is provided by other donors including Switzerland, Sweden, Austria, Czech Republic and Slovakia, active and working in cooperation with EBRD in BiH.

EBRD is engaged in BiH since 1996, since when 115 projects were signed in the volume of EUR 1.6 billion. EBRD's projects are usually co-financed with other financiers and other resources. Thereby, in the last 15 years, EBRD mobilised co-financing in the amount of EUR 2.1 billion. In the previous strategy period 2010-2013, EBRD provided EUR 466 million in 46 projects and mobilized co-financing in the amount of EUR 1 billion.

Mr Krkoska also noted that in the last few years EBRD focused on utilization of previously committed resources, in particular for large infrastructure projects. In regard with substantial criticism in BiH regarding committed and unutilized resources, he pointed out that EBRD percentage of utilisation was 53% during the implementation of the previous EBRD country strategy and less than 40% in 2013, which is still above global EBRD average of 20-25%. It is expected that until the expiry of the new country strategy 2014-2017, the utilisation of resources will be at the level of 30%. In 2013, EBRD provided more than EUR 200 m in 18 projects which is about 20% of its overall active portfolio and one third of all operating assets in BiH. EBRD also completed disbursements in large infrastructure projects: Sarajevo Bypass, Mahovljani Interchange and Gas Project between Zenica and Travnik.

In period 2010-2013 EBRD's objectives in BiH were: upgrading and constructing the new infrastructure in municipalities and in the environmental sector, transport, SMEs as well as supporting private sector and EU approximation. In terms of sectors, 46% of resources were channelled to Infrastructure projects, 14% to the Industry, Trade & Agribusiness, 11%, to Energy and 29% to Financial institutions. The largest projects financed in BiH were Corridor Vc, Regional Railways Project, Bijeljina Water Wastewater, Sarajevo Urban Roads, Banja Luka- Doboj Motorway. In this period EBRD also supported large scale projects such as RE/EE project Bingo (EUR 5.4 m) and EE project Natron Hayat (EUR 11 m), as well as small projects in cooperation with local banks within the Sustainable Energy Credit Line Facility, with EUR 15 m utilised resources in BiH in 55 projects.

The new EBRD Strategy for BiH 2014 – 2017 includes political, macroeconomic, structural reforms context, business environment, social and legal context, as well as EE and climate change context. The most important goal of the Strategy is of addressing key challenges and how EBRD will try to resolve them. The new Strategy will be focused on: *Restructuring and expansion of the local private sector* (credit lines to SMEs, microfinance loans through local banks), *Forging closer linkages with wider regional markets* (private investments, increased trade flows and improvements to deepen regional integration) and *Promoting more efficient and sustainable use of resources* (providing financing for energy and resource efficiency improvements for corporate clients in private and public sectors and restructuring and commercialization of municipal utility companies). EBRD estimates to provide EUR 100 to 200 m annually in the next three years, with approximately 70-80% channelled to private sector projects, depending on the reform progress and EU integration process.

The main highlights of EBRD presentation:

- EBRD and its Objectives and Instruments
- EBRD is a major investor in BiH
- EBRD Objectives in BiH 2010-2013
- EBRD- BiH portfolio by sector
- Selected infrastructure projects in BiH
- Case studies- Bingo; Case studies- Natron Hayat
- Western Balkans Sustainable Energy Credit Line Facility (WebSEFF) achievements in BiH
- Project breakdown- Bosnia and Herzegovina
- EBRD Strategy for BiH 2014 – 2017 (Strategic orientation)

For more details, please see the attached presentation.

Mr Krkoska concluded that depending on the reform progress, much more could be achieved in the private sector, on the basis of natural resources in BiH, opportunities in wood processing, energy generation, industrial heritage of BiH and its central position in the Western Balkans. Then he invited all participants to attend the presentation of *EBRD Transition Report 2013: Stuck in Transition?*, that will take place in the CBBiH on February 13th.

Ms Basta thanked for sharing the EBRD's Strategy with all participants and for the past excellent cooperation of EBRD and the Ministry, which would be hopefully continued in the future. Then, she gave the floor to Mr Mccord to present the GOLD Project.

AD3: USAID/SIDA Growth Oriented Local Development (GOLD) Project

Mr Mccord, introduced himself as the Team Leader of the GOLD Project, funded by USAID/Sida. The planned impact of the Project is to: Increase foreign investments and direct investments; Substantial increase of employment, sales and exports. Mr Mccord noted that although creating jobs and investments is important, creating the mechanism to generate jobs and investment for the future is really the “holy grail” of local economic development. In that regard, the goals of the GOLD Projects are primarily to increase employment, investments, export and revenues. To achieve that, the Project approach will be practical, sustainable and adapted to municipal partners throughout BiH, and it will include the public sector but also the private sector, NGOs and all stakeholders involved in local economic development. GOLD Projects seeks not to replicate the work that has been already accomplished but to build on this work, focusing on local and area based development in BiH, as the model used by countries throughout the world to transform their economy.

The Project model is based on “*hub and spoke*” approach, thus enhancing LED in those communities and impacting regions. Hub municipalities are Bihac, Banja Luka, Ljubuski, Sarajevo, Tuzla and Bijeljina. Within the hub municipalities, at first the GOLD Project will be engaged in 48 municipalities with expectations that more will be included later on during the implementation. Since the municipalities have different leadership style, the Project approach will be customized and practical. To achieve the transformational change and economic growth, the communities must: adopt innovation as core value, accept risk to achieve reward, build workforce skills that focus on future jobs, focus on future and not the past, establish prosperity and not competitiveness and most of all, they must change the way they think about their economies and regions and then change the way they act and move in that direction. The main goal of the Project is to promote sustainable economic development far beyond its life, through leveraging financial resources and linkages between the private and public sector and all institutions involved in the local economic development. That will be achieved by creating inclusive dialogue mechanisms and most importantly high value jobs which in turn create prosperity.

The Project objectives to be achieved are: building sustainable economic development mechanism by working with LED professionals and units in targeted municipalities to increase their capacity to generate investment and create jobs, strengthening municipal finance, promoting of PPPs and access to finance as well as other activities to achieve the Project goals.

The main highlights of GOLD Project presentation:

- Planned Impact of GOLD Project
- Targeted municipalities in BiH
- How will the GOLD Project assist localities in achieving the goals
- Transformational Change Requires not just thinking “outside the box” but tearing up the box
- Goals of the Gold Project: facilitate the creation of jobs, enhance communities and generate transformational economic growth
- GOLD Project Objective 1: Improve LED Management Capacity (Actions and Planned Outcomes)
- GOLD Project Objective 2: Creation of Improved Economic Tools to Enhance Growth (Actions and Planned Outcomes)
- GOLD Project Objective 3: Development of Sustainable Mechanism for Engaging Public and Private Sectors
- GOLD Project Objective 4: Strengthening of Private Sector capacity (Actions and Planned Outcomes)
- GOLD Project model is based on “*hub and spoke*” approach

For more details, please see the attached presentation.

Mr Mccord noted that the Project was just initiated this week by signing of Memorandums of Understanding with the first municipalities with intention to sign Memorandums of Understanding also with other involved municipalities. Then he opened the floor for questions.

Ms Basta thanked for the presentation and invited all participants to ask questions or make comments.

Mr Krkoska asked how GOLD intends to address the corruption issue since the project involves public sector municipalities working with the private sector?

Mr Mccord asserted the corruption is an issue and needs to be addressed in LED, by working with credible individuals and partners that support their approach, in the attempt to alleviate the potential points where corruption can occur and helping municipalities to address these issues. GOLD Project does not come from a point that there will be a corruption when public and private sector work together, instead they think corruption should be dealt with when noticed.

Ms van Reesch asked if GOLD Project plans to work fully within existing legal framework, in the aim to create jobs or do they envisage this Project plans to generate ideas on how to change existing legislation, procedures, etc.

Mr Mccord replied that jobs are created in the existing circumstances. The goal of the Gold Project is about changing and finding new ways, even in the current framework, to address local economic development issues. However, neither them nor their municipal partners will be satisfied if it remains business as usual. It’s about changing the paradigm.

Mr Tinjic welcomed Mr Mccord’s enthusiasm in the intention to change the paradigm and asked him to explain the term municipalities “bankable” projects?

Mr Mccord answered that they intend to capitalise on public private partnership which has not been functioning efficiently as it should be. That means putting together bankable projects, working with municipalities and partners involved, helping them to design the projects and linking them to the most favourable source of financing. This means building municipalities capacities to be able to put together the business plans, feasibility studies, to be able to access the top of the financing needed to get the job done and devising the linkages between all involved partners. Such projects constitute the bankable projects.

Ms Basta introduced the next subject from the Agenda, announcing that the Ministry of Foreign Trade and Economic Relations and RS Ministry of Tourism and Trade will present the Tourism in BiH, while the announced presentation of Federal Ministry of Environment and Tourism will not be presented today, since the colleagues from the Federation had to leave from the meeting due to the unexpected business. ***Please notice, more details about tourism in Federation of BiH can be found in the attached presentation.*** Then Ms Basta gave the floor to Ms Pandurevic.

AD4: Tourism in Bosnia and Herzegovina

Ms Pandurevic, introduced herself as the Head of Tourism Department in Ministry of Foreign Trade and Economic Relations (MoFTER) and a chairperson of the Working Group for coordination of activities in Tourism Sector in BiH (WG). She thanked the Ministry of Finance and Treasury for the opportunity to present Tourism sector in BiH and WG activities in order to make the step forward in development of cooperation with DCF members. Ms Pandurevic presented organizational structure of the Sector. At the state level, MoFTER coordinates activities within the Sector and is responsible for international cooperation, while tourism is under responsibility of entity level institutions, Federal Ministry of Environment and Tourism, RS Ministry of Trade and Tourism and Brcko District. Also, for promotion of tourism in BiH responsible are Tourism Communities in the Federation of BiH and Cantons, city and municipality organizations in the RS as well as the Foreign Trade Chamber. The WG was established in 2007, to bring together representatives from state and entity institutions, Brcko District and Chamber of Commerce. Members of WG meet quarterly to discuss the tourism issues, exchange experiences, ideas and make recommendations for respective institutions.

The main points of the presentation - Tourism Sector in BiH:

- Organizational structure of the Tourism Sector in BiH
- Working Group for coordination of activities in Tourism Sector in BiH
- The legal framework of the Tourism Sector of BiH
- Top ten countries in terms of tourist arrivals in BiH, 2012
- Country rankings: Relative contribution to GDP, 2011
- Travel and Tourism Contribution to Employment
- Projects in Tourism Sector
- Weaknesses of Tourism Sector in BiH

For more details, please see the attached presentation

Ms Pandurevic informed that in support to *EU TA Project-Tourism Industry in BiH*, Ministry of Foreign Trade and Economic Relations, Federal Ministry of Environment and Tourism and RS Ministry of Trade and Tourism will organize the Donor conference in June 2014 and invited all DCF participants to this conference to share the information, project ideas, etc. Then she gave the floor to Ms Kistic, the Head Department for European Integration in the RS Ministry of Trade and Tourism, to present the Tourism in Republika Srpska.

Ms Kistic briefly presented the scope of work, main activities and future investment plans of the Ministry of Tourism in RS, which is in charge of legal, normative and administrative procedures, laws and by-laws and strategic framework in the RS, in the area of trade (internal market) and tourism and hospitality sector as well as of the EU *acquis* in this sector. Main activities in tourism include: building of Andricgrad, supporting development of Kozara and Sutjeska national parks, investments in development of Olympic Centre Jahorina, development of spa and wellness resorts (Vrucica, Vilina Vlas, Dvorovi, Ljesljani) and concession to build tourist centre Klekovaca, etc.

The main points of the presentation - Tourism in Republika Srpska:

- RS Ministry of Trade and Tourism, Activities, Departments
- Department for Trade, Department for Tourism and Hospitality
- Significant activities in tourism
- Suggestions for possible investment

For more details, please see the attached presentation.

Ms Basta thanked for the good presentations, invited all participants to take part in the *Tour de table* and to briefly inform on the recent activities and news in BiH Institutions and donor agencies.

AD5: Tour de table – News and current activities of all participants

Swiss Embassy/SDC: Mr Guntern gave a short update on activities in SDC and reminded that last year they presented the new Swiss Cooperation Strategy for BiH 2013-2016. In line with this Strategy, SDC is engaged in three domains: local governance, health, particularly primary health care and mental health projects and in economy, with the focus on youth employability. In 2014, SDC

will be strongly focused on development of local governance portfolio, noticing that there is an excellent opportunity for complementary work with the GOLD Project. They have already contacted the colleagues from GOLD Project to combine their work respectively in local governance and in economic development. Also, SDC is developing the pipeline local governance projects with other agencies, in particular with Sida and GIZ. Another important domain involves migration issues. In accordance with the Migration partnership between Switzerland and BiH, the main focus will be on migration and development and finding the way how migrants from BiH can contribute the development of the country. In 2014, special program was initiated on these issues in cooperation with UNDP. In that regard, Mr Guntern introduced his colleagues Ms Baebler, Regional coordinator for migration issues focused on migration development issues and Ms Zukorlic who is engaged in the local governance domain, who also attended the meeting.

WB: Mr Tinjic informed that last week WB presented an interesting *Jobs Report for Europe and Central Asia* which could be found on the WB web site. The Report highlights the job creation in Eastern Europe countries and Central Asia on annual basis. In terms of landing, WB recently reached an agreement worth over USD 32 m for energy efficiency project. The Project will support repairing of about 100 public buildings in the country, mainly schools and hospitals and help improve energy efficiency of these buildings. The investment in business environment is still in the process of negotiations, particularly in the Federation of BiH, to allow the disbursement for the budget support in the amount of USD 50 m.

KfW: Ms Huskic noted that since KfW Director Mr Leudesdorff is regularly attending DCF meetings, the participants are certainly aware of KfW projects. The news is that in December 2013, KfW signed the loan and project agreement for a wind-park in the Federation of BiH in the amount of EUR 65 m.

PARCO: Ms Raic informed that PARCO is continuing the implementation of PAR related projects which are based on fulfilment of the objectives of the PAR Strategy revised Action plan 1. At the moment PARCO is preparing the Annual report for 2013 which will be launched in March. Also, by the end of January, BiH Presidency approved joining of Denmark as the new donor of the PAR fund, so PARCO is now in the procedure of signing the Annex to the MoU of the PAR fund.

Ministry of Justice: Mr Santic briefly informed on the updates in the Justice Sector regarding the adoption of the new Justice Sector Reform Strategy (JSRS). Former Strategy has just expired and at the end of last year, Justice Sector prepared the proposal of the new JSRS 2014-18. The new Strategy should have been approved at the Ministerial Conference that was just held on January 29th. Since it was not approved, the Strategy is in the process of further consultations and when an agreement is reached, it should be submitted to all levels of governance in BiH. Mr Santic has announced that Justice Sector is preparing the Donor information meeting in the Justice Sector that will be held upon expiry of 60 days consultation period, potentially when the Strategy is submitted for consideration to the governance in BiH.

JICA: Mr Hirashima informed that JICA is implementing various projects in BiH in sectors such as rural development, SMSs development, energy, tourism, education and environment. JICA assisted development activities in Srebrenica since 2006 and previous phase of the project was finalized in November 2013. However, JICA is preparing the new project phase in Srebrenica and surrounding municipalities. The agreement was signed in December 2013 and project will be implemented in the period 2014-2017. JICA is also engaged in the new project PPP feasibility study for Tuzla thermal power plant.

Sweden: Mr Francis noted that they are working on the new regional strategy for Western Balkans which is expected to be approved in the next few weeks. It will be a 7 years strategy, worth approximately EUR 600 - 700 m for the entire region. The Strategy will have more or less similar focus and once when it is approved it could be also presented at the DCF meeting.

UNICEF: Mr Marchi informed that UNICEF is now stocktaking their current Country program and developing the new Country program 2015- 2019. The main areas of intervention will probably remain the same as in the previous Country program: child health and wellbeing; education including pre-school education; child protection including justice for children in cooperation with SDC and Swedish Government; social protection, inclusion and child rights monitoring in cooperation with different partners including the EU, UNDP and Dutch Embassy.

Ms Basta announced the participation of IMF representatives at the DCF meeting and welcomed Ms Jankulov.

IMF: Ms Jankulov noted she is pleased to participate at the DCF meeting and informed on two issues. Last Friday, the IMF Executive Board approved the 5th review of the current Stand-By Arrangement (SBA) which allowed the disbursement of the next tranche to BiH. This approval meant the augmentation and the extension of the current SBA, which will now expire in mid 2015 and not in September 2014. IMF considers this as very important step because it will represent the policy anchor in the pre and post-election period. The augmentation is EUR 150 m which brings the current SBA from Sept. 2012 to total of EUR 550 m. Latest IMF Report will be published in the coming days, with latest policy thinking and latest forecast related to the situation in BiH economy. The next quarterly Review of SBA will be conducted in February, where by the end of February, the IMF will be informed with the situation in the current program, with the disbursement implementation policies and whether IMF can proceed with the next disbursement.

UNDP: Ms Virani noted that UNDP is reviewing its current program and developing the new program for 2015-2019 which will be considered by the UNDP Board in June. The areas of work for the new program will largely remain the same: local governance, local development, energy efficiency, environment protection, justice and security and social inclusion.

MoFT: Mr Hrkic, noted that he is satisfied to experience two different presentations at meeting, the EBRD which works with large infrastructure projects and GOLD Project which is actually engaged in local communities supporting them in economic development and employment, enjoying the positive energy and enthusiasm from Mr Mccord presentation.

CZECH EMBASSY: Ms Terza-Vukovic, informed that in 2014 Czech Republic will be active in health sector and that it will continue the activities in the areas of energy, agriculture, water and sanitation and public administration.

GERMANY: Mr Burkhardt announced that Annual bilateral governmental meeting between Germany and BiH is planned to take place in April 2014, where they will discuss the current activities and future cooperation plans.

GIZ: Ms Heuel-Rolf noted that recently GIZ got approval for additional funds to continue and expand local governance and local economic development programs. GIZ also started the second phase of the program, supporting public administration reform in cooperation with PARCO and institutions at state level. Presently GIZ is developing the strategy for expansion of EE project which will continue working on the municipal level which also includes aspects in both entities. GIZ also continues working in the Open Regional Funds, on several and different aspects and promoting cooperation in various sectors in BiH and Western Balkans region.

DEI: Ms Vidosavljevic informed that there is no news related to programming of IPA II. In terms of ongoing issues, she informed that IPA monitoring committee meeting is taking place today in the EUD building with participation of representatives of BiH Institutions and colleagues from the European Commission.

NORWAY: Mr Grujic noted that they will soon launch their two funds, the Embassy fund and Strengthening civil society fund. In 2014, the *Embassy fund* will delegate about NOK 10 m (BAM 2,5 m) for activities supporting business development, employment and infrastructure, security sector including disarmament, demobilisation, judicial sector, democratization and media as well as peace and reconciliation through culture, arts, sports, employment and other activities and education of youth. *Strengthening civil society fund* will delegate about NOK 5 m (BAM 1,5 m) in support to anticorruption, transparency and accountability, independent media, marginalized groups and human and social rights. In 2014, Norwegian Government has the budget of BAM 21 m, out of which 5 m will go directly from the Embassy in BiH and the rest will be disbursed directly from the Foreign Ministry in Oslo. All information on these two funds could be found on the Embassy web site from next Monday.

MoFT/SCIA: Ms Topcagic informed on the news regarding the data entry of projects in the new DMD database, which is correlated to the preparation of the Donor Mapping Report in BiH for 2013. She thanked to all DCF members who already finished and who are still entering projects in the new DMD database, with kind request to those that remained, to complete the data entry for the period August 2012 - December 2013, latest until February 15TH, since the DMD database is the basis for preparation of the Report. She noticed that the beginning of the preparation of the Report is prolonged due to the fact that the new information system (PIMIS) had to be implemented, and hopefully since it provides better possibilities, the preparation of the document will not be much delayed with respect to the planned deadline.

In regard to adherence to the principles of Paris Declaration on aid effectiveness, Ms Topcagic thanked to all those that participated in the conducted Survey and expressed satisfaction for good cooperation achieved with most of contacted representatives of BiH Institutions and DCF members. Namely, 75 % of DCF members and 78% of contacted BiH Institutions at all levels of governance participated in the Survey, thus enabling better insight in adherence of all five principles as well as the preparation of better quality and credible Report on adherence to the principles of Paris Declaration on aid effectiveness in BiH for 2012. The Report is in the final phase of preparation and it should be submitted for consideration to the Council of Ministers by end of February, after which it will be distributed and posted at the official web sites of the Ministry and DCF.

Ms Basta then thanked to all participants and closed the meeting.

The meeting was closed at 12:30 hrs.