



Project Document

Project: Strengthening National Capacities for Improved Aid Effectiveness

Expected Output(s) The Secretariat for European Affairs (SEA) ensures better coordination in implementing the Program Based Approach (PBA); PBA is implemented in at least two policy areas, selected with national counterparts, providing a model for effective coordination of development assistance and improving the overall policy and institutional environment; The capacities of national partners are strengthened and they are able to better design and implement development assistance policies. The SEA has all the necessary aid effectiveness monitoring and evaluation tools in place.

Project partner: Secretariat for European Affairs

Other Partners: Ministry of Finance and other line ministries

Brief Description

The project aims to strengthen and promote the aid effectiveness in the country. It will support the national institutions to apply the concepts of sector wide / program-based approach in the coordination and management of development assistance. Practical implementation of the Programme Based Approach (PBA) will be supported in at least two priority areas/sectors. The Project will also promote the Paris Declaration (PD), in particular principles related to mutual accountability and effectiveness in achieving the development results. In parallel, the project will aim to strengthen the coordination mechanisms between the Secretariat for European Affairs (SEA) and aid coordination units within line ministries, and streamline the communication among relevant departments/units within line ministries and thus foster synergies between the EU pre-accession funds and other aid flows.

Project Title: "Strengthening National Capacities for Improved Aid Effectiveness"

Project Duration: 15 months

Management Arrangement: NIM

Budget: EUR 290,660

Allocated Resources:

The Government of Norway EUR 290,660

Government in-kind (office space; human resources, office supplies)

Agreed by the Secretariat for European Affairs (SEA): Mrs. Teuta Arifi, Deputy Prime Minister for European Integration and NIPAK

Agreed by United Nations Development Programme (UNDP): Ms. Deirdre Boyd, Resident Representative

BACKGROUND

Macedonia has undergone considerable economic and political reforms. The country's continuous efforts to develop open market economy and vibrant democracy have received support by numerous multilateral and bilateral partners. The status of EU candidate obtained in 2005 was an important milestone, which further boosted the country's determination to pursue systemic reforms and improve social and economic wellbeing of the citizens to reach the EU standards. This agenda has been widely welcomed by the international community and financially supported through bilateral and multilateral development assistance.

Annual level of foreign development assistance to the country reaches approximately 200 million USD. But, the global development landscape is changing. The prolonged global financial crisis is reducing opportunities for attracting foreign financing. The impact of the global financial crises on one side and the country's advancement on its development trajectory on the other hand, has led to accelerated phase out of bilateral donors, considerable reduction of the bilateral assistance and gradual increase of the official EU assistance. The EU Instrument for Pre-Accession and loans from International Financial Institutions are the major channels of foreign assistance. Also, the emerging donors and the new global financial instruments are growing in importance.

Such development landscape reinforces the need for the official development assistance to be used in a highly coordinated manner and aligned with the priority areas/sectors, being considered critical for the achievement of the country's strategic development objectives. It is expected that the coordinated planning and implementation of foreign assistance around selected number of sectoral or thematic programme areas to contribute to overcome the existing conventional approach of managing large number of fragmented projects and thus reduce the transactional costs in the implementation of external assistance.

In order to maximize the impact and prepare national institutions to harness the potentials from the changing structure of the external development assistance, accordingly, over the past 3 years the Government has demonstrated a strong commitment and took initiative to develop a system for improved aid management. This partnership is now more important than ever, with the unfolding global financial crisis and the increasing difficulties for attracting foreign financing.

UNDP Macedonia and the Government of Norway have been long standing partners to the Government in the implementation of aid coordination and aid effectiveness agenda. "Capacity Building for Aid Co-ordination project (CBAC)" in its different phases provided an important advisory and technical support to national institutions and the Aid Coordination Unit within the Secretariat for European Affairs in particular, in their efforts to strengthen the national system for coordination of foreign assistance. The Project, endowed direct assistance to the national institutions responsible for coordination of foreign assistance (Secretariat for European Affairs) and aid coordination units within the line ministries, to enhance their human and institutional capacities in strategic planning, management and monitoring of foreign assistance and improve quality and accessibility of foreign assistance information.

The project has also led to enhanced communication and exchange of information between the Government and the donors, resulting in better alignment of the Government development agenda and donors' priorities.

In 2009, the project helped the Secretariat for European Affairs introduce the Programme Based Approach (PBA), also supported by the EU and the World Bank. This approach was introduced in five programme areas: Business Environment, Human Capital, Agriculture, Environment, and Good Governance.

With the introduction of the PBA concept, a huge step forward was made to strengthen the ownership, improve aid effectiveness, increased practice of comprehensive and midterm strategic planning of the development assistance.

Highlights of the Key Results

The “Capacity Building for Aid Coordination” (CBAC) project has provided significant support to the SEA in the introduction of the PBA, both in the design and implementation phase, by bringing in the technical expertise and comparative experiences. The main achievements include.

1) Introduced Programme Based Approach to Improve the Effectiveness of Development Assistance

In the beginning of 2009, the Secretariat for European Affairs (SEA) took the initiative to introduce the Programme Based Approach (PBA), as a mechanism for aid management. Introduction of the PBA was a joint commitment of the Government and the international community led by the UN, the World Bank and the European Union. The process was led by the Secretariat for European Affairs (SEA), the Government’s national coordinative body for foreign assistance and implemented with involvement of the line ministries and international community in the country. UNDP’s “Capacity Building for Aid Coordination” project, funded by the Government of Norway, has been actively supporting the SEA throughout the whole process.

The main goal of the PBA was to further improve the effectiveness, by focusing the development assistance in a few priority sectors (mutually agreed with the international partners) and ensuring systematic strengthening of national implementation capacity.

This was expected to result in:

- a more integrated response to sectoral priorities, defined by the Government;
- better preparedness for the EU IPA programming and
- meeting the global principles of the Paris Declaration.

The project provided technical expertise and comparative experiences contributing to achievement of the following results:

- Established institutional framework to support the PBA implementation;
- Strengthened dialogue and cooperation between the donor community and the national institutions;
- Initiated PBA in seven priority programme areas: Business Environment, Competitiveness and Innovation; Human Capital Development; Agriculture; Environment; Local Governance and Decentralization; Public Administration; Rule of Law;
- Prepared action plan, guidelines and materials to ensure the successful launch of the process;

The Macedonian experience with the PBA has been presented as success story on many regional conferences. It has been recognized as a best practice in the region by the EU. It proved to be a useful and valuable concept of aid coordination that will continue to be applied in the future programming of EU funds for the period 2011-2013 as well as the post 2013 IPA programming policies. To keep up the momentum and fully capitalize on the results achieved, the SEA shall continue with the project activities in this area.

2) PBA Training Delivered to over 90 Representatives from National and Donor Institutions

Two major training courses were organized for more than 90 representatives from national and donor institutions. The main objective was to increase their understanding of the PBA concept and their ability to develop and implement this approach in their respective fields of work.

The training was attended by representatives from line ministries involved in the PBA working groups, members of the National Aid Coordination System, IPA senior programming officers, employees in the SEA, PBA working groups’ representatives and the UNDP Capacity Building for Aid Coordination project team. Such mix group of participants from both national and international institutions provided an excellent basis for exchange of experiences and lessons learnt.

3) Central Donor Assistance Database Upgraded to Provide Better Overview of Development Assistance

The Central Donor Assistance Database (CDAD) is currently hosted by the Secretariat for European Affairs. It has been upgraded to ensure transparent overview of donor assistance and priority sectors needing/receiving external financial support. The database provides detailed data and analysis of ongoing projects and allows monitoring of the pace of implementation.

Currently, there are over 1600 projects registered in the CDAD and categorized in 32 OECD sectors and sub-sectors. The upgraded version of the CDAD enables search of donor assistance based on the latest OECD definition of sectors, EU Chapters for accession (NPAA) and specific EU programmes. It also provides detailed financial information about the projects e.g. original currency, national co-financing and annualized budgets. The database also contains a possibility for monitoring of financial disbursement. Once introduced in the CDAD, it was connected with the Ministry of Finance's Financial Assistance Management Application (FAMA). The CDAD now also offers possibilities for generation of detailed analytical and statistical reports in user-friendly formats.

Financial monitoring system has also been introduced within the application by connecting the CDAD with the Financial Assistance Management Application (FAMA) of the Ministry of Finance that provides data on financial disbursements per project. The CDAD now also offers possibilities for generating detailed analytical and statistical reports in user-friendly format and by combination of multiple criteria such as donor, sector, policy, location.

4) Development Assistance Web Portal Created

The development of a specialized web portal, providing a detailed overview of the current trends of donor assistance in the country, in the region and globally, is another significant step forward for the improvement of aid transparency. The revamped web portal provides comprehensive and updated information on the development cooperation that can be easily accessed by all interested parties.

5) Monitoring Analyses and Policy Support Assistants Integrated in Aid Coordination Institutions

Monitoring Analyses and Policy Support Assistants (MAPS) proved to be valuable and important assets in line ministries for managing, reporting, analyzing and monitoring development assistance. Currently, they are based in the Secretariat for European Affairs, the Ministry of Transport and Communications, the Ministry of Labour and Social Policy and the Ministry of Education.

It is worth mentioning that the MAPS assistant in the Ministry of Justice has assumed a regular working post. By the end of 2009 (phase IV), the MAPS assistant from the Ministry of Agriculture, Forestry and Water Economy was also integrated in the aid coordination structures of the line ministries, and there is an ongoing procedure for integrating the MAPS assistant in the Ministry of Labor and Social Policy. The permanent employment of MAPS assistants within the line ministries is a good example of sustainability of project activities – ensuring that the once developed and strengthened, the human capacities remain integrated in the aid coordination institutions.

Necessity for UNDP to Continue Supporting Aid Effectiveness:

To ensure effective implementation of the development cooperation through the Programme Based Approach, UNDP shall continue supporting national institutions, by providing knowledge, expertise and guidance.

The inception phase of the introduction of the PBA revealed that:

- the line ministries still lack knowledge for its effective implementation;
- coordination mechanisms for identification of the programming priorities needs further strengthening;

- capacities of SEA and line ministries for linking EU IPA funds and other aid flows need to be further strengthened;
- there is a lack of indicators and guidelines for successful monitoring of the implementation of PBA/SWAP plans;
- the SEA needs further support for monitoring the Paris Declaration (PD) indicators and principles as referential guidelines for measuring aid effectiveness accompanied by respective results frameworks;
- no analytical reports have yet been prepared to summarize the findings from the monitoring of aid effectiveness indicators;
- there is insufficient knowledge, guidelines and mechanisms for monitoring the aid effectiveness targets and the PBA process;
- there is no regularized timetable for convening Government-Donor coordination meetings at high/senior or at technical/working group level.

Successful implementation of the PBA shall require commitment from all relevant actors in the process i.e. SEA, line ministries and donor community.

Project beneficiaries

- The Secretariat for European Affairs
- The Ministry of Labour and Social Policy and the Ministry of Education
- The Ministry of Finance - as key partner for activities related to the use of the national systems

Project Strategy: Defined Procedures, Methodologies and Sustainability of the SEA

The initiative for the project comes from the Secretariat for European Affairs building on lessons learnt from the previous phases of the “Capacity Building for Aid Coordination” project and the PBA platform developed jointly by the government and the donor community present in the country. The proposed project is directly linked and complements the EU policy requirements for programming at programme/sector level, incorporated in the latest MIPD (Multi-annual Programme Document) and responds to the NPAA priorities.

The overall goal of the project is to improve aid effectiveness, reduce transaction costs and improve mutual accountability of the Government and its international partners related to the management of external development assistance.

The programme/sector wide approach will be the main instrument to align the development assistance with the key national strategies, and enhance the monitoring of the progress against the national targets.

The specific activities will aim to:

- further foster the institutional and human capacity of the SEA to coordinate programming, management and monitoring of the development assistance
- improve the technical features, accuracy and reliability of the Country Donor Assistance Database (CDAD)
- establish a mechanism for systematic results-oriented monitoring and assessment of progress made against the key dimensions of national and sector development strategies
- implement a pilot Programme Based Approach in two policy areas, selected with the national counterparts, to provide a model for effective coordination of development assistance and improve the overall policy and institutional environment
- analyze the current situation of the use of country systems (public financial management, procurement, and other) together with the Ministry of Finance and propose action plans. The activities in this area will be fully in line with the EU legislation

- significantly improve the communication with the donor community, by establishing practices for regular meetings, a redesigned and regularly updated web site and brochures offering information on foreign assistance.

All of the above mentioned project activities will build on the achievements, lessons learnt and progress made during the previous years. The project will also closely coordinate its activities and cooperate and with the ongoing EU IPA 2008 funded project “Technical Assistance for Strengthening the Capacity of the Institutions to manage and implement the Operational Programmes”. The close cooperation between EU and UNDP project will be maintained through regular exchange of information and coordination of responsibilities on issues pertaining:

- Aid effectiveness indicators
- Supporting the PBA working groups
- Methodologies for preparing Action Plans for the PBA working groups
- Preparation of Performance Assessment Framework (PAF)

The UNDP project activities have been designed around four key objectives:

1) Promote upgraded aid coordination and aid effectiveness tools

The CDAD has proved to be important and effective tool for policy design, decision making and negotiations with donor counterparts for planning, managing and monitoring development assistance in the country. It is being used by the line ministries, donor community and the academia. The database is being regularly upgraded, in line with most up-to-date software solutions on aid coordination.

During this phase, the project will focus on promoting the CDAD database and ensure that it is widely used. Additionally, the new features and analytical possibilities of the CDAD will be promoted, and the IT network and the servers in the SEA (software, hardware) will be upgraded to ensure the best possible use of the CDAD. Analytical reports, documents and materials for the new development web site will be also prepared. A brochure on the development cooperation in the country will also be produced. The know-how and responsibility for the further improvement and maintenance of the CDAD and established web portal will be transferred from the Project to the SEA - (the SEA shall be responsible to designate employees who will perform these activities in the future).

2) Introduce indicators for monitoring aid effectiveness

The PD sets out principles for improving the aid management efficiency. It implies harmonization and alignment of the external development assistance with the country’s policies and priorities. It also calls for increased national ownership, reduced transaction costs, avoiding overlapping and increased financial accountability of partners.

The project team will support SEA to streamline the use of jointly agreed result-oriented reporting and assessment framework, with indicators to monitor progress against key dimensions of national and sector development strategies. The activities will aim to:

- introduce aid effectiveness indicators and collect relevant data through the Donor Questionnaire
- adapt the CDAD to incorporate the aid effectiveness indicators

- update and use aid effectiveness indicators for regular monitoring of the implementation of development assistance
- establish a system for monitoring the implementation of the goals, priorities, activities, financing modalities, monitoring indicators and timetable of the 7 PBA WGs action plans
- align PBA detailed implementation plans with the aid effectiveness indicators and train approximately 40 public officials (PBA working groups, Ministry of Finance, SEA, aid coordination units within the ministries) to use aid effectiveness indicators.

3) Implementation of PBA/SWAP WGs Detailed Work and Process Implementation Plans

The project will aim to fully implement the PBA in at least two priority areas. Building on the previous experience, and UNDP's mandate and available technical expertise in the country, UNDP aims to support the sectoral working groups in the area of Human Resources Development and Environment.¹To ensure that the capacity development programme reflects the human and institutional capacity needs, the project will facilitate an assessment of the PBA institutional framework. Based on the findings, a streamlined institutional framework and processes will be proposed, discussed and agreed among all partners involved in the PBA process. The project will also support the SEA in taking on a lead role in enhancing the intra and inter-institutional cooperation within and among the line ministries, which is a precondition for PBA's success. Specific activities under this component will include:

- carrying out an assessment of the SEA and line ministries' capacities related to the PBA process;
- defining the mandate, role, tasks and responsibilities for each level of the PBA institutional framework;
- coaching the work of the PBA working groups and facilitating the exchange of experience among them;
- developing the 2012 PBA Action Plan that will define a clear understanding and agreement between Government (SEA) and donors on implementation/coordination arrangements, human and institutional capacity of the PBA framework;
- organize trainings for the members of the 7 PBA working groups on the budget process and monitoring framework;
- establish a methodology for the PBA working group implementation plans;
- enhance coordination between departments in the line ministries related to PBA (strategic planning, budget & aid coordination department)
- support PBA working groups to prepare implementation plans by defining goals, priorities, financing modalities and indicators for monitoring the targets;
- ensure that PBA implementation action plans are reviewed and approved by all instances of the PBA institutional infrastructure;
- support the implementation of the PBA in at least two programme areas
- support the SEA to organize Donor Conference Meetings (on half-year basis)

4) Alignment, harmonization and mutual accountability

The Public Financial Management (PFM) and procurement are areas of particular concern, from the perspective of institutional development and ensuring that fiduciary concerns are addressed when donor funds are channeled through the country system. The process of improving the public finance management can be key for further strengthening the public administration capacity.

¹ This is subject to consultations and mutual agreement between SEA, UNDP and the ongoing EU project on supporting national institutions in the implementation of IPA operational programmes.

Though at early stage, donors will not be able to use the country systems, the process of improving the public finance management can be catalytic for strengthening the public administration capacity.

All activities will be in line with of the requirements of national laws and procedures in the area of public finance management and procurement, which are being aligned with the European regulations. The specific activities shall include:

- performing an assessment on the use of national systems (defined strengths and weaknesses) by members of the international community and determining what requires additional support, how, and how soon. This will help facilitate the PBA implementation and help remove donor bottlenecks to use country systems.
- proposing the necessary legal changes (in line with the EU regulations) to create an enabling environment for donors and line ministries to use national systems. The SEA and the development partners will jointly assess and report on the progress achieved in the harmonization and alignment and achieved results;
- supporting the SEA to prepare annual strategic development assistance plans;
- supporting the SEA to collect from its development partners the annual strategic plans on their development assistance to the country.

The project activities are envisaged to be completed in period of 16 months. The requested budget for the project activities is EUR 290,660.

**“STRENGTHENING AID EFFECTIVENESS” PROJECT
WORK PLAN – SEP2011 – DEC 2012**

RESULT/ IMPACT	ENVISAGED ACTIONS	TIMEFRAME Q4 2011 – Q4 2012	RESPONSIBLE PARTY/member of the CBAC team	PLANNED BUDGET in Euros	
				Budget Description	Amount
MORE AID FLOWS INTEGRATED IN THE NATIONAL SYSTEM	PROMOTION OF UPGRADED AID COORDINATION & EFFECTIVENESS TOOLS (UPGRADED CDAD, CREATED DEVELOPMENT WEB SITE & ANALYTICAL REPORTS)				21,500
	Promote the upgraded CDAD & ensures its wide use by the line ministries and donors	Q4 2011	CBAC team members; SEA	Promotional activities/event; printing promo materials;	3,000
	Launch the new Development Assistance web site to line ministries & development partners in the country	Q4 2011	CBAC team members; SEA	Promotional activities/event; printing promo materials;	2,000
	Upgrade the IT network and hardware in SEA to ensure best possible use of the CDAD	Q4 2011 – Q1 2012	CBAC team members; SEA	Network and technical upgrade; licenses; server	8,000

	Prepare analytical reports, documents and materials for the new development web site	Q4 2011	CBAC team members	Team salaries	
	Prepare and disseminate a brochure on development cooperation (covering a two year period)	Q4 2011 – Q4 2012	CBAC team members	Design and publishing for 2 year period	8,500
	Transfer the know-how and institutional responsibility for the further development and maintenance of the CDAD and Development Web portal to SEA (select SEA employees who will perform these activities in the future)	Q4 2011 – Q2 2012	CBAC team members; SEA	Team salaries	
	DEVELOP, INTRODUCE & INTEGRATE MONITORING TOOLS FOR AID EFFECTIVENESS IN THE CDAD				80,748
SEA AND DEVELOPMENT PARTNERS USE JOINTLY AGREED RESULTS-ORIENTED REPORTING AND ASSESMENT FRAMEWORK THAT HAS INDICATORS TO MONITOR PROGRESS AGAINST KEY DIMENSIONS OF NATIONAL AND SECTOR DEVELOPMENT STRATEGIES	Introduce the aid effectiveness indicators and collect relevant data through the Donor Questionnaire	Q4 2011 – Q2 2012	CBAC team members; SEA; Consultants	Visits of team members; Conferences with line ministries and international community; Forums	6,500
	Adapt the CDAD to incorporate the aid effectiveness indicators	Dec 2011 – Q1 2012	CBAC team members	Selection of implementing company;	30,248
	Update and use the aid effectiveness indicators for regular monitoring of the development aid implementation and progress of the PBA process	Q2 – Q4 2012	CBAC team members; SEA; Ministry of Finance; UNDP NY aid effectiveness team; international	Consultancy; Training activities	14,000

			community; line ministries		
	Establish a system for monitoring the implementation of goals, priorities, activities, financing modalities, monitoring indicators and timetable of the 7 PBA WGs action plans	Q2 2012	CBAC team members; SEA	Team member salaries	
	Align PBA detailed implementation plans with the aid effectiveness indicators and train public officials	Q2 2012	CBAC team members; SEA	Team member salaries	
	Train approximately 40 people (PBA working groups, Ministry of Finance, SEA, aid coordination units within the ministries) to use aid effectiveness indicators	Q3 2012	CBAC team members & UNDP NY aid effectiveness team	Training activities	30,000
	IMPLEMENTATION OF PBA/SWAP WGs DETAILED WORK PLANS				31,500
SEA EXERCISES	Carry out an assessment of the SEA and line ministries' capacities related to the PBA process;	Q4 2011 - Q1 2012	CBAC team	Team members salaries	
	Define the mandate, roles, tasks and responsibilities for each level of the PBA institutional framework;	Q4 2011	CBAC team members; SEA	Team member salaries	
	Coach the work of the PBA working groups and facilitating the exchange of experience among them (in the area of human resource development and	Q4 2011	CBAC team members; SEA; line ministries; international	Team members salaries	

EFFECTIVE OWNERSHIP & LEADERSHIP IN COORDINATING DEVELOPMENT ASSISTANCE	environment);		community		
	Develop 2012 PBA Action Plan that will define a clear understanding and agreement between the Government (SEA) and donors on implementation/coordination arrangements, human and institutional capacity of PBA framework	Q4 2011	SEA and HLWG		
	Organize trainings for the members of the 7 PBA working groups on the budget process and monitoring framework;	2012		Training; study visits	30,000
	Establish a methodology for the PBA working group implementation plans;	Q4 2011 – Q1 2012	CBAC team, SEA and PBA WGs	Team members salaries	
	Enhance coordination between departments in the line ministries related to PBA (strategic planning, budget & aid coordination department)	Q1 – Q2 2012	Line ministries, CBAC team members & SEA	Team members salaries	
	Support the PBA working groups to prepare implementation plans by defining goals, priorities, financing modalities and indicators for monitoring the targets;	Q1 – Q2 2012	Line ministries, CBAC team members & SEA	Team members salaries	
	Ensure that PBA implementation action plans are reviewed and approved by all instances of the PBA institutional infrastructure;	Q3 2012	Line ministries, CBAC team members, SEA & international	Team members salaries	

			donor community		
	Support the implementation of the PBA in at least two programme areas	Q3 – Q4 2012	CBAC team members; SEA & line ministries	Team members salaries	
	Support the SEA to organize Donor Conference Meetings (on half-year basis)	quarterly	SEA; CBAC	Event/Conference	1,500
IMPROVED AID EFFECTIVENESS, REDUCED COSTS AND INCREASED USE OF COUNTRY SYSTEMS	ALIGNMENT, HARMONIZATION & MUTUAL ACCOUNTABILITY				
	Perform assessment on the use of national systems (define strengths and weaknesses) by members of the international community and determine what requires additional support, how, and how soon, to facilitate the PBA	Q2 – Q3 2012	SEA, Ministry of finance and CBAC	Team salaries	
	Propose the necessary legal changes (in line with the EU regulations) to create an enabling environment for donors and line ministries to use national systems.	Q2 – Q3 2012	SEA, Ministry of finance and UNDP project team	Team salaries	
	SEA and development partners jointly assess and report on a regular basis the progress in harmonization, alignment and results	Q3 – Q4 2012	CBAC; SEA	Team salaries	
	Supporting the SEA to prepare annual strategic development assistance plans;	Q3 – Q4 2012	CBAC; SEA	Team salaries	

	Support the SEA to collect from its development partners the annual strategic plans on their development assistance to the country.	Q3 – Q4 2012	CBAC; SEA	Team salaries	
	Total Project Activities				133,748
	Project Team	Q4 2011 – Q4 2012			131,518
	Communications				3,490
	IT Equipment and rents				2,889
PROGRAMME BUDGET					271,645
	General Support Services (7%)				19,015
GRAND TOTAL					290,660