



ROYAL MINISTRY
OF FOREIGN AFFAIRS

**Conference on Donor Co-ordination in the Western Balkans and Turkey
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**Aligning donor assistance to country priorities.
Presentation of Norwegian experiences of bilateral programming in the
Western Balkans**

Norway's involvement in the Western Balkans

Since 1991 Norway's total project assistance to the Western Balkans has reached more than NOK 10 bn. (approximately € 1,2 bn.). In 2009, the assistance will amount to NOK 575 million (approximately € 67 million). In the 90ies, the objectives of Norwegian assistance were to support peace and reconciliation initiatives, provide humanitarian assistance to refugees and other marginalised groups, as well as contributing the establishment of Rule of Law and Democracy in the countries of the region.

As the situation on the ground gradually changed, Norway has refocused its assistance. It now primarily targets key reform and development processes, building sustainable democracies based on Rule of Law and protection of Human Rights. From primarily focusing on short-term assistance, Norway has become more involved in long-term capacity building as well as private sector development and education.

The strong institutional links to the EU and the considerable increase in transfer of funds from the EU to the countries in the region has also had an impact on Norwegian priorities. Euro-Atlantic integration is a key to promote stability and democratisation in the countries of the region and in the region as a whole. Norway therefore gives high priority to assist the countries in the implementation of the EU Stabilisation and Association process.

The new focus and orientation also creates new challenges for Norwegian assistance:

- How to coordinate Norwegian assistance as efficient as possible with the much larger EU assistance in the pipeline through IPA and other financial mechanism?
- How to ensure that our institutional building measures are in line with the countries' own priorities and are implemented on the right strategic level?

Implementing the Paris Declaration of Aid Effectiveness

The Paris Declaration sets an ambitious agenda. Two important principles in the Declaration are *Ownership* and *Alignment*. Ownership: Recipient countries must lead their own development policies and strategies. Alignment: Donors must line up their aid firmly behind the priorities outlined in these national development strategies.

One of the challenges in achieving *ownership* and *alignment* is that all donors have own priority areas, being part of overall Governmental strategies in our own countries. As donors

our responsibility is not only towards the recipient countries and their needs, but also towards policy makers and tax payers at home. Norway has i.a. overall policies on gender equality, environment and clean energy that we try to incorporate in all of our activities and initiatives. In the Western Balkans special attention has been given to capacity and institution building in the security and justice sectors, in education and private sector development.

The bilateral programming model

Since 2004, Norway has together with some of our partner countries in the Balkans, developed a model that aim to achieve a project cooperation based on both recipient and donor country's priorities. The pilot country was Serbia, soon to be followed by Croatia, FYR Macedonia and Montenegro. There are individual variations in the programming model from country to country, so the presentation will describe it in general terms, focusing on what has proven to be most efficient.

The Paris Declaration states that wherever possible, local institutions and procedures should be used for managing aid in order to build sustainable structures. Also for Norway, the crucial component in the bilateral programming exercise is the cooperation with the national coordinating body for foreign assistance. It varies from country to country where this body is located, for example it is in the Ministry of Finance in Serbia, whereas in the Deputy PM's office in FYR Macedonia.

The basis for the bilateral programming is an agreement on the terms of the cooperation: scope, priorities, criteria, formats and expected results. This has become a yearly exercise where the main purpose is to ensure that the projects that will be proposed from the recipient's side will fall within the priorities for Norwegian assistance to the region. The agreed programming document is the basis for a call for project outlines from all relevant line ministries (relevant in the meaning of handling areas that are within the agreed priorities). The appraisal, quality control and first prioritisation of proposed projects is then done by the national coordinating body.

The draft programme is then agreed upon in a joint meeting where the Norwegian priorities of the proposed projects are matched with the national priorities. It is important to note that this does not imply a final decision. The donor and the recipient country retain their different roles and responsibilities in the evaluation and monitoring of each project in question. A priority proposal will not be approved by Norway if the final project documentation does not fulfil the agreed standards.

Challenges and lessons learned

Genuine alignment:

In a process where a local body is asked to give priority between proposals from different parts of the administration, there is a real risk that more importance is given to formal or informal power structures in the Government, than to the agreed national priorities. It is therefore important that the coordinating body/secretariat has the necessary leverage in the Government to withstand internal pressures, preferably placed above the line ministries in the Governmental hierarchy (like it is in Skopje). Secondly, to ensure that the assistance supports the most urgent needs of the Government, it is also beneficial if the Secretariat is closely linked with the management of national development plans.

Absorption capacity:

A well known term, in reality, this is mainly about being able to design and manage projects in line with the demands of the donor. In our bilateral programming we have put a lot of emphasis on result based management, improving the quality of the project design and the reporting of achieved results. This has been a long process. At the start, a Norwegian expert was seconded to the Secretariat in Belgrade, assisting in building capacity in project planning and management among the Serbian civil service. Throughout the process, and thanks to the dedication of the staff in the Secretariat, this has contributed to a higher level of proficiency in the development and implementation of projects not only in the Secretariat, but also in the recipient ministries. So in our experience the donor has to invest time and resources to improve local capacities, but it will pay off. Now, we ask our Serbian colleagues to assist in the capacity building on result based program management in other countries in the region.

Local ownership:

Another challenge in the bilateral programming model is that the close cooperation with the Secretariat indirectly can weaken the links to the line ministries. One may experience that the Secretariat ends up deciding which projects should be proposed, which agencies should be included, and how the project design should be. This practice would weaken the ownership of the reform processes in the line ministries, and would therefore probably not give the expected results. It is then important to enforce a very transparent application process and invite the relevant line ministries to information meetings and work shops to ensure their ability to participate in the process.

Duplication vs. complementarity:

As stated earlier, coordination with the much larger EU/IPA-funding has been a challenge for Norway. Not only because of the risk of contributing to over-lap and duplication, but also because it has been an ambition that Norwegian assistance should constructively contribute to the EU-accession process, meaning that our assistance should be complementary to the one of the EU. In this respect we do have positive experiences from the bilateral programming where the coordinating body is not only responsible for coordination of bilateral assistance, but also for the implementation of IPA-funds. According to our partners, Norwegian and other bilateral assistance is becoming an important way to support reform programs that are either too small for IPA or do not fall within its scope. Because of the delayed implementation of IPA, bilateral assistance can also contribute to starting off a process that IPA assistance later will continue and enlarge. Small, but strategic interventions can be extremely valuable in the starting of a new reform process.

Conclusion

The bilateral programming mechanism which has been developed with some of the countries in the Western Balkans, has become very useful in aligning Norwegian priorities with those of the beneficiaries; it has increased local ownership and capacities in planning and managing projects; and it helps coordinating Norwegian assistance with that of other donors and IPA funding. Our mechanism is not unique. Similar approaches are being used by other donors as well. It also does not solve all challenges. The challenge of absorption capacity remains more or less in all countries. A way forward could be that we all contribute in achieving another goal of the Paris Declaration, to harmonise our development work to ease the strain on recipient governments.

However, we have experienced that Norwegian assistance has been highly valued and appreciated by our partners due to its flexibility. Norway is not known for developing rigid long-term strategies for our assistance, but rather to be open to changing realities. That is an approach which may be particularly useful in a period of economic down-turn and great uncertainties.