



BOSNIA AND HERZEGOVINA
MINISTRY OF FINANCE AND TREASURY

**Report on progress on Adherence to the Principles of
the Paris Declaration on Aid Effectiveness
in Bosnia and Herzegovina – 2013**

Sarajevo, March 2015

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List of Acronyms

GDP	Gross Domestic Product
BiH	Bosnia and Herzegovina
BFP	Budget Framework Papers
BPMIS	Budget Budget Planning and Management Information System
CHU	Central Harmonization Unit of BiH Ministry of Finance and Treasury
CPIA	The World Bank- Country Policy and Institutional Analysis
DCF	Donor Coordination Forum
DEP	Directorate for Economic Planning
DEI	Directorate for European Integration
DMD	Donor Mapping Database
DMR	Donor Mapping Report
EBRD	European Bank for Reconstruction and Development
EU	European Union
FBIH	Federation of Bosnia and Herzegovina
FMC	Financial Management and Control
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IPA	Instrument for Pre Accession Assistance
IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau
KM	Konvertible Mark
MFT	BiH Ministry of Finance and Treasury
MoFTER	Ministry of Foreign Trade and Economic Relations
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development- Development Assistance Committee
OMA	Office for Macroeconomic Analysis of the Governing Board of the Indirect Taxation Authority
PARCO	Public Administration Reform Coordinator's Office
PBA	Programme Based Approach
PFM	Public Financial Management
PIFC	Public Internal Financial Control
PIMIS	Public Investment Management Information System and Donor Mapping Database
PIU	Project Implementation Unit
PIP	Public Investment Programme
RS	Republika Srpska
SCIA	Sector for Coordination of International Economic Aid
TA	Technical Assistance
UNCT BiH	United Nations Country Team in BiH
UNDP	United Nations Development Programme
USA/USAID	United States of America / United States Agency for International Development

INTRODUCTION

According to all macroeconomic indicators, 2009 was the year of the strongest impact of crisis at the global level affecting strongly the European Union and the entire South East Europe, which has been struggling since then with a slow recovery and increase of unemployment. The initial positive economic trends recorded at the end of 2011 and the beginning of 2012, were abrupt again by impact of global economic and financial crisis, which caused decreasing of economic activities and economic growth slowing down in EU countries as well as the neighbouring countries.

Similar situation was taking place in Bosnia and Herzegovina, where the initial positive economic trends were abruptly stopped during the 2012, due to the impact of the global crisis, where slowdown of the economic activity of the EU and the neighbouring countries has negatively influenced BiH economy. The decline in industrial production and generation of electricity, impaired domestic consumption, low level of investment (particularly in the private sector) as well as the delay in implementation of EU Integration reforms, additionally contributed to the decline in economic activities and the stagnation of the economy in Bosnia and Herzegovina.

Slow and divergent growth registered in the second half of 2013 in the wide range of countries and regions, resulted in modest pace of global economic growth registered in 2013, showing by the end of the year signs of a noticeable recovery of the global economic activity and world trade strengthening.

A gradual shift in growth dynamics was observed in the economies of developed countries, led by the USA and Japan economic recovery, but their economies are still affected by fiscal consolidation, relatively tight credit conditions and weak labour markets. At the same time, growth in a number of large emerging market economies has lost some strength caused by structural issues, but still remained robust if compared with advanced economies, contributing significantly boosting of global economic activities¹.

Macroeconomic position of BiH remained stable in 2013, with steady progress achieved under the IMF's Stand-by Arrangement (SBA)². Slight growth of economic activities in BiH in 2013 were based on the increased activities in the sectors that constitute the industrial production (mining, processing industry, production and supply with electricity and construction industry) and increased export, leading to the GDP growth. But, low wages and their long-term stagnation has weakened purchase power and domestic demand in the country, which, together with decreased food and oil prices on the global markets had affected BiH economy leading it towards deflation³.

According to the official estimates for 2013, Bosnia and Herzegovina as the upper middle-income country with population of 3,831,555 inhabitants⁴, had achieved Gross Domestic Product (GDP) per capita of KM 6,862⁵ respectively total GDP of KM 26,29 billion⁶.

Bosnia and Herzegovina in the previous decade had experienced macroeconomic trends typical for the South East Europe countries, with the achieved average rate of 2.61% of the real GDP growth in the period 2005 - 2013, lagging behind Albania (4.07%), Montenegro (3.46%), Macedonia (3.11 %) as well as Romania (2.84%) and Bulgaria (2.70%), but at the same time, it still has the higher average growth rate then Serbia (2.46%), Croatia (0.41%) as well as the European Union (0.91%), as shown in *Figure 1*.

¹ "Annual Report 2013 – European Central Bank", pgs. 23 - 24

² Statement at the Conclusion of an IMF Mission to BiH Press Release No. 13/459. More information can be found at: <http://www.imf.org/external/np/sec/pr/2013/pr13459.htm>

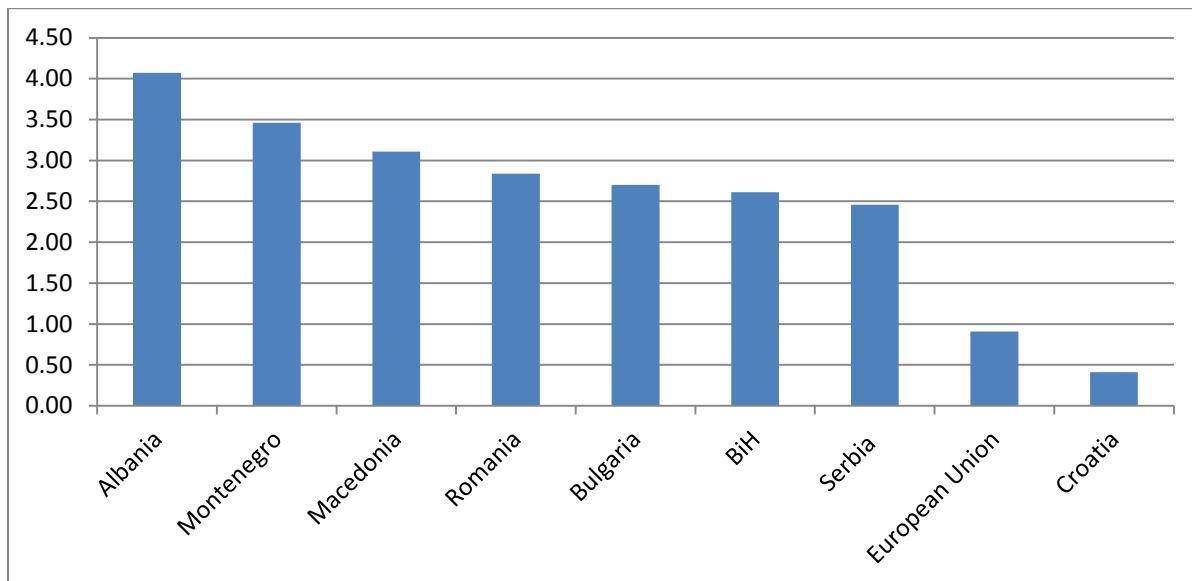
³ "Central Bank of BiH Annual Report 2013", pg. 17

⁴ „Demography 2013”, thematic bulletin of the Agency for Statistics of BiH, Sarajevo, 2014, pg. 4.

⁵ "Gross Domestic Product of BiH 2013 – Production approach, First results", First Release of the Agency for Statistics of BiH, 21.07.2014., pg.

⁶ *Ibid*, pg.1.

Figure 1. Average GDP growth in the SE Europe region countries in the period from 2005 to 2013 (%)



Source: Database of The World Bank's development indicators⁷

In order to further improve macroeconomic trends and enhance medium term economic growth as well as to overcome decreasing share of grant resources within the Official Development Assistance (ODA), it will be important that all stakeholders involved in development cooperation in Bosnia and Herzegovina in the forthcoming period focus their activities on further improvement of ODA efficiency and effectiveness, as well as to ODA transparency and monitoring.

The Report on the progress of adherence to the principles of the Paris Declaration on Aid Effectiveness in Bosnia and Herzegovina for the 2013 was prepared in line with the above mentioned.

PARIS DECLARATION ON AID EFFECTIVENESS

The first formal coordination of the Official Development Assistance (ODA), dates to the establishment of the Organization for Economic Cooperation and Development - Directorate for Development Cooperation (OECD - DAC) in 1960, a forum created for the largest bilateral donors where they could discuss matters related to the Aid efficiency and develop the guidelines related to further improvement of Aid and development activities. In order to improve the provision of multilateral aid, the United Nations Development Programme (UNDP) was established in 1965, through consolidation of the existing UN offices, with the aim to overcome the duplication of activities implemented within the UN development programmes.

The initial coordination efforts were focused to monitoring the volume of the ODA, both bilateral and multilateral, and the countries to which it was directed. However, the practice has shown that this has not been enough. Accordingly, in the last decade the attention was mainly focused to the Aid effectiveness, through improved coordination between donors and partner countries, aid recipients.

The key event at the global level related to the effectiveness of international aid took place in March 2005, when over 100 representatives of donor and developing countries (partner countries), endorsed the Paris Declaration on Aid Effectiveness. They agreed to focus their efforts on improvement of effectiveness of development assistance directed to the realization of the global development goals.

⁷ <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

The Paris Declaration focuses on improvement of aid quality and its impact to the partner country development through the application of the five Declaration's key principles, *Ownership, Alignment, Harmonization, Managing for results and Mutual accountability*.

In order to monitor and measure the progress in the implementation of the principles of the Paris Declaration on Aid Effectiveness, 12 indicators are defined and 56 commitments originating from them.

OECD is responsible for monitoring of the implementation of the Paris Declaration principles at the global level, while each partner country accepted the obligation to regularly monitor its own progress in that area. In accordance with the mentioned, to date OECD conducted three global surveys (in 2006, 2008 and 2011)⁸.

Bosnia and Herzegovina has officially endorsed the Paris Declaration on Aid Effectiveness in 2010, accepting the obligation to undertake the activities on improvement of development aid effectiveness as well as regular monitoring of the progress achieved in this domain.

In the same year, in order to assess the initial status, Ministry of Finance and Treasury had conducted the first survey on adherence to the Paris Declaration principles in Bosnia and Herzegovina (baseline year 2008).

Council of Ministers of BiH was informed about the *Annual report on Baseline survey of the Paris Declaration on Aid Effectiveness in Bosnia and Herzegovina for 2008*, on the 144th session that was held on February 24th 2011.

In 2011, Bosnia and Herzegovina also participated in OECD Global monitoring on implementation of the Paris Declaration principles, in order to monitor the progress achieved in 2010. The results of the monitoring were published in the Report „*Effectiveness of Aid 2005-2010: Progress in implementation of the Paris Declaration- Chapter for Bosnia and Herzegovina*“. Council of Ministers of BiH was informed about this Report on the 6th session held on May 3rd, 2012.

At the end of 2012, Ministry of Finance and Treasury of BiH, in cooperation with representatives of competent institutions and members of Donor Coordination Forum (DCF), conducted the second survey on adherence to the principles of Paris Declaration on Aid Effectiveness in BiH for 2011. The findings of this survey were published by the Ministry in the „*Report on progress in implementation of the principles of the Paris Declaration on Aid Effectiveness in BiH, 2011*“. Council of Ministers of BiH was informed about this Report on the 43rd session held on March 26th, 2013⁹.

At the end of 2013, Ministry of Finance and Treasury of BiH, in cooperation with representatives of competent institutions and members of Donor Coordination Forum (DCF), conducted the third survey on adherence to the principles of Paris Declaration on Aid Effectiveness in BiH for 2012. The findings of this survey were published by the Ministry in the „*Report on progress in implementation of the principles of the Paris Declaration on Aid Effectiveness in BiH, 2012*“. Council of Ministers of BiH was informed about this Report on the 91st session held on April 16th, 2014¹⁰.

⁸ Findings of the global surveys can be found at the following link:

<http://www.oecd.org/dac/effectiveness/2011surveyonmonitoringtheparisdeclaration.htm>

⁹ All mentioned documents on official languages in BiH can be found at the official web site of the Ministry of Finance and Treasury BiH, at the link: http://www.mft.gov.ba/hrv/index.php?option=com_content&view=article&id=394&Itemid=163, while English version is available at official DCF web-site:

<http://donormapping.ba/index.php/publications/principles-of-the-paris-declaration-on-aid-effectiveness>

¹⁰ All mentioned documents on official languages in BiH can be found at the official web site of the Ministry of Finance and Treasury BiH, at the link: http://www.mft.gov.ba/hrv/index.php?option=com_content&view=article&id=394&Itemid=163, while English version is available at official DCF web-site:

<http://donormapping.ba/index.php/publications/principles-of-the-paris-declaration-on-aid-effectiveness>

SURVEY METHODOLOGY

Data collected from BiH Institutions at all levels of governance and from donors, members of the Donor Coordination Forum (DCF) as well as from publicly available relevant documents, were used in the preparation of the Report.

The questionnaire, based on OECD methodology, was distributed to nine BiH Institutions at the state and entity level as well as to thirty donor agencies, international organizations and financial institutions, out of which 24 are members of the DCF.

Out of 39 contacted, only 13 participants took part in the survey, showing a very low level of participation, both by representatives from domestic institutions and donors, mostly due to their engagement on May 2014 floods relief efforts.

Also, it is important to note that due to the small number of participants in the survey, the accuracy of assessed indicators is limited, due to insufficient sample used for the assessment.

Ministry of Finance and Treasury would like to thank to the representatives of Institutions of Bosnia and Herzegovina at all levels of governance and to the Donor Coordination Forum members that actively participated in the survey and thereby enabled the preparation of this Report.

PARIS DECLARATION PRINCIPLES

I. OWNERSHIP

Indicator 1 – Operational Development Strategy

Indicator 1 global target At least 75% partner countries have operational development strategies

Ownership is the first and central principle of the Paris Declaration which assesses the ability of partner country to take the leadership in designing, developing and efficient implementation of its policies and strategies, while donors are expected to support these efforts through supporting partner country capacities for implementation of its development policies and strategies.

The success in implementation of the *ownership* principle is measured through *Indicator 1*, which assesses the operational value of partner country development strategies, based on the World Bank's review of *Results-Based National Development Strategies: Assessments and Challenges Ahead*.

Operational value of national development strategies and policies is assessed against the three criteria: (i) existence of a unified strategic framework, (ii) prioritization within the framework and (iii) strategic link to the budget¹¹. The World Bank rates national development strategies against the operative value on a five point scale running from A (very strong) to E (very weak).

Considering that Development Strategy of Bosnia and Herzegovina has not been adopted, Bosnia and Herzegovina has not achieved the progress in implementation of the *Indicator 1 - operative development strategy*, whose rating remains „D“, as in the previous Report on progress on adherence to the principles of the Paris Declaration on Aid Effectiveness for 2012.

Bosnia and Herzegovina has started a wide range of activities on taking the leadership in the process of its development, as well as in defining own priorities and channelling aid towards its implementation, in order to achieve the sustainable socio-economic development. In the absence of a single strategic framework, projects prioritization is based on the entity and sectoral strategies or other strategic plans at all levels of governance. Linking the public finance resources, from both domestic and foreign sources, with the strategic plans and priorities will enable better medium-term budget planning and reporting as well as evaluation of budget execution in BiH.

However, the quality of project proposals remains one of the key conditions necessary for the establishment of an efficient planning system and for optimal allocation of development resources. The system of well-prepared and properly prioritized projects, harmonized with the priorities from development strategies at all levels of governance in BiH, will increase BiH capacity for absorption of development funds from both domestic and foreign sources, including the EU pre-accession funds.

II. ALIGNMENT

As a second principle of the Paris Declaration, **alignment** is directly linked to the capability of partner country to establish the reliable financial management systems and procedures. In that context, donors are encouraged to systematically strengthen and to use the existing financial systems of

¹¹<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:22284087~pagePK:41367~piPK:51533~theSitePK:40941,00.html>

partner countries and to support the partner countries in further strengthening of these systems, so they would be able to achieve the international standards.

The alignment principle is assessed on the basis of several *indicators (from 2 to 8)*, through alignment of ODA assistance in the public financial system, public procurement, internal auditing, statistical and evaluation systems, use of programme based-approach in budgeting (PBA) and untied aid.

The Paris Declaration has defined two components as the basis for the assessment of *Indicator 2*, where *Indicator 2a* refers to the establishing and use of reliable public financial management systems, and *Indicator 2b* refers to the establishing and the use of reliable public procurement systems.

Indicator 2a - Reliable public financial management systems

Indicator 2a global target: *Half of the partner countries progressed for at least one rating level (i.e. 0.5 points) on the PFM/CPIA scale of performance (Country Policy and Institutional Analysis)*

Indicator 2a assessment is based on the scores from The World Bank's *Country Policy and Institutional Analysis Report (CPIA)*¹², which evaluates the quality of PFM systems for all IDA countries. CPIA is a diagnostic tool designed to assess the quality of a particular country's policies and institutional framework for implementation of these policies. It numerically shows the extent of their support to the sustainable growth and poverty reduction, which in turn provides information on effectiveness of the use of development assistance.

The score scale is running from 1 (very weak) to 6 (very strong) with the possibility of half-point increments for the achieved result in the monitored country.

For high score for its public financial management system, partner country needs to meet the following conditions: (i) to have comprehensive and reliable budget linked to policy priorities; (ii) effective financial management systems to ensure that the budget is implemented as intended in controlled and predictable way and (iii) accounting and financial reporting, including drafting and auditing of public accounts.

The World Bank evaluated *Indicator 2a - Reliable public financial management systems* in Bosnia and Herzegovina with 3.6 score, which is above the average (3.3) achieved by all upper middle income countries in 2013.

The progress was achieved in implementation of *Indicator 2a*, through the establishment of legislative framework which defines the public financial management based on the medium-term planning in Bosnia and Herzegovina, as well as with the laws regulating the public financial management that are mutually harmonized at all levels of governance.

Fiscal Council of BiH was established by the Law on the Fiscal Council of BiH¹³, with the aim to coordinate the fiscal policy in BiH, in order to ensure the macroeconomic stability and fiscal sustainability of Bosnia and Herzegovina, Federation of BiH, Republika Srpska and Brcko District.

Public financial management of Bosnia and Herzegovina Institutions is regulated by the Law on Financing of BiH Institutions, the Law on the Budget of BiH Institutions and International Obligations of BiH, which is adopted each year for the following fiscal year.

¹²The annual CPIA exercise covers IDA eligible countries. The CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. The criteria are focused on balancing the capture of the key factors that foster growth and poverty reduction, with the need to avoid undue burden on the assessment process. To fully underscore the importance of the CPIA in the IDA Performance Based Allocations, the overall country score is referred to as the *IRAI*.

¹³ „Official Gazette of BiH“, no. 63/08

In the Federation of BiH, the public financial management framework is defined by the Law on Budgets in the FBiH, the Law on Treasury of FBiH and the Law on Internal Audit in the FBiH. The Law on Execution of the Budget of the FBiH, regulating the way of the budget execution FBiH, is adopted for each fiscal year the Federation of BiH.

In Republika Srpska, public financial management framework is defined by the Law on the Budget System of RS, the Law on Treasury and the Law on Execution of the Budget of RS, which is adopted simultaneously with the budget for each fiscal year and regulates the way of budget execution. Also, mentioned area is partially regulated by the Law on Borrowing, Debt and Guarantees of RS, the Law on Investment of Public Resources and the Law on Establishing and way of Settlement of Internal Debt.

In Brcko District of BiH, the public financial management framework is defined by the Law on the Budget, the Law on Treasury and the Law on Execution of Budget, which is passed for each fiscal year.

The Reform of public financial management at all levels of governance in Bosnia and Herzegovina, which has been implemented since 2005, resulted in realization of the following goals:

- Since 2005, "Budget planning process in 10 steps" has been implemented at all levels of governance in Bosnia and Herzegovina;
- The improvements in the budgeting based on specific programs (program classification) continued to progress.

In accordance with the Law on Amendments and Changes to the Law on Financing of Institutions of BiH, in 2009 the concept of the program budgeting was introduced in legal procedures, whereby it is stipulated that along with the Draft Budget, Ministry of Finance and Treasury also submits to the Council of Ministers and the Parliamentary Assembly the tables in the program format as additional information.

Republika Srpska, in cooperation with international institutions, conducted a series of budget reforms in the aim to strengthen public financial management and planning. Namely, budgeting in Republika Srpska shifted from the traditional budget planning process, where budget resources were allocated only by economic categories, towards the principles of program planning, which still contains these information but also allows that based on defined programs, decisions can be made on allocation of budget resources, which are based on the policy objectives and the desired results;

- Allocated budget resources are better linked with priority economic, social and development policies at all levels of governance in Bosnia and Herzegovina, through introduction and implementation of programme based budgets;
- In order to define long-term priorities and improve the budget planning, Institutions of BiH, Federation of BiH, Republika Srpska and Brcko District are preparing the Budget Framework Papers (BFPs), which is particularly important in the context of introduction of programme budgeting;
- Public Investment Program (PIP) is prepared at all levels of governance in BiH, with the goal to create the prerequisites for gradual introduction of the system for medium-term investments financial planning based on the strategic development plans, which enables establishing the criteria for decision-making on future projects as well as development funds allocation to the public investment projects. Since 2009, PIP had been prepared in the same methodology and the same information system at all levels of governance in BiH, but since 2012, it has been prepared in the format of a development document. The calendar for preparation of the PIP is adjusted with the calendar for budget preparation;
- Budget Planning and Management Information System (BPMIS) is the software for budget preparation, based on the centralized databases, which are located in the ministries of finance, and enables the network access to all entity and state budget users for budget preparation. BPMIS is

envisioned to facilitate drafting process of the Budget Framework Papers (BFPs), as well as determining of expenditure ceilings of budget users. BPMIS become operational in 2013.

- Public Investment Management Information System and Donor Mapping Database (PIMIS) is the software for:
 - a) Public Investment Program (PIP) preparation, based on the centralized databases located within the ministries of finance, enabling entity and state level budgetary users the network access for the preparation and monitoring of the public investment programs and capital budgets;
 - b) Donor Mapping Database (DMD) which enables the direct network access and data entry to donors, DCF members, facilitating monitoring and better coordination of their activities, transparency of ODA mobilisation and allocation in BiH as well as the preparation of annual reports on development cooperation in priority sectors BiH.

PIMIS is linking Application for public investment and Application for Donor Mapping in a unique System, where both Applications share the same Interface and possibility to select the entry in one of them, Public Investment Management or Donor Mapping Database.

- The successful trend in the public financial management and control in Republika Srpska has also continued in 2013, through introduction of the Single Treasury Account system and the Treasury General Ledger system. All budgetary users in RS as well as budgetary users in cities and municipalities (63 local communities) are now included in the treasury operation system.
- It should be noted that, through recently established legal framework in accounting and financial reporting of public institutions in RS, the preconditions for full appliance of International Public Sector Accounting Standards (IPSAS) in financial reporting of entities, municipalities, cities and funds in RS have been met in 2013. Based on that, for the first time financial reports (balances) of all administrative levels in RS are prepared on the full accrual basis of accounting, which made them internationally comparable, while the planning and execution of budget were prepared in modified accrual basis.

The quality of public financial management is still improved Bosnia and Herzegovina through implementation of various programs, in order to establish the systems that would guarantee fiscal discipline, strategic prioritization of costs, operational efficiency in the use of resources and fiscal transparency. In the context of EU Integration, sound public financial management is an important driving engine for increased absorption capacity of BiH for IPA funds. The programs supported by TA, are focused on strategic planning, budgeting, financial control and public investment improvement. To maximize the effects of these projects in synergy with the public administration reform, establishment of good cooperation and coordination mechanism involving all participants in this process, is of exceptional importance.

The future activities should be focused to developing of strategic planning methodologies and strategic plans preparation for various levels of governance; increasing efficiency of budget funds, loans and donor aid allocation, including the EU funds for development priorities; improving budget execution, improving transparency and accountability in public spending; positioning public investment management in the context of financial management of development strategies, programs and projects and further improvement of public financial management, in order to increase the absorption capacity of BiH for EU and other development resources.

The project proposals quality is one of the key issues for establishing of an efficient planning system and for optimal resources allocation. Establishing of a system of well-prepared and properly prioritized projects, adjusted with the sector, entity and development strategies from all levels of governance in

BiH, represents an important aspect for increasing of BiH absorption capacity for development Aid, from domestic and foreign sources, including the pre-accession EU funds.

Indicator 2b - Reliable country procurement systems

Indicator 2b global target: *One third of partner countries move up at least one measuring unit on the four-point scale, which is used to measure this Indicator. (i.e., from D to C, C to B or from B to A)*

Increasing the efficiency and transparency of public procurement systems is a constant challenge both for partner countries and donors. All participants agree that the main prerequisites for permanent increase in public funds efficiency, including ODA funds, is existence of distinctive and adequate public procurement system framework within partner countries, which is harmonized with the international standards regulating that area.

The quality of partner country's procurement system is assessed through *the Procurement's Methodology for Assessment of National Procurement Systems*, jointly developed by The World Bank and the OECD. Mentioned methodology implies self-assessment of the public procurement system quality at the level of the partner country. The results of the public procurement systems assessment are expressed as grades on a scale running from D (the lowest) to A (the highest) score.

The assessment for *Indicator - Reliable country procurement systems* cannot be performed for 2013, considering that detailed official assessment of the quality of legislation, institutions and public procurement practices has not yet been conducted in Bosnia and Herzegovina.

However, certain progress was achieved in this area in BiH. Public procurement regulatory framework is defined by the Law on Public Procurement of BiH and adequate by-law acts, which are applied in the entire territory of BiH. This Law defines the public procurement system in BiH, rights, duties and responsibilities of participants in procurement procedures as well as the institutions competent for monitoring of application of public procurement regulation implementation, in order to respect the principles of equal treatment, non-discrimination and transparency.

During 2013, Public Procurement Agency had continued to further develop the system for tracking of contractors, with regard to application of the Law on Public Procurement - monitoring of public procurement procedures and upgraded the public procurement portal with the Information system for publication of notifications on public procurement procedures (*Go-Procure* system for electronic publication of public procurement notifications), aiming to develop the electronic communications in public procurement¹⁴. During 2013, the *Go-procure* system was improved in a way to become an exclusive channel for delivering announcements on public procurement of various BiH Institutions to the Official Gazette of BiH, so submitting of notifications become simpler, faster and more reliable.

Indicator 3 – Aid flows are aligned on national priorities

Indicator 3 global target: *Halve the proportion of aid flows to government sector not reported on government's budget (s) (with at least 85% reported on budget).*

Indicator 3 measures how realistic are the partner country budget and whether the budget estimates of aid flows are aligned with the actual disbursements of donors. This *Indicator* is a combined measure of two components: (I) the degree to which donors report aid flows in timely fashion and in the

¹⁴ https://gopro cure.javnabenabavke.gov.ba/gopro cure_PROD/portal/default.aspx

adequate form report to partner countries and (II) the degree to which partner countries accurately record aid.

Comprehensive and transparent reporting on received aid and its utilisation, provides better insight in donor activities in the partner country, it controls whether the resources are directed to projects/programmes harmonized with the partner country priorities and whether the provided aid is implemented responsibly and with results.

As in the previous years, the Reporting system on aid flows, which should be reported within all budgets in Bosnia and Herzegovina, is still not on the satisfactory level, that could be measured according to the OECD methodology, since the majority of donor programs and projects in implementation were not reported in the budgets, while those which are registered, are represented aggregate and not by individual donor.

According to the above mentioned the assessment for *Indicator 3 – Aid flows are aligned on national priorities* in Bosnia and Herzegovina, could not be performed for 2013.

On the other side, according the data collected from donors, 71% of overall disbursed ODA in 2013 have been channelled through government sector. This high level of discrepancy between information collected from survey participating donors about reported disbursements and disbursements recorded within the Budgets in BiH need to be addressed in the forthcoming period, in order to ensure that aid recorded in budgets is as realistic as possible.

The Ministry of Finance and Treasury has already started further improvement of this area. In 2013, Public Investment Management Information System (PIMIS) became operational, within the Sector for Coordination of International Economic Aid (SCIA). PIMIS users are the Ministry of Finance and Treasury of BiH, Federal Ministry of Finance, Ministry of Finance of Republika Srpska, Finance Directorate of Brcko District of BiH as well as donors, members of the Donor Coordination Forum (DCF) and public in BiH.

PIMIS enables the user friendly access to comprehensive information on development projects/programs, regardless of the source of financing (domestic or foreign) and the status (nominated, in implementation, completed and cancelled), it is linking public investment projects with the strategic documents and sources of financing and facilitates coordination of donor activities and ODA efficiency analysis as well as transparency of all investments. With a wide overview of project activities, PIMIS became a tool for avoiding duplications or overlapping among ODA supported activities and thus improving of the ODA efficiency in Bosnia and Herzegovina.

Indicator 4 – Strengthening of capacities for coordinated support

Indicator 4 global target: 50% of aid flows for technical cooperation is implemented through coordinated programmes that are consistent with national development strategies.

Strengthening the capacity of partner countries is crucial for their stable and sustainable development, considering that developed and strong capacities contribute to the sustainable and balanced socio - economic development of the partner country. Technical cooperation (e.g. *technical assistance*) represents the provision of extensive know-how from donor countries through the exchange of knowledge and personnel, training, conducting and financing research in partner countries.

Indicator 4 assesses the degree of coordinated donor technical cooperation in the partner country, considering that Paris Declaration suggests to donors to use the capacities of partner countries through coordinated programmes consistent with development strategies, and in that way to assist their development.

The assessment for *Indicator 4 - Strengthening of capacities for coordinated support* in Bosnia and Herzegovina, could not be performed for 2013.

Survey participants from donor community in BiH reported that, in the absence of development strategy at BiH level, they aligned their ODA funds mostly with priorities defined in the current sectoral strategies at the state or entity level, where significant percentage of such Aid was focused to the capacity building and strengthening of institutions at all levels of governance in BiH.

According the collected data, some donors, such as GIZ and Switzerland, have focused their activities to capacity building of institutions at all levels of governance in BiH, channeling their overall ODA in 2013 in the form of technical assistance (TA), while some, like Norway and KfW, did not report supporting any form of TA activities in the same period.

Also, amongst donors that provided TA in 2013, GIZ and Sweden / Sida had disbursed anticipated amount of TA in coordination with other donors, UNCT and Switzerland have partly disbursed their TA's in a coordinated way, while EU as a leading donor and one of the main supporters of institutional capacity building at all levels in BiH, had channeled 51% of ODA as TA, but not in coordinated way.

DCF members have continued to support institutional capacity building in BiH during 2013, whereby in the next period their activities should focus on establishing of the monitoring and evaluation framework, which will enable monitoring and evaluation of results achieved in the institutional capacity building at all levels of governance in BiH. Also, coordination with and among donors especially during defining the new project proposals, needs to be improved, in order to improve ODA efficiency within the development cooperation in Bosnia and Herzegovina.

Indicator 5 - Using country systems

Indicator 5 global target:

5a) 90% of donors use partner countries' PFM systems and one third reduction in the % of aid to the public sector not using partner countries' PFM systems (Score 3.5-4.5);

5b) 90% of donors use partners' countries public procurement systems and one third reduction in the % of aid to the public sector not using partner countries' public procurement systems.

In accordance with Paris Declaration recommendations for implementation of the **alignment** principle, donors should assist in strengthening of partner countries financial systems by using them, if the partner country guarantees that the provided assistance will be used for agreed purposes. On the other hand, the partner countries should regularly perform reliable assessments of their financial systems, procedures and institutions responsible for their implementation and on the basis of such assessments, work on improving the efficiency, accountability and transparency thereof. Therefore, it is very important to carry out regular systematic reviews and analysis, based on which reliable data could be provided to the domestic institutions and donors in partner countries, on the status and use of financial systems as well as possible suggestions for their improvement.

Such targeted use of partner country financial systems, increases the efficiency of provided Aid, strengthens the capacities of institutions for achievement of sustainable socio-economic development and enables implementation of reforms and accountability for implementation of development policies.

Paris Declaration defined the two components which serve as the basis for the assessment of *Indicator 5*: *Indicator 5a* which calculates the percentage of aid that uses partner country PFM systems against total aid disbursed to the public sector and *Indicator 5b* assesses the percentage of aid flows that use recipient country public procurement systems in comparison with the total aid disbursed to the public sector.

Indicator 5a – Use of partner country PFM system (aid flow)

The assessment on the use of PFM systems is performed through the analysis of four criteria: (I) use of budget treasury system, II) use of budget financial reporting, (III) use of national audit systems and (IV) using all three systems together.

Out of 8 donors who participated in the Survey for 2013, only Norway, reported usage of certain or all elements of domestic public financial management systems, which is far lower than the global target (90%) defined by the first prerequisite of *Indicator 5a*. It is a considerable set-back compared to 2012, when out of 14 donor participants 5 of them reported use of certain or all elements of domestic Public Finance Management systems in BiH.

Indicator 5a could not be estimated for Bosnia and Herzegovina for 2013, due to insufficient data submitted by survey participants, donors and BiH institutions.

However, data collected in this survey indicates that the majority of donors still prefer using their own, instead of PFM systems in Bosnia and Herzegovina, showing continued trend from the previous period. In order to make improvements in this area, the quality of domestic procedures needs to be improved, as well as their compliance with the international regulation. To achieve this goal, it will be necessary to further strengthen cooperation among donors and domestic partners in this area.

Indicator 5b – Use of partner country public procurement system (aid flow)

Currently there is no detailed objective assessment for Bosnia and Herzegovina position with respect to the quality of legislation, institutions and practices in the area of public procurement.

In accordance with the obtained responses, majority of donors did not use BiH public procurement system in 2013. One of the reasons is that the Article 5 of the current Law on Public Procurement in BiH allows the use of international procurement procedures, if so defined by the respective international agreement. Another reason is the inconsistency of the domestic with the international legislation, in particular the EU legislation, as already mentioned during the analysis of *indicator 5a*.

Out of 8 donors participating in the survey on adherence to the principles of the Paris Declaration on Aid Effectiveness, only 3 donors reported that they used the BiH public procurement system in 2013, which represents far lower percentage than the global target (90%) defined by the first prerequisite of *Indicator 5b*.

It is important to point out Switzerland as a good example, which has reported 100% use of the domestic Law on Public Procurement as well as the United Nations Team in BiH (UNCT BiH) and EU, which made progress through limited use of domestic public procurement system in BiH.

The assessed value for Indicator 5b – Use of partner country public procurement system (aid flow) in 2013 was 9,98%, according to the data obtained from survey participants. However, it should be pointed out that in terms of the progress recorded in presented result of this indicator, limited number of participants should be taken into the account as well.

In the future, it will be necessary to continue the strengthening of cooperation among donors and domestic partners in Bosnia and Herzegovina on improvement of the existing framework for public procurement system in BiH, in order to harmonize it with the international standards in this area.

Indicator 6 – Avoiding parallel structures for project implementation

Indicator 6 global target: *To reduce by two-thirds the stock of parallel implementation units (PIUs) in each partner country.*

Project Implementation Units (PIUs) are special units for management of projects or programmes implementation, established by donors in the partner countries.

PIUs are considered to be “parallel” when they are established, at the request of the donor, outside of existing partner country institutions and administrative structures and when: I) their personnel is not on the payroll of the national implementing institutions; (II) PIUs are accountable to external funding agencies; (III) PIUs appoint externally appointed staff in accordance with rules of the external funding agency and (IV) the salary structure of national staff in PIUs is higher than those of civil service personnel.

The Paris Declaration suggests donors to reduce the number of parallel PIUs in partner countries, in order to strengthen their public financial management systems. However, the degree of PIUs reduction depends on the performance and strengthening of these systems and government structures that implement them, so the findings for this *Indicator* can be used for evaluation of the process for establishing of good practices as well as for monitoring and promoting of the project management efficiency in partner countries.

Analysing the data obtained from the survey participants, it can be concluded that in 2013 in Bosnia and Herzegovina an unsatisfactory progress was recorded in implementation of Indicator 6 - Avoiding parallel structures for project implementation, if compared to the global target.

Two Survey participants reported the existence of 33 parallel PIUs, where the most parallel PIUs were reported by UNCT (25), and Switzerland (8). Compared to previous reports, it is evident that the number of parallel PIUs varies, partly because of small sample of donor participants and partly because the domestic PFM systems are still perceived as in initial phase.

Indicator 7 – Aid is more predictable

Indicator 7 global target: *Halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.*

The goal of *Indicator 7* is the improvement of predictability of actual donor disbursements as well as recording of aid in partner countries public financial management systems.

The aid is predictable when partner countries know in advance the amounts and the periods to which aid disbursements refer. 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 fashion in line with the agreed schedule.

Taking into account that Paris Declaration classifies this Indicator under the strengthening capacities of public financial management, its implementation is joint responsibility of both partner country and donors.

Due to the limited and inconsistent information obtained from BiH and entity Institutions as well as donors, the assessment for Indicator 7 - Aid is more predictable, could not be performed for 2013.

Considering that aid predictability is the joint responsibility, it is expected from all involved stakeholders to join their efforts to improve the adherence to this *Indicator*. Also, from BiH Institutions is expected to continue to strengthen the Aid registration system and to harmonize reporting methods on budget executions, through the official reports.

In the forthcoming period, the focused should be on organizing of extensive consultations between BiH Institutions and donors at the beginning of each fiscal year, in order to discuss planned investments and their inclusion in the budgets, as well as to strengthen the partnership in planning of the future donor activities in BiH.

Indicator 8 – Untied aid

Indicator 8 global target: *To continue progress towards untying aid over time*

Indicator 8 assesses the degree to which donors' aid is tied. The aid is considered as „tied“ if provided on condition that the partner country will use it to purchase goods and services from suppliers based in the donor country. Practice shows that this type of aid increases the costs of goods and services as well as the administrative costs, unlike the untied aid which is more economical.

According to data collected from the donors participating in the survey, it could be concluded that in Bosnia and Herzegovina, majority of donors, DCF members provided the untied development aid.

The assessed value for *Indicator 8 – Untied aid* in Bosnia and Herzegovina was 52.60% for 2013, according the data obtained from the survey participants.

The result shows gradual declining in the value of *indicator for untied aid* in Bosnia and Herzegovina, if compared to 2011 and 2012 Reports on the progress on adherence to the principles of Paris Declaration on Aid Effectiveness. It will be important to define the reasons for its decrease, which should be analysed in more details in the forthcoming period.

III. HARMONIZATION

Indicator 9 – Using common arrangements or procedures

Indicator 9 global target: *66% of aid flows are provided in the context of programme-based approaches (PBA)*

Indicator 9 assesses the extent to which donors disburse their funds through programme-based approach (PBA approach) in relation to total disbursed aid. Any PBA approach which is applied should have three main characteristics: (I) partner country is responsible for defining the clear development programme (i.e. sector policy) and establishing of a single budget framework which includes all sources of financing (from domestic and external); (II) donors should use domestic systems for drafting and implementation of programmes, financial management, monitoring and evaluation; (III) donors and partner countries are jointly responsible for establishing of formal donor coordination process and harmonization of donor procedures.

Development Aid provided to BiH through the PBA approach has been more of an exception than the rule, as recorded in the previous analyses as well as in 2013. According the responses from the survey participants, only 2 donors (Sweden / Sida and EU) reported limited use of the PBA approach in 2013.

The assessment for *Indicator 9 - Using common arrangements or procedures* could not be performed for 2013, due to the small sample of received responses. However, it could be concluded that the majority of donors in BiH use PBA approach in the insignificant extent or not at all.

Fragmentation and duplication of donor efforts at sectoral level - in both investment and technical assistance - also increase significantly transaction costs for the authorities and hence they exhaust the limited internal institutional capacities at all levels in BiH. Over the mid-term period, it could be expected that in relation to the domestic income, the volume of external financing will continue to decrease, in particular of those coming directly from bilateral sources, while EU funding are expected to continue to increase in BiH.

In accordance with the above mentioned, in the coming period it will be necessary to initiate the activities to build the institutional capacities in BiH to be able to establish, define and implement the adequate PBA approach in the country, as well as clear defining of institutional frameworks and procedures for its implementation at all levels of governance in BiH.

Indicator 10 – Conducting joint missions and sharing analyses

Indicator 10 global target: **10a)** 40% of donor missions in the field are conducted jointly and
10b) 66% of country analytic work is carried out jointly

Indicator 10 assesses the degree to which donors mutually coordinate their activities in the partner country. The progress is measured based on two indicators: *Indicator 10a* assesses the percentage of joint donor missions in the partner country, while *Indicator 10b* registers the percentage of joint country analytic work in the partner country.

Indicator 10a – Joint missions

The Paris Declaration suggests that donors should mutually cooperate as well as coordinate the planning of missions with the representatives of the partner countries, in order to reduce the number of missions in the field.

Indicator 10a assesses joint missions undertaken by two or more donors, as well as their ratio compared to the total number of conducted missions in one year.

According the data obtained from the survey participants, the assessment for *Indicator 10a- Conducting joint missions and sharing analysis* is 22, 41% in 2013, since out of 58 conducted donor missions in 2013, only 13 were joint missions in Bosnia and Herzegovina.

In 2013, progress was achieved in the result for *Indicator 10a - Conducting joint missions* from the Report for 2013, if compared to results from previous reports, possibly due to smaller number of participating donors in this survey. Simultaneously, it should be mentioned that the total number of missions in 2013 had decreased in comparison to 2012, when 108 missions was conducted.

All survey participating donors reported that they conducted missions in 2013, while 4 donors (50%) had reported joint missions in collaboration with other donors.

In line with the mentioned, it will be necessary to continue the activities on further improvement of coordination with and donors, and among other to better prepare and coordinate future joint missions in Bosnia and Herzegovina in the forthcoming period.

Indicator 10b – Joint country analytic work

Analytical work includes various analyses and recommendations aimed at strengthening of dialogue, development policies and provides support for the implementation of different strategies (national, sectoral, etc.). Focused and serious analytical work is crucial for accurate defining and successful implementation of development policies and programs, as well as for more efficient allocation of development funds, due to the savings on transaction costs, time available for interviewing of all participants and unnecessary duplication of activities by various donors. Therefore, the Paris Declaration emphasizes that donors should undertake the analytical work on reports/reviews and programs evaluation as much as possible in joint arrangements in the partner countries

According the data collected from the survey participants, the assessment for *Indicator 10b - Joint country analytic work* was 9, 30% for 2013, since out of 43 conducted analytic activities in Bosnia and Herzegovina, only UNICEF and Switzerland conducted total 4 joint activities in 2013.

Except for mentioned positive efforts reported by UNICEF and Switzerland, all other participants providing data, did not report on their analytical activities jointly conducted with other donor.

Modest increase can be observed in rating of this *indicator*, in comparison with 2012 Report, possibly because of lesser number of participating donors in this survey. In the next period, more detailed analysis should be conducted in order to define the reasons for such low performance trend of the assessed value of *Indicator 10b* in Bosnia and Herzegovina.

IV. MANAGING FOR RESULTS

Managing for results is the fourth principle of the Paris Declaration which implies management and implementation of development aid resources in a way that they are channelled towards the desired results and it anticipates the use of obtained information from this process in order to improve the decision making. This principle recommends the use of: (I) comprehensive, vertically integrated monitoring and evaluation system; (II) data use for programme adjustments, budget allocations as well as the policy, (III) data flow directed to decision makers at appropriate levels and (IV) generating accurate data via statistical systems.

Furthermore, this principle also includes strengthening capacity to undertake such management approaches as well as the adoption of a results-based monitoring framework. Overall, this indicator measures the number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategy and (b) sector programmes.

Indicator 11- Results-based monitoring framework

Indicator 11 global target: to reduce by 1/3 the proportion of countries lacking transparent and measurable results-based monitoring frameworks

Indicator 11 is assessing the quality of recipient country result-based monitoring framework and it is directly related to *Indicator 1 (operational development strategy)*. Rating of the monitoring framework quality for implementation of the mentioned approach is based on the observation of the quality of following data: (I) the quality of information produced, (II) participants access to the requested information and (III) the quality of the monitoring and evaluation coordination system in the partner country. The assessment of this *indicator* is published in the World Bank's *Review on Results-Based*

National Development Strategies: Assessments and Challenges Ahead. The assessments are expressed in scores running from A (high) to E (low).

Assessment for Indicator 11 - Results-based monitoring framework couldn't be performed according to The World Bank methodology, because BiH still does not have established harmonized Results-based Monitoring Framework at the state level.

However, according to the responses from domestic institutions, such assessment is only partially accurate, considering that the fragmented initiatives for establishing the measurable frameworks for performance assessment were already instituted in certain institutions in BiH.

Direktorat for Economic Planning (DEP) within its jurisdiction also performs the "monitoring of implementation of annual, mid-term and long-term development strategies"¹⁵. In order to realize the mentioned competency, DEP reported the establishment of two types of coordination: *horizontal* and *vertical*.

First, *horizontal* coordination includes institutions at the level of BiH.

Second, *vertical* coordination refers to linking of institutions through various levels of governance in BiH (BiH Institutions, entities, Brcko District), where state institutions have exclusively the coordination role, while institutions from other levels of governance define and implement development policies.

To improve donor coordination and ODA effectiveness, Ministry of Finance and Treasury in January 2009 assumed the role of the Secretariat of the Donor Coordination Forum (DCF), which includes organization of quarterly consultative-working meetings with representatives of BH authorities and international community, managing and administering Donor Mapping Database (DMD), preparing of the annual "Donor Mapping Report in BiH" and the official DCF website www.donormapping.ba managing and maintaining. It is the first step within the ongoing process of facilitating transparent and quality access to information, monitoring of results and preparation of the unique harmonized framework for M&E system for ODA in BiH, harmonized at all levels of governance in BiH.

Agency for Statistics in BiH reported on successful conclusion of the implementation of the Population, Households and Dwellings Census in BiH in 2013. Publication of the preliminary results of the 2013 Census of population was published within the observed period as well¹⁶. This will provide accurate baseline indicators as inputs for improved role of statistics in result-based policy making. Also, in the field of sectoral development, the Agency and Entity Statistics in 2013 prepared and adopted the document "Strategy for the Development of Statistics of Bosnia and Herzegovina in 2020"¹⁷.

Regarding the monitoring of the results-based approach implementation at entity level, Republika Srpska reported variously defined monitoring and evaluation processes existing for 25 sectoral strategies, out of total 31 currently operative strategies.

In the Federation of BiH, Federal Institute for Development Programming reported that they do not prepare standardised monitoring report regarding the implementation of certain strategy, but prepare the reports on assessment, analysis of policies implemented by the Government of FBiH, with recommendations for their improvement.

Neither the Framework for monitoring and evaluation nor the Results-based monitoring Framework did not in place in Brcko District of BiH.

In accordance with above mentioned, it is evident that the Framework for results-based monitoring is

¹⁵ The Law on the Council of Ministers BiH („Official Gazette of BiH“, no. 30/03, 42/03, 81/06, 76/07, 81/07, 94/07 and 24/08)

¹⁶ For more info, please visit: http://www.bhas.ba/obavijestenja/Preliminarni_rezultati_bos.pdf

¹⁷ For more info, please visit:

<http://www.bhas.ba/planiprogram/STRATEGY%20FOR%20DEVELOPMENT%20OF%20STATISTICS%20OF%20BIH.pdf>

fragmented and unevenly applied in Bosnia and Herzegovina, on various levels of governance as well as in various institutions. That could be reason for initiating the activities on harmonization of all Performance Assessment Frameworks at all levels of governance in BiH.

V. MUTUAL ACCOUNTABILITY

Indicator 12 - Mutual accountability

Indicator 12 global target: All partner countries have mutual assessment systems in place

Through the ***Mutual accountability*** principle and joint work, donors and partner countries are committed to channel the aid towards the achievement of the country development goals and they will be accountable to each other in these efforts. The Paris Declaration defines the need for a strong and balanced mutual accountability mechanism between donors and institutions in partner countries as well as it assesses whether there is a framework in the partner country for joint assessment of the progress of national institutions and donors in realization of the commitments that stem from the partnership. To be able to say that the partner country has a mutual framework for measuring of the accountability, three following criteria should be met: (I) the existence of formally agreed policy or strategy in the area of development aid between donors and the partner country, (II) the conditions and goals for improvement of aid effectiveness are defined and officially accepted by the partner countries institutions and donors and (III) establishing of a dialogue that involves all spheres of society (public, private and civilian).

The assessment for *Indicator 12 - Mutual accountability* for 2013 was not conducted, since the formal mechanism for monitoring of this *Indicator*, was not in place in Bosnia and Herzegovina.

However, the Ministry of Finance and Treasury is undertaking activities on further advancement of cooperation, coordination and partnerships between representatives of BiH authorities and donor community in BiH, through organizing and holding DCF meetings; administering and updating PIMIS-DMD database, preparing annual Donor Mapping Reports (DMR) which analyze on-going development activities as well as reform processes in priority sectors in BiH reflecting the interests of Bosnia and Herzegovina and International community to share the knowledge and look for synergies in their efforts to promote the socio-economic development in Bosnia and Herzegovina.

Table 2: Report on monitoring of the progress on adherence to the principles of The Paris Declaration on Aid Effectiveness in Bosnia and Herzegovina for 2013

Paris Declaration principles	Paris Declaration indicators		Paris Declaration global targets	Annual report for 2011	Annual report for 2012	Annual report for 2013
OWNERSHIP	1	Operational development strategy	At least 75% of partner countries have operational development strategies	D	D	D
ALIGNMENT	2a	Reliable public finance management systems (PFM)	Half of partner countries move up at least one measure (i.e., 0,5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance	3,5	3,5	3,6
	2b	Reliable public procurement systems	One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator	No assessment available	No assessment available	No assessment available
	3	Aid flows are aligned to development priorities	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) with at least 85% reported on budget(s)	No assessment available	No assessment available	No assessment available
	4	Strengthening of capacities through coordinated support	50% of technical co-operation flows are implemented through coordinated programmes consistent with national development strategies	No assessment available	No assessment available	No assessment available
	5a	Use of country public finance management systems (aid flows)	90% of donors use partner countries' PFM systems and one third reduction in the % of aid is achieved for which PFM systems are not used to the public sector not using countries' PFM systems (Score 3,5-4,5)	No assessment available	No assessment available	No assessment available
	5b	Use of country procurement systems (aid flows)	90% of donors use partner countries' procurement system , and one third reduction in the % of aid to the public sector, not using partner countries' procurement systems	0,34%	2,02 %	9,98%
	6	Avoiding parallel implementation structures	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	37	27	33
	7	Aid is more predictable	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled	10,35%	No assessment available	No assessment available
	8	Aid is untied	Continued progress over time	88%	69,83%	52,60%
HARMONIZATION	9	Use of common arrangements or procedures	66% of aid flows are provided in the context of programme based approaches (PBAs)	No assessment available	No assessment available	No assessment available
	10a	Joint missions	40% of donor missions in the field are joint	27,59%	16,82%	22,41%
	10b	Joint country analytical work	66% of country analytic work in the field is joint	18,84%	2,78%	9,30%
MANAGING FOR RESULTS	11	Results oriented framework	Reduce the gap by one-third — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third	Not currently in place	Not currently in place	Not currently in place
MUTUAL ACCOUNTABILITY	12	Mutual accountability	All partner countries have mutual assessment systems in place	Not currently in place	Not currently in place	Not currently in place

CONCLUSIONS

The Report for 2013 indicates an uneven and yet insufficient progress in implementation of principles of the Paris Declaration on Aid Effectiveness in Bosnia and Herzegovina. It could be concluded that certain degree of progress was achieved in the previous period, although it could not be measured by international defined assessment methodology. However, it is evident that number of activities were initiated related to improvement of certain principles and public financial management system at all levels of governance in BiH.

In order to achieve the sustainable socio-economic development in Bosnia and Herzegovina, responsible Institutions at all levels in BiH in cooperation with donors active in BiH, should enhance their joint efforts on further improvement of adherence to the principles of the Paris Declaration in BiH in the forthcoming period.

The ownership principle – According to the Report for 2013, the assessment for the *ownership principle*, measured by The World Bank's standards, is still low (D). However, it is important to underline that in the reporting period activities were focused on defining development priorities and channelling Aid towards more effective implementation, in order to enable BiH leadership in the economic development. In the absence of a single strategic framework, projects prioritization was based on the entity and sectoral strategies or other strategic plans at all levels of governance. Linking domestic and foreign financial sources with development priorities and strategic plans also enable better mid-term planning, reporting and evaluation of budget execution. Taking in consideration all afore mentioned, it could be concluded that in the previous period certain degree of progress was achieved in adherence to the *ownership principle* in Bosnia and Herzegovina.

The principle of alignment is directly related to the capability of partner country to establish reliable financial management systems and procedures. The assessment of *indicators* (from 2 to 8) used for monitoring of this *principle*, indicates moderate progress achieved within *indicators* measuring the use of public financial management and procurement system in Bosnia and Herzegovina, while the status of majority of other *indicators* remained unchanged or even deteriorated (in case of untied aid and number of PIUs) compared to the previous Report. But, it is important to stress out that objectivity of analysis was limited by small number of participants in this survey. However, more detailed analysis needs to be conducted in order to define the reasons for such low performance of assessed value for most *indicators*. It will be necessary to continue activities on further improvement of adherence to the ***alignment principle*** in the forthcoming period, particularly focusing on further improvement of public financial management quality and establishing the systems that will guarantee fiscal discipline, strategic prioritization of costs, operative efficiency and fiscal transparency, through further improvements in the areas of strategic planning, budgeting, financial control and public investments.

The principle of harmonization is measured through *indicators* assessing the share of development Aid implemented through programme based approach (PBA) as well as the share of joint missions and analytic work of donors in the partner country. Considering that negligible number of donors reported the use of PBA approach during the reporting period, it could be concluded that donors still do not use such approach in BiH at the expected level. *Indicators* for joint donor missions and analytical works vary. Despite gradual progress recorded in 2013, compared to the results from previous reports, it should be taken into consideration that the low sample of participants in this survey had an impact on its overall performance. In the forthcoming period, it will be necessary to intensify activities on establishing, defining and implementing of the PBA approach in BiH, as well as on improvement of coordination with and among donors, in order to enhance their joint work.

Managing for results principle – *Indicator* for this *principle*, could not be presented in this Report, considering that BiH still does not have the harmonized results-based monitoring framework. However, in accordance with information collected from domestic institutions, fragmented initiatives

were already launched for establishing of measurable performance assessment frameworks both at various levels of governance and in individual institutions in BiH. In the forthcoming period, it will be necessary to initiate the activities on harmonization of frameworks for performance assessment, applied at all levels of governance in BiH.

Mutual accountability principle implies the improvement of joint accountability and transparency in the use of development Aid resources. In Bosnia and Herzegovina, sufficiently developed mechanisms for mutual accountability of domestic institutions and donors are currently not in place. However, the Ministry of Finance and Treasury is undertaking activities on further advancement of cooperation and coordination and developing partnerships and mutual accountability among representatives of BH authorities and donor community in BiH, through organization of DCF meetings; administration and updating of PIMIS/DMD database, with comprehensive data on ODA financed development projects/programs, provided by DCF members; preparing annual Donor Mapping Reports (DMR), which analyze on-going development activities and reform processes in priority sectors in BiH and reflect the interests of Bosnia and Herzegovina and the International community to share knowledge and look for synergies in their efforts to promote the socio-economic development in Bosnia and Herzegovina.