

**Coordination of External Assistance in the former Yugoslav Republic of Macedonia**

The ultimate strategic priority of the Republic of Macedonia is integration into the European Union. The Government vigorously pursues the development agenda, fully committed to meet the EU accession criteria and standards. At the same time substantial efforts are being put in line with the main long-term priorities, such as ensuring increased economic growth and competitiveness on a permanent basis, higher rate of employment, increase of the living standard and quality of life, effective implementation of the rule of law, maintaining good inter-ethnic relations and investment in education.

In order to accelerate the progress of the accession process, the Government recognizes the importance to maximize the impact of available external assistance, increasing its effectiveness and ensuring greater ownership by further strengthening the national coordination mechanism. The country's development agenda will be better achieved by focusing on sustainable long-term results, streamlining the external assistance in priority areas and critical sectors for the overall development and ensuring joint commitment and continuous efforts in this process mutually with the donor community.

Various international partners in the past years provided an important amount of support for the Republic of Macedonia. The current stage of development would not have been possible without this substantial assistance and proven excellent cooperation. Today, as a candidate country awaiting full membership into the EU, Republic of Macedonia is facing distinct challenges. Aid structure has undergone substantial changes and real evolution, some donors are reducing their activities or changing the area of focus and EU assistance through IPA became a predominant source of development assistance. The administrative capacities are being strengthened in order to ensure effective decentralized management of IPA.

With a view of achieving greater complementarity, successful coordination and maximum benefit from different available sources of assistance, aware of the weaknesses perceived in the past, the Government decided to introduce certain changes in the National System for Coordination of Foreign Assistance (operational since 1996). The new concept envisages a more operative and effective structure, adapted to the latest context and developments and setting more formalized and highly operational process of coordination with clear roles and rules for the actors and common implementation system. This is in line with the one of the main recommendations of the independent evaluation of the donor coordination mechanism and structure in the country, completed in mid 2008, to strengthen the National System for Coordination of Foreign Assistance.

Improved donor coordination capacities at central level are demonstrated by significantly enhanced liaison between the Government and the donor community in order to ensure the reflection of national development priorities and to increase the national ownership over the development agenda. In December 2008, a high-level donor coordination meeting was organized by the Government. This forum renewed the practise of holding regular coordination meetings. At the same time a joint commitment was made by the Government and the donors, that improved effectiveness of foreign assistance can be achieved through significantly strengthened government led coordination mechanism, driven by the EU accession process.

Consent was reached between the Government and International Partners to move towards a new concept- Programme-based-Approach (PBA) considered as most suitable and beneficial, especially taking into consideration that it promotes the Paris Declaration principles of ownership, alignment, harmonization, managing for development results and mutual accountability.

During the next donor coordination meeting held in January 2009, upon analyses of priorities, existing national and sectoral strategies, available donor assistance and significance for the accession process, the Government made a proposal to the international partners to introduce PBA in five priority programme areas:

- Business Environment, Competitiveness, Innovation,
- Human Capital (Education, Social Policy, Health),
- Agriculture,
- Environment,
- Governance (Public Administration, Decentralization, Regional Development, Justice and Home Affairs).

A joint senior working group composed of representatives from the international partners and the government was mandated to prepare a concept for introduction of PBA in the country. During the following donor coordination meeting in the beginning of March, an Action plan and guiding documents containing main principles and necessary arrangements for the PBA prepared by the Working group were presented and commitment for pursuing with this concept was once again stressed by both sides.

The PBA approach in Macedonia is considered as dynamic and developing long-term partnership process based on the following agreed guiding principles:

1. PBA implementation is based on international experience, tailored to country-specific circumstances
2. PBA implementation will be pursued in a pragmatic and realistic manner
3. PBA implementation reflects mutual commitment and accountability
4. PBA implementation is woven into the country's EU accession process where applicable
5. PBA implementation requires an effective and formalized structure for dialogue and coordination
6. PBA implementation focuses on results
7. PBA implementation systematically strengthens national programming and implementation capacity

Intensive efforts and actions are envisaged for the upcoming period. Establishment of an adequate and efficient institutional set-up is a priority. Joint senior level working groups will perform and coordinate assessment of the programme areas and implementation plans. Teams of focal points for each programme area, composed of several representatives from the Government and the international partners, will lead the joint senior level working groups. One Minister per programme area will hold political responsibility for guidance of the working groups (Annex 1-Draft Institutional Set-up for PBA).

Assessment of the programme areas will be conducted and based on the findings, separate PBA implementation plans will be developed for the programme areas, comprising necessary actions for the period until 2010. PBA will be guided by the nationally-owned country policies and strategies. At the moment, the national development priorities are developed within the general country development strategies (National Development Plan, National Plan

for Adoption of the *Acquis Communautaire*, etc) that are further elaborated on a sectoral strategy level. The integration into the EU as a top national priority is translated in the number of strategies and programs adopted by the Government. The PBA implementation plans for each of the five programme areas will be consistent with the national development priorities and the EU accession agenda of the country by establishing a single results framework.

It is envisaged that by the next high-level donor coordination meeting scheduled for September 2009, the bulk of preparations for introduction of PBA would be conducted and from that point the implementation of the PBA plans for each programme area will commence.

Nonetheless, PBA introduction will impel setting-up solid planning, budgeting and result-monitoring frameworks for each major priority area. Every sector intervention will ideally be reflected in the plan and all main actors in the sector will support the same plan. Thus, on a macro level greater consistency would be achieved between sectoral and overall development plans and programmes, ensuring necessary reforms and results-based management. The establishment of Decentralized Implementation System (DIS) provides appropriate legal and administrative framework for IPA funds, common procedures for implementation have been developed taking into account that the European Commission remains ultimately accountable to the Member States for the use of public funds and their sound financial management. These well structured procedures could be used as a good basis for establishing and using country systems for Public Financial/Expenditure management applicable to the overall foreign assistance.

The complex and interactive nature of dealing with development assistance requires continuous discussion between the Government and the donors, sharing of information and acting jointly with an aim of ensuring mutual benefit: greater effectiveness of development efforts.

Committed to follow the Paris Declaration principles, although the country has not officially endorsed this declaration, this year an exercise to assess the fulfilment of the indicators and targets set in the PD is envisaged to be conducted. It is expected that by the end of this year, and in parallel with the introduction of the PBA concept, the country will have a more comprehensive overview and understanding of the current situation and how the process should proceed in the near future. Comparative analysis with the findings from last year, gained through an independent evaluation and survey will be conducted as well.

With a more effective donor coordination in practise, the level of ownership, ensuring more effective leadership over the development policies and strategies, and co-ordinated development actions will be enhanced.

***Summary of main strengths and challenges of the existing donor coordination mechanisms:***

***Strengths:***

- Significantly enhanced cooperation between the Government and International Development Partners (3 Donor coordination meetings held since December 2008, Established Working Group composed of representatives from Donor Community and national stakeholders to elaborate the PBA Concept);

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- Introduced new conceptual form of the National System for Coordination of Foreign Assistance adapted to the latest context and developments;
- Established mutually agreed platform for introduction of the Programme Based Approach (Identified main programme areas, prepared Action Plan and guiding documents on PBA, envisaged institutional set-up for preparation and implementation of PBA);
- Strengthened reporting and flow of information among the partner;

***Major Challenges:***

- Enforcing effective National System for Coordination of Foreign Assistance each level of the structure to be capable to carry its functions and deliver results in a systematic way;
- Changing the traditional approach: country holistic view instead of the focus on individual projects/results;
- Putting in place solid and functional country systems (planning, budgetary and financial, monitoring and evaluation);
- Shared responsibility and strong cooperation and coordination between the national stakeholders and international development partners;
- Striving more vigorously to accomplish the principles of the Paris Declaration on Aid Effectiveness;
- Strengthen human capacity in the aid coordination units;

Annex I-Institutional Framework for PBA

