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Conclusions of the Conference on donor coordination Tirana, April 2/3 2009

The international donor community and the candidate and potential candidate countries met in Tirana on 2 and 3 April. The conference was opened by Mr Sali Berisha, Prime Minister of Albania, and Mr Michael Leigh, Director General for Enlargement at the European Commission. They both underlined the high importance attached to enhancing aid effectiveness, especially at a time of financial crisis.

The conference reviewed the progress made in enhancing donor coordination since the last meeting in Brussels in October 2008. Further recommendations were made in line with the spirit and the relevant principles of the Paris and Accra declarations on aid effectiveness, and the EU Code of Conduct. The donor community and partner countries expressed their gratitude to Albania for hosting the conference, and congratulated them for the considerable progress they have made integrating the donor coordination mechanism into State structures. The conference also reaffirmed that bilateral and multilateral assistance should be in support of the ultimate objective of the countries in the Western Balkans and Turkey to integrate the European Union while taking into account regional and national socio-economic development needs.

The expected financial commitments to the region by the EU, bilateral donors and major financial institutions were reviewed. The share of grant assistance is expected to diminish compared to loans. A sustained effort by the donor community was called for. The report also showed that a very substantial part of aid to the Western Balkan countries and Turkey is provided by the European Commission and a limited number of bi-lateral donors. Numerous small donors provide each only one to two percent of bilateral assistance to a country. This situation gives an opportunity to enhance substantially the division of labour between donors.

During the conference, partner countries reported important progress in establishing appropriate coordination structures. Best practices were reviewed, and the lessons learned will help partner countries tackle the different challenges they face in setting up their own systems. Furthermore, methods for better aligning financial assistance to country priorities and pooling financial resources were discussed. Participants agreed to continue to pursue coordination efforts both at headquarters and at country level.

There was also more detailed consideration of coordination issues in three sectors: education, environment and transport. The main findings of the related working groups are attached.

At the conclusion of the conference, partner countries were particularly encouraged to:

- Increase the capacity of coordination structures to ensure the coherent use of external assistance and internal budgetary resources;

Ensure efficiency in reforming public administrations and financial management systems, including public procurement, to further the fight against corruption;

Make further progress in establishing the structures necessary for ensuring efficient functioning of decentralised management of Instrument for Pre-accession Assistance (IPA);

Make further progress in a limited number of sectors, towards a programme based approach, including through:

- Setting medium to long term priorities, consistent with EU integration objectives and socio economic development needs,
- Assigning national budget allocations and external assistance to priorities;
- Ensuring that line ministries have the administrative capacity to lead and efficiently implement policies and programmes;
- Agreeing benchmarks with donors to assess progress.

At the conclusion of the conference, donors were particularly encouraged to:

- Give full support to country ownership of donor coordination, and to work towards a programme based approach;
- Organise joint training on aid effectiveness and methods of cooperation;
- Include aid effectiveness in their own management objectives and reporting systems, and incorporate specific instructions or guidance in programming guides;
- Ensure adaptability and predictability of aid;
- Reduce transaction costs of aid delivery through each donor concentrating on a limited numbers of sectors, pooling resources, and coordinating missions and studies.

Participants welcomed the joint invitation of Sweden, as the next Presidency of the European Union, and of the European Commission, to the next donor event to take place in Brussels on 19-20 October 2009, where progress will be reviewed and further action will be agreed.

Annex 1- Working Group on Education: Main Findings

The Working Group on Education discussed aid effectiveness and co-ordination issues in the sector. The session was led by Mr Henrik Faudel from the European Training Foundation (ETF). Mr Halit Shamata, Deputy Minister of Education and Science of Albania, presented the Ministry's achievements in terms of co-ordination of donors in Albania, whereas Ms Lida Kita, ETF, introduced the efforts made in Kosovo. Ms Sandra Bloemenkamp from the World Bank gave comments on the Bank's experience in Montenegro, Croatia, Macedonia and Serbia. Ms Ulla Andrén from Sida presented some views on the need for a programme based approach in education with reference to Kosovo. Finally, Mr Mladen Dragasevic from the Regional Coordinating Council (RCC) discussed the need for fostering dialogue and having a learning platform on educational issues in the region.

Mr Henrik Faudel presented some of the key achievements and challenges of the education and training systems in the Western Balkan countries and Turkey¹, followed by an introduction to the state of national strategies for education and training, the current situation regarding donor coordination in each country and the potential for enhanced regional coordination. Given the complexity of the socio-economic transformations currently underway and the many stakeholders and development partners active in education and training, the need for strategic planning and donor coordination is clear. Significant efforts are now underway among donors to harmonize their interventions. The moves from project support to sector-wide or programme based approaches have enhanced the collaboration of the development partners with key stakeholders. There are implications for both countries and development partners. There is a need to develop capacity within line ministries, especially for strengthening strategic planning, budgeting, human resource management and, importantly, monitoring and evaluation of results.

There is an urgent need to put in place structures which bring national authorities, development partners and other stakeholders together on a more regular and systematic basis. In some countries of the region development partners are supporting a single government-led sector policy and expenditure programme, by adopting common approaches across a sector, and progressing towards using government procedures to disburse and account for all funds. The context, content and scope of the sector-wide/programme based approach varies greatly from one country to the other. Sometimes, it is an "all-education" sector strategy and sometimes it is a VET strategy; indeed the relationship between VET and general education varies from place to place and this adds complexity to donor coordination. An integrated approach to human resources development in a lifelong learning perspective implies cooperation across ministries of education, ministries of labour and ministries of economy. There are direct implications for the coordination of donor support.

The Instrument for Pre-Accession Assistance (IPA) promotes the development of country strategies for education and training, which constitute a defined framework for donor coordination at the national level. It also offers a regional platform for peer learning and regional donor coordination. A broad focus on Human Capital Development implies an inter-sectoral approach, through attention to education and

¹ ETF "Discussion Paper" presented at the Conference on the Donor Coordination in the Western Balkans and Turkey Tirana, 2-3 April 2009

training, employment and social inclusion. Crucially, IPA can help to develop national and regional capacities to manage European and donor funds more effectively in the future.

The discussion focused on four questions with regard to donor co-ordination in education and training systems in the Western Balkans and Turkey.

1. What can donor coordination in education and training achieve?

The Albanian experience, as described by Mr Shamata, shows that although there are different types of projects, including the Education Excellence and Equity Project with a sector wide approach, it is possible for the Ministry to co-ordinate donors. The Education Excellence and Equity Programme (EEEP) in Albania is co-financed by major donors – World Bank, Council of Europe, and the European Investment Bank. The EC and other international and bilateral donors have increased their efforts to align their support with the National Strategy for Development and Integration - NSDI 2007-2013 and to enhance the partner countries' institutional capacity in taking the leadership of the donor coordination. This support has enabled the Ministry of Education and Science to foster a vision on foreign assistance co-ordination including planning, identification, pre-evaluation, action plan financing, implementation and evaluation. Concerns were raised on the administrative capacities of the different tiers of the governance of the education system in Albania.

2. What could be the value of a regional approach to donor co-ordination?

Mr Dragasevic from Regional Coordination Council (RCC) reiterated the fact that all the Western Balkan countries and Turkey have undertaken substantial initiatives to adapt their education and training systems and their links to employment, social cohesion and competitiveness. Most of the countries have further developed and established relevant agencies to enhance and oversee education-related activities, they have advanced in their efforts to create a decentralized and flexible education system, focusing also on restructure of financing for education, and introducing quality assurance mechanisms. All the countries recognise the importance to increase long-term competitiveness, investment in human capital and further capacity enhancement of the management of the system. Regional approaches might be an effective response in this region as they can provide opportunities to pool and expand strategic knowledge on sector policy formulation and implementation. Such approaches enable capacity development through learning from peers who have addressed the same challenges and contribute to successful lobbying in accessing financial resources. Regional approaches encourage the attention of the policy makers to education and training and increase the awareness that IPA funds can be used to bring together national/regional/EU and other international experience. Donors can use the matrix of Western Balkan priorities compiled by RCC as well as the database of the local experts of the region.

A regional approach need to be developed focusing on regional thematic peer and mutual learning activities. This regional approach will aim in providing evidence-based policy-making for policy makers at all central and local levels on how to improve the efficiency of use of external assistance in all the levels of the education and training sector. The peers from the region and EU Member States can learn from each other by exchanging information and good practices on the management and organizational implications that programme based approaches have on the Ministries involved in human capital development. These discussions need to include local government and municipalities, school principles and teacher, community representatives, civil society organisations, and other actors in the sector who are willing to launch systemic and sustainable solutions at national level.

The regional approach is also relevant to the Open Method of Coordination applied by the Member States, therefore helping the IPA country stakeholders to get acquainted with the tools and techniques of the Open Method of Coordination.

3. What are the efforts needed by the countries and development partners to improve donor co-ordination?

Both donors and partner countries should implement the Paris Declaration and its five principles on ownership, alignment, harmonisation, managing for development results and mutual accountability, as well as the Accra Agenda for Action. A programme-based approach is useful for the purpose of strengthening co-ordination, coherence and efficiency in educational development.

Ms Sandra Bloemenkamp from the World Bank considered very important the IFIAG (International Financial Institutions Advisory Group) education working group on human capital development. This working group is a good forum particularly about the challenges of fragmentation and the need for a comprehensive framework for reform and for donor's interventions and also for setting up a kind of open method of coordination on education and training among the Western Balkan countries, in particular through the identification of adequate benchmarks, different from the EU ones.

All speakers and discussants in the working group confirmed that unless the countries show strong political will, leadership and stable civil services, donor coordination in the sector will lag behind.

4. How can donor co-ordination link sector reform to broader reform processes in the countries as well support capacity development?

Education reform requires both national leadership and good administrative capacity. It depends on legislation and the level of decentralisation. It is linked both to public administration reform and to good public financial management practice. Donors should support that appropriate regulations, in line with EU standards when relevant, are adopted and that stable administrative capacities are developed in accordance with a coherent national programme.

In order to have a shared vision with the Governments, the development partners need to ensure that there is a strong, long term commitment, consistent leadership, broad ownership and inclusiveness of the capacity development in the education and training sector. Together with the sector responsible institutions, they need to establish a baseline for capacity development, analyze the institutional context: change processes and constrains and ensure that the education and training sector capacity development is embedded into the framework of the broader reforms. Maybe there is a need for governments jointly with financial and technical partners to review and agree on an overall format of capacity development strategy: mainstreamed in the education sector plan, mainstreamed in an overall capacity development strategy. As it is at the moment, capacity development in the sector tend to be fragmented and due to high turn over of staff in the public sector, it is not giving the desired results. Establishing of monitoring and evaluation modalities for capacity development efforts with agreed indicators that can be reviewed periodically in the M&E process, will be a useful tool for learning from the experience and share lessons both at national and international levels.

Whatever the modalities and options chosen, a successful capacity development will stem from an endogenous, country led-process to ensure ownership and leadership.

Annex 2- Working Group on Environment: Main Findings

- EU acquis sets the overall agenda with European Principles for Environment as unifying theme and with key local needs and situation being a factor in sequencing of actions.
- Environmental integration requires cross-cutting coordination & mainstreaming implementation of environment policy in donor activities.
- Coordination can support awareness raising to raise political profile of environment
- Coordination should also help to address absorption capacity limitations – fewer larger projects, well coordinated = streamlined assistance
- Clear institutional framework and strategic vision are needed to set out priorities
- Coordination mechanism must involve both central administration and also line ministries. Good intra-governmental/inter-ministerial coordination is essential.
- Civil society, private sector, environment professionals and especially local government must be also involved.
- The level of participation in coordination meetings needs to correspond to decisions to be taken.
- It is necessary to link environmental coordination mechanism to other sectoral mechanisms.
- Integration of donor assistance into national budgetary mechanism can be an useful tool.
- Good strategic information flow on needs, strategies and donor activity is essential.
- Mechanisms needed to align donor programming cycles and where possible procurement rules.
- Donor coordination must take into account donor specificities in advance of programming.
- Need to set up a mechanism to coordinate at regional level – role of RENA? Role of RCC? Need for overview of existing regional initiatives.
- Good project preparation work – setting agreed priorities and basing design on good information/assessment is key to successful projects.
- Broad consultation needed before decisions are taken in relation to individual projects.
- At project level, harmonisation of procedures and clear division of tasks is needed.

Annex 3- Working Group on Transport: Main Findings

- Note that process driven by existing EU policies (EU Transport acquis, EU transport network etc, transport community treaty, conditions within the Stabilisation and Association Process, membership aspirations).
- Furthermore a list of existing priority projects has been developed by SEETO. 46 projects amounting to around 4.8 billion euros have been identified.
- Avoid creating new initiatives but to concentrate on streamlining existing ones.
- In particular in the transport sector, need to work with private sector – public private partnerships. This may require specific training within national authorities.
- Also note key bilateral donors working in the region (e.g Italy, Greece). Will try to identify sector leads for the region.
- Need to focus on less popular sectors – in particular rail, inland waterways, ports.
- Need to find ways of prioritising and harmonising at regional level to avoid gaps in transport corridors.
- Need to streamline procedures, including for appraisal methodology.
- Ownership and political will at national level important.
- Administrative capacity needs to be strengthened to deal with complexity of large infrastructure projects.
- Donor coordination is important at all stages of projects, including initial identification, project preparation, etc.. (e.g. through Western Balkans Investment