

CHALLENGES, PROGRESS AND PLANS FOR EFFECTIVE DONOR COORDINATION

IN TURKEY

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Need for Stronger Donor Coordination

- Amid the recent development in global financial market, need for better and more efficient use of restricted sources has become more essential ever before.
- Apart from raising additional funds for financing huge social and physical infrastructure investment needs of Turkey on the way of full EU accession, to improve effectiveness of existent available resources is getting extremely important.
- Having considered the magnitude of investment needs for compliance with EU requirements, and of multilateral and bilateral assistance in addition to EU Funds, which Turkey has received, establishing a Donor Coordination Mechanism for improved effectiveness of available funds has been one of the immediate actions to be taken.

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Increased Pressures on Social and Physical Infrastructure and Superstructure

- Huge infrastructure investments to sustain high growth rates
- Economical and technological changes
- Population growth
- Rapid urbanization
- Uncontrolled depletion of natural resources

In short, facing urgent need of adopting certain measures to alleviate these problems in line with EU harmonisation process which requires large amount of investments in the field of urban infrastructure and superstructure.

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On the way to EU Harmonisation Process

- As part of EU accession process, Turkey committed to meet the norms and standards of the Union
- To this end, Turkey's corresponding investment need in several sectors is quite enormous

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Current Situation

- Significant progress has been made, especially in urban infrastructure, transport and energy. But further improvement is necessary for all sectors such as energy efficiency, environment and transportation.

- Local funds are not sufficient to meet the investment needs. In this respect, exploring alternative financing sources and modalities are essential.

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Financing Sources

- Local sources
 - Transfers from central government budget
 - Loans from local banking market
 - Users fees
 - Limited PPP practice
- Foreign borrowings
 - Multilateral development institutions
 - Bilateral development agencies
 - Commercial banks loans
- EU Funds

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Impact of Global Crisis-I

- Restricted commercial bank lending capacity has put an increased demand on multilateral and development banks
- Commercial bank lending has been dried up for project financing in emerging markets and the role of multilaterals has changed dramatically in the recent months.
- Development finance institutions are aware of the pressures to step up and to fill the financing gap for investment projects.

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Impact of Global Crisis-II

- Increasing support of multilateral and bilateral agencies definitely relieve pressure on project financing but never able to fully replace commercial sources altogether.
- The level of cooperation between multilateral and bilateral agencies should be increased.
- Adopting a complementary perspective rather than practicing a competitive approach at the deal making process.

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Impact of Global Crisis-III

- It is time to create synergy from cooperation.
- Therefore, coordination among donor institutions and effective allocation of financial sources are very important to avoid overlaps and increase the effectiveness of donor funds.

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Problems that We are Facing Today

- Different donor strategies and policies, different conditions of assistance and different rules and procedures in terms of preparation, procurement, disbursement and monitoring/reporting.
- Competition between donors can distract focus from the strategic objectives.
- Duplication of effort in research, analytical work and funding.
- Restricted overall absorption capacity.
- Inadequate technical and administrative capability of project executing agencies.

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DONOR COORDINATION

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Sine Qua Non for Donor Coordination

The purpose : is to establish a Donor Coordination Mechanism to increase technical and financial effectiveness of available funds.

The mechanism should meet the Paris Declaration principles:

- Cooperative
- Complementary
- Integrated
- Synergetic
- Harmonized

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Designing a Strategy Towards Ultimate Overall Objective

Over all Objective: To improve the social and physical infrastructure and superstructure by finalising the investment necessary for compliance with EU standards.

Strategy: Available funding instruments should be employed transparently and efficiently, with strong coordination amongst all stakeholders, including multilateral and bilateral donors and government bodies as well.

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Goals

Goals:

- Efficient resource management
 - Increase amount of sources to the highest possible
 - Diversify funding portfolio
 - Utilize different financing modalities
- Optimal composition of financing sources (domestic funds, IPA and other foreign sources)
- Improve local absorption capabilities
- Effective utilization of funds

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Facilitating Effective and Efficient Donor Support-I

- Make the feasibility studies in an internationally acceptable quality with the technical support of donors including EU, in order to make the project preparation process healthier and the studies more reliable.
- Based on these feasibility studies, prepare a priority list of projects in line with the priorities at national documents (IX. Development Programme, National Programme and Annual Investment Programme) with all related governmental institutions such as MoEF, SPO.
- Make all donors have an access to the pool of priority projects.

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Facilitating Effective and Efficient Donor Support-II

- Organise regular periodical donor coordination meetings with the participation of relevant government institutions.
- Match the qualifications of the project with the priorities of donor institutions.
- Consider integrating structures for IPA and other external financing sources more closely.

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What we have done so far?

- Having considered the magnitude of environmental investment needs for compliance with EU requirements, we select the field of environment as the first priority topic for donor coordination.
- As a first step, a meeting was held with EU delegation in order to exchange views about designing the donor coordination activities in environment sector.
- A preparation meeting was held with related government institutions including Ministry of Environment and Forestry, SPO and Illerbank.
- Last but not least, a donor coordination meeting was held which gave us the opportunity to bring all the multilateral and bilateral institutions as well as our government officials together to see overall prospect for better collaboration.

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Coming Next

- On May or June 2009, a conference will be organized including all stakeholders (governmental institutions, IFIs, EU and implementing agencies).
- Organizing these meetings and conferences on a regular basis.
- Based on the experience we are going to have in environment sector, start to structure similar coordination mechanism in the other priority sectors

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An example of a Success Story for Donor Coordination; SELP

- Small Enterprise Loan Program, SELP is a joint initiative which brings the commercial private banks, IFIs and EU IPA funds together for development of small enterprises.
- EU, Council of Europe Development Bank, KfW are the main partners of the Program in addition to counterpart funding

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An example of a Success Story for Donor Coordination; SELP

- The overall objective is to make a contribution to the economic development and employment creation by expanding and strengthening the financial sector and to contribute to the reduction of the regional disparities in Turkey.
- SELP first initiated in Kocaeli, İzmir and Gaziantep and with the 2nd phase of the Program extended its mandate through 49 provinces is a successful example of donors coordination.

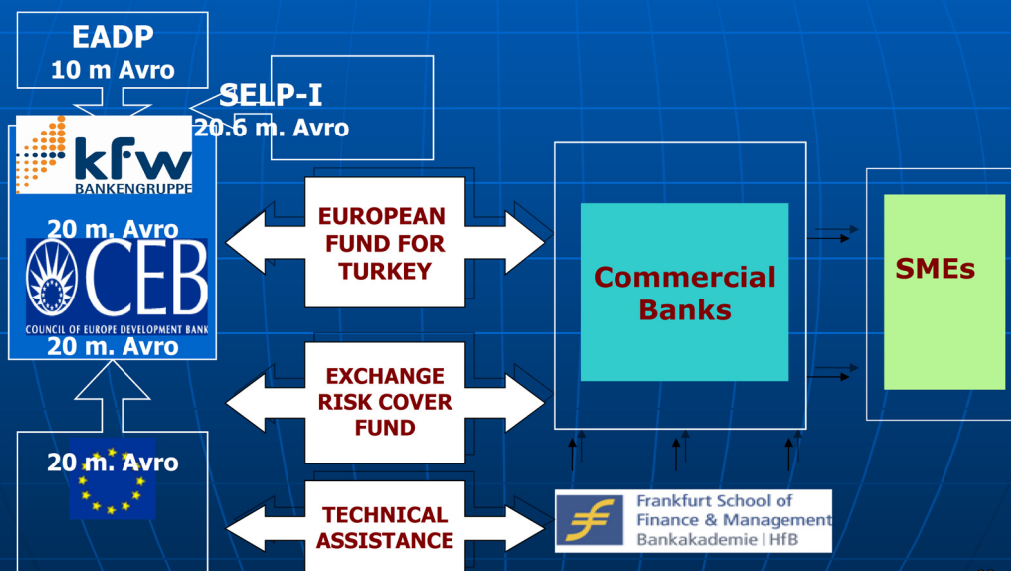
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An example of a Success Story for Donor Coordination; SELP

- The purpose of SELP is to make available to the target group permanent access to loans (particularly long-term loans) to be provided by private commercial banks at close to market conditions in the project locations.
- SELP will not only strengthen the real sector but will also improve funding capabilities of the banking sector to the smallest segment of Turkish enterprises.
- Based on the success of the first SELP program, second one structured and put under operation in early this year.

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SELP II -Design



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