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# BOSNIA AND HERZEGOVINA

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## INTRODUCTION

[BOSNIA AND HERZEGOVINA](#) (BiH) is an upper-middle income country with a gross national income (GNI) of USD 4 700 per capita in 2009 which has grown at an average rate of 5% per annum since 2005 (WDI, 2011). It has a population of approximately 3.8 million, 0.04% of whom live under the 1.25 dollar-a-day income poverty line (WDI, 2011). Net official development assistance (ODA) to BiH in 2009 totalled approximately USD 415 million (OECD, 2011). Since 2005, net ODA has averaged 3.3% of GNI and 9.2% of central government expense (WDI, 2011). The top five donors contributed 48% of BiH's core ODA (OECD, forthcoming).

BiH is an EU candidate country experiencing a gradual decline in the availability of grant-based ODA, whereas the share of concessional and commercial loans is increasing. BiH officially endorsed the Paris Declaration in December 2009 but has been pursuing improvements to the aid co-ordination process since 2006, when the Council of Ministers of BiH approved an Information Note on "Strengthening the Efficiency of the International Aid Coordination System in Bosnia and Herzegovina". In October 2007 responsibility for aid co-ordination and management was transferred to the Sector for the Coordination of International Economic Aid (SCIA) under the Ministry of Finance and Treasury (MoFT). With the establishment of the SCIA the BiH Government intends to achieve better co-ordination of aid activities, stronger partnerships between donors and government, and improved alignment of aid with national development priorities. ■

## SUMMARY OF PROGRESS

[AS BIH DID NOT PARTICIPATE](#) in the 2006 and 2008 surveys, data for 2010 establishes the baseline for the majority of the indicators. In 2010, two out of ten indicators with targets have been met – the alignment indicator on strengthening capacity through co-ordinated support and untied aid. Progress was made towards the target on managing for results, and targets for the remaining indicators (ownership, mutual accountability, two in alignment, and all three in harmonisation) were unmet.

Progress on the Paris Declaration indicators depends on improvements by both donors and partner governments. The summary presented above indicates that significant reform is taking place to improve aid effectiveness. However, it is also clear that much more effort is required from BiH institutions and donors alike to ensure greater application of Paris Declaration principles in the country.

## ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative

TABLE 1:

## Summary of progress

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	D	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.5	3.5	3.5	4.0
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	--	--	0%	85%
4	Strengthen capacity by co-ordinated support	--	--	77%	50%
5a	Use of country PFM systems	--	--	50%	No Target
5b	Use of country procurement systems	--	--	45%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	--	56	No Target
7	Aid is more predictable	--	--	0%	No Target
8	Aid is untied	86%	79%	88%	More than 86%
9	Use of common arrangements or procedures	--	--	35%	66%
10a	Joint missions	--	--	10%	40%
10b	Joint country analytic work	--	--	29%	66%
11	Results-oriented frameworks	D	C	C	'B' or 'A'
12	Mutual accountability	Not available	Not available	N	Y

TABLE 2:

## Learning from success and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	<b>Challenge:</b> The national development strategy is not yet operational and is not underpinned by a long-term vision	<b>Lesson:</b> Donors struggle to align their aid with national priorities in the absence of a national development strategy
Alignment	<b>Challenge:</b> Donor aid is not reported in the government budget as individual BiH institutions do not have access to predicted flows.	<b>Priority action:</b> Good scores on the use of national systems are driven by a few key donors; the use of country systems needs to be taken forward by the remaining donors.
Harmonisation	<b>Challenge:</b> Most harmonised work and delivery is carried out by a minority of donors.	<b>Priority action:</b> Build on joint working groups to move donor support towards sector-based programmes and approaches.
Managing for results	<b>Challenge:</b> A monitoring and evaluation framework for the national development strategy is yet to be formalised.	<b>Priority action:</b> Improve frequency and timeliness of data collection to support the monitoring and evaluation framework.
Mutual accountability	<b>Achievement:</b> BiH carried out the first of a series of annual surveys on Paris Declaration adherence.	<b>Priority action:</b> Develop individual donor memoranda of understanding.

evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

This chapter is based on evidence submitted to the OECD by the Government of BiH. The 2011 survey responses cover 13 donors and 63% of BiH's core ODA. The country report was developed and prepared by the SCIA, which reported that the survey process was a very useful exercise to gather evidence of progress, and to identify obstacles and opportunities for further progress against these targets. The findings will inform BiH's national development strategy and will provide lessons for incorporation into the action plan, which will address the key challenges. ■

## OWNERSHIP

**AID IS MOST EFFECTIVE** when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

Bosnia and Herzegovina received a D score in 2010, which constitutes a setback compared to the C score in 2005 and 2007. The BiH Country Development Strategy / Social Inclusion Strategy (CDS/SIS) was completed in 2010, and is in the final approval stages of the various regional governing bodies. The process of formulating the CDS/SIS was institutionalised, involving the broad-based participation of civil society, local government, representatives of Parliament and the private sector. These stakeholders were consulted during sector working groups as well as ten roundtable forums directly supported by donors. The strategy under development is not underpinned by a long-term vision.

There are prioritised targets in the strategy under development. To achieve these targets, the CDS/SIS, when approved, will incorporate action plans and public investment programmes, linking domestic investment with donor aid and all other financial sources. The strategy will link to five MDGs (eliminate extreme poverty, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health) as well as to cross-cutting issues. In the absence of the approved CDS/SIS many donors seek to align their assistance to sector strategies, where they exist. However, strategies at the country level are not in place for all sectors. More sector strategies have been prepared at the entity level, but no consistent infrastructure or framework for strategy preparation is in place across the country.

BiH has both a medium-term fiscal framework (MTFF) and a medium-term expenditure framework (MTEF). Neither of these is currently guided by the NDS, and they are reformulated annually. It is anticipated that the CDS/SIS will be a key input to MTEF formulation. As the CDS/SIS under preparation is not costed, budget users are requested to link priorities with the strategy where a connection is established. ■

### INDICATOR 1

Do countries have operational development strategies?

## ALIGNMENT

**AID THAT IS DONOR DRIVEN AND FRAGMENTED** is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

In 2010 BiH had four alignment indicators with applicable targets. Of those, two were met (strengthening capacity through co-ordinated support and untied aid) There was no change in the score for the reliability of BiH's public financial management systems and the target on aligning aid flows with national priorities was missed by a large margin. Of the remaining five indicators, 2010 data was available for four of them.

### INDICATOR 2

Building reliable country systems

#### INDICATOR 2a

How reliable are country public financial management systems?

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

BiH received a score of 3.5 in 2010, as in 2005 and 2007, indicating that PFM systems are of average quality and that the 2010 target was not achieved. Since 2005 the state, entity and cantonal levels of the government have been implementing public financial reforms. The goals of reforms include harmonisation of the budgetary calendars and budgetary technical planning processes, implementation of medium-term budgetary planning, and better co-ordination of budgetary resources with the governments' priority economic and social policies. Country stakeholders report that the first and second goals have been accomplished, and that as of 2005 all levels of government in BiH operate the so-called "Budgetary Planning Process in 10 Steps". The various institutions of BiH thereby all establish long-term priorities incorporating mid-term macro-economic projections, mid-term fiscal projections, lists of budget priorities, previews of expenditure management, and an overview of the current status of the public debt and its projections.

The third goal of public financial reform is to move towards programme/results budgeting. In other words, BiH seeks to ensure that programme-based budgeting represents budgetary information in such a way that budget resources are connected with the government's desired policy result. Although BiH is relatively advanced in the use of programme-based budgeting compared to other countries in the region, country stakeholders report that there is a lot of work to be done to strengthen its use at all levels of government in BiH.

#### INDICATOR 2b

How reliable are country procurement systems?

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place

to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

BiH did not perform a self assessment of the reliability of country procurement systems in 2010. However, country stakeholders reported that efforts to improve BiH's procurement systems have been initiated. With the adoption of the BiH law on public procurement in 2004, a Public Procurement Agency was established which is currently at the consultation stage of a new draft law harmonised with European Union directives. In addition, the BiH Council of Ministers has adopted a strategy for the development of the public procurement system designed to allow further alignment of the legal framework with requirements of EU Directives, with a particular emphasis on the suppression of corruption. Country stakeholders suggested that attention should then be focused primarily on the implementation of legal solutions and capacity of institutions implementing this process.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

**INDICATOR 3**  
Aligning aid flows on  
national priorities

	Government's budget estimates of aid flows in 2010 (USD m)	Aid disbursed by donors for government sector in 2010 (USD m)	2005		2007		2010*		Total aid disbursed through other donors (USD m)	
			(for reference)		(for reference)		(%)			
			a	b			c = a / b	c = b / a		
Austria	--	2	--	--	--	--			0	
Czech Republic	--	1	--	--	--	--			0	
EU Institutions	--	48	--	--	--	--			32	
GAVI Alliance	--	0	--	--	--	--			0	
Germany	--	12	--	--	--	--			0	
Global Fund	--	0	--	--	--	--			9	
IFAD	--	3	--	--	--	--			0	
Italy	--	0	--	--	--	--			2	
Japan	--	3	--	--	--	--			0	
Spain	--	0	--	--	--	--			0	
Sweden	--	6	--	--	--	--			0	
United Nations	--	32	--	--	--	--			0	
United States	--	0	--	--	--	--			0	
World Bank	--	166	--	--	--	--			0	
Average donor ratio			--	--	--	--				
<b>Total</b>	<b>0</b>	<b>273</b>	--	--	--	--	<b>0%</b>	<b>43</b>		

**TABLE 3:**  
Are government budget estimates comprehensive and realistic?

\*Ratio is  $c = a / b$  except where government's budget estimates are greater than disbursements ( $c = b / a$ ).

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget. The survey data for 2010 indicate that no disbursements for the government sector were recorded that year. In BiH donor contributions are recorded by two tools, public investment programme planning instruments, which record the use of donor resources, and the Donor Mapping Report and database. The Donor Mapping Report is an overview of donor- and financial institution-funded projects and programmes and is an indicator of trends; the latest report covers the period July 2009 to July 2010. However, neither of these reports is aligned with this survey's data needs. The data provided was not presented in the necessary format, in that they did not include the total value of projected resources and the total value of resources actually paid in 2010. Data also did not make a distinction between the specific donors and values disbursed. At this aggregate level, country stakeholders indicate that the projected total revenue in 2010 from donors was USD 270 868, whilst the total cash income from donors recorded in the treasury single account and treasury ledger for 2010 amounted to USD 13.2 million.

Differences between projected and disbursed amounts of donor funds were due to the data collection process. BiH institutions provide data on donor funds which are forecast for the following fiscal year during the budgetary process. However budget users in most cases do not have information on disbursements that will be realised in the following fiscal year, and therefore report only very small proportions of disbursements that are already covered by a contractual commitment.

However, because of the law on financing BiH institutions and the law on budgeting for BiH institutions and BiH international obligations, when donor resources are channeled through the treasury single account, this may improve. Specific reporting difficulties include assistance (*e.g.* technical co-operation) provided 'in-kind', as well as assistance provided as part of regional programmes. These factors in combination result in the majority of donor programmes and projects not being reported in a timely manner in the government budget.

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

No individual donor disbursements were recorded by government in 2010. The government estimated that the aggregate level of 2010 flows from donors was USD 270 000, and that it actually received USD 13 million. Donors report that 98% of aid that they had scheduled for disbursement was actually disbursed.

Country stakeholders noted that responsibility for improvement against this indicator is shared between government and donors. They suggest that the government of BiH needs to find a way for those submitting budget data to access information on predicted donor flows, in addition to the signed contracts they currently report. Country stakeholders felt that the large amounts of aid not recorded on budget or using national systems is due to the fact that there is no practical barrier to donors maintaining these practices, and recommended greater consultation between BiH institutions and donors at the beginning of the next fiscal year.

## INDICATOR 7

### Providing more predictable aid

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010* (%) c = a / b c = b / a		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010** (%) e = d / b e = b / d
			(for reference)							
Austria	--	2	--	--	--	--	--	2	100%	
Czech Republic	--	1	--	--	--	--	--	1	100%	
EU Institutions	--	50	--	--	--	--	--	48	96%	
GAVI Alliance	--	0	--	--	--	--	--	0	96%	
Germany	--	12	--	--	--	--	--	12	99%	
Global Fund	--	0	--	--	--	--	--	0	--	
IFAD	--	4	--	--	--	--	--	3	90%	
Italy	--	0	--	--	--	--	--	0	100%	
Japan	--	3	--	--	--	--	--	3	100%	
Spain	--	1	--	--	--	--	--	0	0%	
Sweden	--	5	--	--	--	--	--	6		95%
United Nations	--	37	--	--	--	--	--	32	87%	
United States	--	0	--	--	--	--	--	0	--	
World Bank	--	164	--	--	--	--	--	166		99%
Average donor ratio			--	--	--	--	--			88%
<b>Total</b>	<b>0</b>	<b>279</b>	<b>--</b>	<b>--</b>	<b>0%</b>			<b>273</b>	<b>98%</b>	

\* Ratio is  $c=a/b$  except where disbursements recorded by government are greater than aid scheduled for disbursement ( $c=b/a$ ).

\*\* Ratio is  $e=d/b$  except where disbursements recorded by donors are greater than aid scheduled for disbursement ( $e=b/d$ ).

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

The share of technical co-operation co-ordinated with country programmes in 2010 was 77%, considerably above the target of 50%. Since the Country Development Strategy is still in the process of being approved, donors' current co-ordination is within the existing state, entity and sector strategies. Stakeholders noted that all donors view their support as consistent with the approved strategy and policy documents of BiH. However, there is currently no mechanism in place for the BiH Government to ensure that this is the case. This issue is being addressed through the introduction of the preliminary Proposals for an Aid Co-ordination Mechanism.

**TABLE 4:**  
**Are disbursements on schedule and recorded by government?**

**INDICATOR 4**  
Co-ordinating support to strengthen capacity

**TABLE 5:**  
**How much technical co-operation is co-ordinated with country programmes?**

	Co-ordinated technical co-operation (USD m)		Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)
	a	b				
Austria	2		4	--	--	64%
Czech Republic	0		3	--	--	0%
EU Institutions	38		38	--	--	100%
GAVI Alliance	0		0	--	--	--
Germany	0		5	--	--	8%
Global Fund	0		0	--	--	--
IFAD	0		0	--	--	100%
Italy	0		0	--	--	0%
Japan	2		2	--	--	100%
Spain	0		0	--	--	--
Sweden	2		3	--	--	83%
United Nations	6		13	--	--	43%
United States	0		0	--	--	--
World Bank	5		5	--	--	100%
<b>Total</b>	<b>56</b>		<b>73</b>	--	--	<b>77%</b>

**INDICATOR 5**  
**Using country systems**

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

**TABLE 6:**  
**How much aid for the government sector uses country systems?**

	Aid disbursed by donors for government sector (USD m)	Public financial management							Procurement			
		Budget execution (USD m)	Financial reporting (USD m)	Auditing (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)	Proc. systems (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)	
					d	e	avg(b,c,d)/a		f	g	h	
Austria	2	0	0	0	--	--	4%	0	--	--	13%	
Czech Republic	1	0	0	0	--	--	0%	0	--	--	0%	
EU Institutions	48	0	0	0	--	--	0%	0	--	--	0%	
GAVI Alliance	0	0	0	0	--	--	0%	0	--	--	0%	
Germany	12	7	7	7	--	--	62%	7	--	--	61%	
Global Fund	0	0	0	0	--	--	--	0	--	--	--	
IFAD	3	0	0	0	--	--	0%	0	--	--	0%	
Italy	0	0	0	0	--	--	0%	0	--	--	0%	
Japan	3	0	0	0	--	--	0%	0	--	--	3%	
Spain	0	0	0	0	--	--	--	0	--	--	--	
Sweden	6	2	0	0	--	--	12%	4	--	--	61%	
United Nations	32	1	0	0	--	--	1%	1	--	--	2%	
United States	0	0	0	0	--	--	--	0	--	--	--	
World Bank	166	111	111	166	--	--	78%	111	--	--	67%	
<b>Total</b>	<b>273</b>	<b>121</b>	<b>118</b>	<b>173</b>	--	--	<b>50%</b>	<b>122</b>	--	--	<b>45%</b>	

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

Fifty percent of aid used BiH's PFM systems in 2010, the vast majority of which was supplied by the World Bank. All other donors made little to no use of BiH PFM systems. The EU Delegation to BiH commented that the use of country PFM and procurement systems is a step-by-step process moving from a centralised management system (where the EU delegation undertakes the contracting and financial management process) to a decentralised mode once relevant implementing structures have been put in place and accredited. The GAVI Alliance also commented that GAVI requires annual audits of cash support and encourages national auditing procedures to be used. However, when the National Audit Authority chooses not to audit GAVI-related support, a separate audit statement is required.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

In 2010, 45% of aid used country procurement systems with vast majority supplied by the World Bank. The majority of donors made no use of BiH procurement systems. BiH public procurement law states that BiH procedures are required in all cases other than when other procedures are specified in the agreement between BiH and the donor or lender.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

#### INDICATOR 5a

Use of country public financial management systems

#### INDICATOR 5b

Use of country procurement systems

#### INDICATOR 6

Avoiding parallel implementation structures

#### TABLE 7:

How many PIUs are parallel to country structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Austria	--	--	3
Czech Republic	--	--	13
EU Institutions	--	--	0
GAVI Alliance	--	--	0
Germany	--	--	7
Global Fund	--	--	0
IFAD	--	--	0
Italy	--	--	2
Japan	--	--	0
Spain	--	--	0
Sweden	--	--	0
United Nations	--	--	31
United States	--	--	0
World Bank	--	--	0
<b>Total</b>	--	--	<b>56</b>

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

In 2010 there were 56 parallel PIUs in BiH, the majority of which are operated by the United Nations (31), followed by the Czech Republic (13), Germany (7), Austria (3) and Italy (2). The number of parallel PIUs does not always reflect the volume of a particular donor’s aid.

#### INDICATOR 8

##### Untying aid

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

**TABLE 8:**  
**How much bilateral aid**  
**is untied?**

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	0.0	0.0	--	--	100%
Austria	11.4	0.8	23%	17%	7%
Belgium	0.0	0.0	100%	100%	100%
Canada	0.0	0.0	18%	100%	--
Denmark	4.6	4.6	--	--	100%
Finland	0.3	0.3	100%	100%	100%
France	0.0	0.0	100%	94%	100%
Germany	45.9	45.1	0%	100%	98%
Greece	0.5	0.2	0%	94%	44%
Ireland	0.3	0.3	100%	100%	100%
Italy	6.7	2.3	8%	36%	35%
Japan	136.4	136.4	100%	100%	100%
Korea	0.0	0.0	--	100%	94%
Luxembourg	0.1	0.1	--	100%	100%
Netherlands	25.1	24.5	93%	93%	98%
Norway	13.1	13.1	100%	100%	100%
Portugal	0.0	0.0	0%	--	--
Spain	1.5	1.2	84%	72%	80%
Sweden	21.8	15.7	100%	100%	72%
Switzerland	6.7	6.7	100%	100%	100%
United Kingdom	7.9	7.9	--	100%	100%
United States	33.3	17.2	50%	29%	52%
<b>Total</b>	<b>315</b>	<b>277</b>	<b>86%</b>	<b>79%</b>	<b>88%</b>

Source: OECD Creditor Reporting System.

In 2010, 88% of aid to BiH was untied, meeting the 2010 target for this indicator. Levels of untied aid have remained relatively static since 2005. Between them, the United States, Austria, Sweden and Italy supplied over 95% of the remaining tied aid to BiH. ■

## HARMONISATION

**POOR CO-ORDINATION OF AID** increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

**INDICATOR 9**  
Using common arrangements

**TABLE 9:**  
How much aid is programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
Austria	0	1	1	5	--	--	24%
Czech Republic	0	2	2	3	--	--	85%
EU Institutions	0	0	0	48	--	--	0%
GAVI Alliance	0	0	0	0	--	--	100%
Germany	0	0	0	12	--	--	0%
Global Fund	0	0	0	0	--	--	--
IFAD	0	0	0	3	--	--	0%
Italy	0	0	0	7	--	--	0%
Japan	0	0	0	3	--	--	0%
Spain	1	0	1	1	--	--	49%
Sweden	5	4	9	14	--	--	67%
United Nations	0	2	2	37	--	--	4%
United States	0	0	0	60	--	--	0%
World Bank	111	0	111	166	--	--	67%
<b>Total</b>	<b>116</b>	<b>10</b>	<b>126</b>	<b>358</b>	--	--	<b>35%</b>

Thirty-five percent of aid to BiH was programme-based in 2010, significantly less than the target of 66%. Only six donors supply aid in the form of PBAs of which 88% is supplied by the World Bank as budget support.

Steps are being taken by the Government of BiH to increase the use of PBAs. This programme is in its infancy and pilots are just starting in the Public Administration Reform and Justice sectors. Several donors noted that their assistance did not follow PBAs as such, but was provided according to co-ordinated sector approaches.

**INDICATOR 10a**

## Joint missions

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

**TABLE 10:**  
How many donor missions are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005*	2007*	2010*
			(for reference)	(for reference)	(%) c = a / b
Austria	0	0	--	--	--
Czech Republic	0	2	--	--	0%
EU Institutions	3	6	--	--	50%
GAVI Alliance	0	0	--	--	--
Germany	2	15	--	--	13%
Global Fund	0	0	--	--	--
IFAD	1	5	--	--	20%
Italy	0	4	--	--	0%
Japan	0	2	--	--	0%
Spain	0	0	--	--	--
Sweden	1	4	--	--	25%
United Nations	10	59	--	--	17%
United States	0	5	--	--	0%
World Bank	4	29	--	--	14%
<b>Total</b>	<b>14</b>	<b>131</b>	--	--	<b>10%</b>

\*The total of coordinated missions has been adjusted to avoid double counting.  
A discount factor of 35% is applied.

Out of a total of 131 donor missions to BiH only 10% were co-ordinated, significantly below the 40% target. No donor co-ordinated more than 50% of their missions, with most scoring considerably lower. The UN conducted the highest number of missions to BiH (59), out of which 10 (17%) were co-ordinated with other donors. The EU Institutions co-ordinated the largest proportion of their missions at 50%.

**INDICATOR 10b**  
Joint country analytic work

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

The 2010 score on the co-ordination of country analytic work was 29%, leaving the 2010 target of 66% unmet. Only four donors co-ordinated any of their analytical work, and Germany carried out the second highest number of analytical works (10) but co-ordinated none. ■

	Co-ordinated donor analytic work* (units)	Total donor analytic work (units)	2005* (for reference)	2007* (for reference)	2010* (%)
	a	b			c = a / b
Austria	0	1	--	--	0%
Czech Republic	0	2	--	--	0%
EU Institutions	3	4	--	--	75%
GAVI Alliance	0	0	--	--	--
Germany	0	10	--	--	0%
Global Fund	0	0	--	--	--
IFAD	0	1	--	--	0%
Italy	0	0	--	--	--
Japan	0	1	--	--	0%
Spain	0	0	--	--	--
Sweden	1	5	--	--	20%
United Nations	22	44	--	--	50%
United States	0	2	--	--	0%
World Bank	2	2	--	--	100%
<b>Total</b>	<b>21</b>	<b>72</b>	--	--	<b>29%</b>

\*The total of coordinated missions has been adjusted to avoid double counting.  
A discount factor of 25% is applied.

## MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. In 2010 the overall score awarded to BiH by the World Bank for results-oriented frameworks was a C (the same as in 2007). A monitoring and evaluation (M&E) framework for the national development strategy (NDS) is currently being developed, and will follow the implementation of the upcoming Country Development Strategy. The plan will define institutions, mechanisms and responsibilities in relation to M&E. At present there is no national-level M&E system, and M&E is therefore practiced on an *ad hoc* basis, often only by those institutions concerned with *ex post* evaluation.

Currently national data is collected sporadically and relatively infrequently; therefore national data collection systems do not meet the requirements of the envisaged M&E framework. For example, household surveys are only conducted every three-four years due to their cost. The impact and macro indicators are reliable and of high quality, but they are not timely or accessible on a quarterly basis. The accessibility of direct results indicators (outputs) and final results indicators (outcomes) are also insufficient.

The previous NDS is publicly available on the internet, translated into three languages. Public expenditure data are also publicly available on the internet and published in the Official Gazette quarterly, bi-annually, and annually, in three languages. Data on the strategy were distributed by country conferences and regional round tables, and the preparation of a forum for the consolidation of key M&E data through the website is in progress. ■

**TABLE 11:**  
How much country analytic work is co-ordinated?

**INDICATOR 11**  
Do countries have results-oriented frameworks?

## MUTUAL ACCOUNTABILITY

### INDICATOR 12

#### Mutual accountability

**STRONG AND BALANCED MECHANISMS** that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Despite this, country stakeholders reported that BiH has taken a number of steps to strengthen its international aid co-ordination processes. These include adopting a more proactive approach towards the management of external assistance and public investment programmes, improvements in public expenditure planning processes, and the finalisation of the Country Development Strategy and its submission for approval. The main mechanisms for mutual accountability in BiH are donor co-operation forum meetings, the introduction of sector approaches within pilot-sectors, and the introduction of preliminary proposals for an aid co-ordination mechanism to be developed into individual donor memoranda of understanding. The completion of this survey also forms part of the mutual assessment process with regard to Paris Declaration principles. It sets the first baseline results on Paris Declaration adherence and is intended to become an annual exercise. ■

## REFERENCES

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The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.