



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 – 2011**

Sarajevo, February, 2013

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List of Acronyms

BD	Brčko District
GDP	Gross Domestic Product
BiH	Bosnia and Herzegovina
CPIA	The World Bank- Country Policy and Institutional Analysis
DCF	Donor Coordination Forum
DEI	Directorate for European Integration
DMR	Donor Mapping Report
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
IDA	International Development Association
IPA	Instrument for Pre Accession Assistance
MoFT	BiH Ministry of Finance and Treasury
MoU	Memorandum of Understanding
MoFTER	Ministry of Foreign Trade and Economic Relations
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development- Development Assistance Committee
PBA	Programme based approach
PFM	Public Financial Management
PIP	Public Investment Programme
PIU	Project Implementation Unit
RS	Republika Srpska
SAA	Stabilization and Association Agreement
SCIA	Sector for Coordination of International Economic Aid
SDC/SECO	Swiss Agency for Development and Cooperation / State Secretariat for Economic Affairs
MTDS	Medium Term Development Strategy
USA/USAID	United States of America/United States Agency for International Development

INTRODUCTION

In 2011, Bosnia and Herzegovina had an estimated population of 3.839.737 inhabitants¹, nominal GDP of 25.474 million KM² and GDP per capita of 6.634 KM³. The governance structure in the country is comprised of the Council of Ministers of Bosnia and Herzegovina, two Entity Governments: Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) as well as Brčko District. BiH Federation is divided into ten cantons and 79 municipalities, Republika Srpska is divided into 62 municipalities⁴ while Brčko is a separate administrative unit- District.

In June 2008, Bosnia and Herzegovina signed the Stabilization and Association Agreement (SAA) with the European Union (EU) entering the new phase of development towards the EU membership. In achieving that aim, Bosnia and Herzegovina will need a further support of donor community. BiH economy has recorded the stagnation during the 2011, considering that the new wave of financial crisis in Europe as well as global price increase, have negatively affected the economic growth of the country. Although financial and monetary stability of the country was maintained, the quality of public finance will require further improvement as well as enhancement of international aid efficiency.

In 2011, donors focused their activities in Bosnia and Herzegovina on the strengthening of infrastructure, public financial management, institutional capacities building and private sector development, as key engines of development. Largest international financial institutions in BiH ensured the *credits*, while multilateral and bilateral donors had provided *grants* for realization of the mentioned activities.

PARIS DECLARATION ON AID EFFECTIVENESS

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 that are directed to the realization of the global development goals. The Paris Declaration established the activities for improvement of aid quality and its impact to the partner country development through implementation of five key Paris Declaration 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. Organization for Economic Cooperation and Development (OECD) is responsible for monitoring of the implementation of the Paris Declaration principles and it organized and held 4 high level forums and conducted three global surveys (in 2006, 2008 and 2011).

Bosnia and Herzegovina has officially endorsed the Paris Declaration on Aid Effectiveness in 2010, and in that way accepted the obligation to undertake the activities aimed to the improvement of aid efficiency as well as regular monitoring of the progress achieved in this domain.

In the same year, in order to assess the initial status, Bosnia and Herzegovina had conducted the first survey on adherence to the Paris Declaration principles (baseline year is 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 participated in OECD Global monitoring on implementation of the Paris Declaration principles, in order to monitor the progress achieved in 2010. The results of this monitoring were published in the Report „*Effectiveness of Aid 2005-2010: Progress in implementation of the Paris*

¹ „Demography 2011“, thematic bulletin of the BiH Agency for Statistics, Sarajevo, 2012, p. 4.

² „GDP for BiH in 2011, production approach, first results“, information of the BiH Agency for Statistics, Sarajevo, July 25th 2012., p. 1.

³ Ibid, p.1.

⁴ „Demography 2011““, thematic bulletin of the BiH Agency for Statistics, Sarajevo, 2012, p. 4.

Declaration". Council of Ministers of BiH was informed about this Report on the 6th session held on May 3rd 2012.

HISTORY OF AID COORDINATION IN BOSNIA AND HERZEGOVINA

Improvements within the process of international aid coordination in BiH date back to 2006, after the Council of Ministers of BiH adopted the Information "Strengthening the efficiency of the International Aid Coordination System in Bosnia and Herzegovina", that included the transfer of the competence for international aid coordination in BiH, excluding the EU assistance, from the Ministry of Foreign Trade and Economic Relations to the Ministry of Finance and Treasury.

In October 2008, Ministry of Finance and Treasury established the Sector for Coordination of International Economic Aid, in order to improve the cooperation with the donor community in BiH and to achieve more efficient use of the development aid directed to development priorities of Bosnia and Herzegovina.

Sector for Coordination of International Economic Aid has assumed the role of the Donor Coordination Forum (DCF) Secretariat, which over time evolved from semi-formal platform for exchange of information among donors, to coordination mechanism of BiH Institutions with the donors, members of DCF.

SURVEY METHODOLOGY

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

It is important to mention that due to the fact that DCF data base is maintained in Euros, the Report for 2011 is using Euros rather than US Dollars for calculation of results.

Ministry of Finance and Treasury would like to thank to all participants in the survey, the representatives of institutions of Bosnia and Herzegovina at all levels of governance and DCF members, for their contribution in 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 principle of the Paris Declaration which assesses the ability of the partner country to exercise effective leadership over 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 countries 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 budget⁵. 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).

In regard of the above mentioned, and considering that Strategy of Development of BiH has not been adopted, Bosnia and Herzegovina was rated as D for this *indicator*.

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 strengthen and to use the existing financial systems of partner countries, in order for them to achieve the international standards.

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

The Paris Declaration has defined two components as the basis for the assessment of *Indicator 2*, whereat *Indicator 2a* refers to the establishing and use of reliable public financial management systems, while *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)⁶ which evaluate the quality of PFM systems for all IDA countries. The score for the

⁵<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:22284087~pagePK:41367~piPK:51533~theSitePK:40941,00.html>

⁶The 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.

quality of PFM systems⁷ uses the scale running from 1 (very weak) to 6 (very strong) with the possibility of half-point increments for the achieved result.

For high score, partner country needs to meet the following criteria: (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 Bosnia and Herzegovina with a score of 3.5 - "moderately strong"⁸ within its Country Policy and Institutional Assessments (CPIA), for the quality of its public financial management systems, which is above the average (3.3) achieved by all IDA countries in 2011.

The established legislative framework in Bosnia and Herzegovina defines the public financial management that is based on the medium-term planning. The laws which regulate the public financial management are mutually harmonized at all levels of governance in BiH.

Fiscal Council of BiH was established by the Law on the Fiscal Council of BiH, 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 Brčko 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.

The framework for public finance management in Republika Srpska is defined by the Law on the Budget System of Republika Srpska, the Law on Treasury and the Law on Execution of the Budget of Republika Srpska which introduced the medium term planning and debt management, while the budgetary plan is adjusted with its execution and the efficient allocation of resources is taken into account.

In the Federation of BiH, framework for public finance management is defined by the Law on the Budgets in the Federation of BiH, the Law on Treasury in the Federation of BiH and the Law on Internal Audit in Federation of BiH. For each fiscal year, Federation of BiH adopts the Law on Execution of Budget of FBiH for that year, which regulates the the way of budget execution. In Brčko District, the framework for public financial management 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;
- In order to define long-term priorities and improve the budget planning, Institutions of BiH, Federation of BiH, Republika Srpska and Brčko District are preparing Budget Framework Papers (BFPs), which is particularly important in the context of programme budgeting;
- Better connection of allocated budget resources with priority economic, social and development policies at all levels of governance in Bosnia and Herzegovina, through introduction and implementation of programme based budgets. Although BiH has achieved the progress in this area if compared to other countries from the region, still more time is needed for transition from so far practiced adoption of the budgets based only on economic categories (linear budgeting) to the adoption of the budgets based on concrete programmes (programme budgeting).

Also, within the public financial reform which started in 2009, the key element is the development and strengthening of Public internal financial control (PIFC) systems and procedures in BiH Institutions. In

⁷Based on the results of Indicator 13 in the CPIA

⁸ <http://www.worldbank.org/operations/IRAI11/BiH.pdf>

accordance with this, Central Harmonization Unit (CHU) was established in the Ministry of Finance and Treasury, with the goal to strengthen the internal control and managerial responsibility of managers in the public sector in BiH.

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)*

The quality of partner country's procurement system is assessed through *the Procurement's Methodology for Assessment of National Procurement Systems*, which was 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.

Detailed assessment of Bosnia and Herzegovina in terms of the quality, legislation, institutions and public procurement practices has not yet been performed. Therefore, the assessment for this *indicator* for 2011 can not be performed.

Regulation framework for public procurement is defined by the Law on Public Procurement of BiH⁹ and adequate bylaw acts and it is applied in the entire territory of Bosnia and Herzegovina. This Law established the public procurement system in BiH, rights, duties and responsibilities of participants in procurement procedures, and institutions competent for monitoring of application of public procurement regulation implementation, in order to respect the principles of equal treatment, non-discrimination and transparency.

Considering that the current Law on Public Procurement in BiH has not been entirely harmonized with the existing EU directives 2004/17 and 2004/18, Public Procurement Agency initiated the activities on adoption of the new legislative framework, harmonized with the European practices and legislation¹⁰. Initiated activities are in line with public procurement system development strategy in BiH for the period 2010-2015 and associated Action Plan, adopted by the Council of Ministers of BiH in August 2010¹¹.

Indicator 3- Aid flows are aligned on national priorities

Indicator 3 global target for 2010: *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 is 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 suitable form to partner countries and (ii) the degree to which partner countries accurately record aid.

Comprehensive and transparent reporting on received aid as well as on the use of aid, 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 as well as whether the provided aid is implemented responsibly and with results.

⁹Official Gazette BiH, no: 49/04, 19/05, 52/05, 8/06, 24/06, 70/06, 12/09 i 60/10

¹⁰<http://www.javnabenabavke.gov.ba/index.php?id=10&lup&lup=3&jezik=bs>

¹¹<http://www.javnabenabavke.gov.ba/index.php?id=03vij&vij=25&jezik=bs>

Reporting system on aid flows reported within the budget in Bosnia and Herzegovina is still not on the satisfactory level, considering that majority of donor programmes and projects are not reported in the budgets. For this reason, it will be necessary to make further improvements in regard to the rules and regulations related to reporting on aid to BiH Institutions.

Due to the lack of information received from institutions of Bosnia and Herzegovina and entities as well the inability to adjust the data received from donors, there isn't sufficient basis for the value assessment of the *Indicator 3*.

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.*

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

Since Strategy of development of BiH has not been adopted, Indicator 4 assessment could not be performed for the 2011. Donors directed their efforts on the existing strategic goals and sectoral strategies for the programming of their aid, asserting that their support is consistent with the strategy and policy documents of the country.

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.*

Indicator 5 assesses the extent to which donors are using country PFM and procurement systems when funding is provided to the public sector. The 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 against 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: (1) use of budget treasury system, (2) use of budget financial reporting, (3) use of national audit systems and (4) using all three systems together. Only those projects satisfying three out of four mentioned requirements could be included in the calculation of this indicator.

Donors who responded to the donor questionnaire, reported a selective use of some of the above mentioned criterias in the year 2011 in Bosnia and Herzegovina, but only UN organizations had reported the use of all three of them, meaning that only their project data were included in the calculation of this indicator. Also, BiH Institutions also have not submitted sufficient data for the analysis of this indicator.

According the above mentioned, the assessment of the Indicator 5a was not prepared for the year 2011.

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

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

In 2011, most of the donors in BiH, did not use BiH public procurement system.

In line with the data received from donors who responded to the donor questionnaire, the volume of development aid which has used BiH procurement system was just 12.43% in year 2011.

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 governance systems, considering that although in the short term PIUs can play an useful role in good practice establishment and promotion of more efficient project management, in the short term, their application slows down the capacity building in partner countries.

Out of the total 49 project implementation unit reported by the participants in the survey, 37 of them were classified as parallel PIUs in 2011.

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 accuracy of how they are recorded in partner countries public finance 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.

According to the received answers within the survey, 69% of the development aid was predictable in 2011.

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 provided to partner countries as well as the administrative costs, while untied aid helps the development of partner country's own capacities for the provision of goods and services.

OECD is performing the assessment for this *indicator*. It was assessed that 88% of aid provided to Bosnia and Herzegovina in 2010 was untied. Considering that data for 2011 are not published yet, the value of this indicator remains unchanged.

III. HARMONIZATION

Harmonization principle promotes the joint work and coordination of donor activities in the partner country, in order to reduce the transaction costs and increase the efficiency of the development aid. The Paris Declaration defined three indicators that serve as the basis for assessing the overall harmonization: *Indicator 9* - calculates the percentage of the use of common arrangements within programme-based arrangements, *Indicators 10a* - calculates the percentage of joint donor missions and *10b* - calculates the percentage of shared analysis conducted by donors in the partner country.

Indicator 9 – Using common arrangements or procedures

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

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 resources (from domestic and external sources); (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.

Due to the small sample of received donor responses regarding the application of PBA approach in Bosnia and Herzegovina, it was not possible to perform the objective assessment for this indicator in 2011.

Indicator 10 – Conducting joint missions and sharing analyses

Indicator 10 global target: **10 a)** 40% of donor missions in the field are conducted jointly and
10 b) 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 to the received responses of donors in BiH participating in this survey, 87 donor missions were conducted in 2011, out of which 24 or 27,59% missions had been jointly carried out.

Indicator 10b – Joint country analytic work

According to the received responses of donors in BiH participating in this survey, out of 69 conducted analytic activities, which included drafting of reports/reviews/evaluations/assessments in 2011, only 13 or 18,84% analytic activities were carried out in mutual cooperation among donors.

IV. MANAGING FOR RESULTS

Managing for results is the fourth principle of the Paris Declaration which 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 strategies 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)*. 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).

Considering that Bosnia and Herzegovina still does not have the harmonized results-based monitoring framework, the assessments for this *indicator* could not be presented in this Report.

V. MUTUAL ACCOUNTABILITY

Indicator 12- Mutual accountability

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

Mutual accountability principle implies the improvement of mutual accountability and it assesses whether the partner country has the framework in place for mutual assessment of the progress achieved by domestic institutions and donors in realization of the partnership commitments.

Currently, there is no developed formal mechanism for monitoring of the indicator on implementation of mutual accountability principle in Bosnia and Herzegovina. That is the reason why assessment of mentioned principle has not been conducted for 2011.

Table 1: Report on the monitoring of the progress on implementation of the principles of The Paris Declaration on Aid Effectiveness in BiH for 2011

Paris Declaration principles	Paris Declaration indicators	Paris Declaration global targets	Baseline survey 2008	Annual report 2011
OWNERSHIP	1	Operational development strategy	At least 75% of partner countries have operational development strategies	In the adoption phase
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 (moderately strong)
	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
	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
	4	Strengthening of capacities through coordinated support	50% of technical co-operation flows are implemented through coordinated programmes consistent with national development strategies	Developm. strategy is in the adoption phase
	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)	0,71%
	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.	1,74% 12,43% (low)
	6	Avoiding parallel implementation structures	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	59 37 (moderate)
	7	Aid is more predictable	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled	21,63% 69% (very high)
	8	Aid is untied	Continued progress over time	7,89% 88% (very high)
	9	Use of common arrangements or procedures	66% of aid flows are provided in the context of programme based approaches (PBAs)	13,78% No assessment available
HARMONIZATION	10a	Joint missions	40% of donor missions in the field are joint	10,71% 27,59% (good)
	10b	Joint country analytical work	66% of country analytic work in the field is joint	4,60% 18,84% (moderate)
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
MUTUAL ACCOUNTABILITY	12	Mutual accountability	All partner countries have mutual assessment systems in place	Baseline survey is the first step Not currently in place

CONCLUSIONS

Although certain progress in the implementation of some of the principles of Paris Declaration has been achieved in BiH, the findings of Report for 2011 indicates that BiH Institutions as well as donors should make additional efforts on implementation of reform processes, which will enable further improvement of efficiency of development aid in Bosnia and Herzegovina.

The assessment for indicator which refers to **the ownership principle** is still low (D), considering that Development strategy of BiH has not been adopted yet.

The principle of alignment of the development aid is directly related to the capability of partner country to establish reliable financial management systems and procedures. The assessment of indicators (2-8) that are used for monitoring of this principle, indicates that in 2011, progress was achieved within the indicators measuring the number of parallel PIU units, predictability and unconditionality of development aid as well as the use of public procurement systems in Bosnia and Herzegovina.

The principle of harmonization is measured through *indicators* which assess the percentage of the development aid implemented through the programme based approach (PBA), the number of joint missions and joint analytic work of donors. The assessment of indicator for PBA could not be performed, due to the small sample of received responses from donors. The progress was achieved in the increasing number of joint donor missions and analytic work.

Considering that BiH still does not have harmonized results-based monitoring framework, the *indicator* for **Managing for results principle** could not be presented in this Report.

Mutual accountability principle implies the improvement of joint accountability and transparency in the use of development aid resources. Currently, there are no sufficiently developed mechanisms for mutual accountability of domestic institutions and donors in Bosnia and Herzegovina.