
Donors in BiH – Support to the Development of the NGO Sector

Lessons (Not) Learned

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Why this analysis?

In the post-war period, according to many estimates, Bosnia and Herzegovina received the most donor aid per capita in history. Despite many problems, this aid enabled the country's economic recovery and relatively normal economic growth up until the global economic crisis.

On the other hand, obtaining basic information on the size of consolidated donor assistance in BiH has proven to be impossible. Before 2000, local governments did not keep even partial records of received aid, and collective information on overall foreign donor assistance did not exist and could not be consolidated.

Over the last ten years, each parliamentary Assembly of BiH formed a commission whose task was to determine the size of foreign assistance, with the aim of identifying local corruption in its implementation. Each attempt failed and, after the initial enthusiasm, the appointed commissions would dissolve. Add to this the fact that, except sporadically,¹ we have not had any serious analysis of foreign donors' policies in BiH or of the implementation of their assistance.

The situation regarding the funding of the NGO sector by foreign donors is very similar, starting from the lack of consolidated information on the size of funding, to observed problems of lack of transparency.

In this document we tried to provide an overview of the international legal framework for donor policies, because lack of transparency and efficiency of donor support have been clearly identified as a world scale problem since 2008. Very little is known about this and there is no noticeable interest of foreign donors to act accordingly.

Efficient and transparent utilisation of donor funds – International legal framework

Foreign international assistance is meant to facilitate economic progress of developing countries, post-conflict recovery and reconstruction countries and countries affected by natural disasters. The question which inevitably follows overall donor interventions in developing countries is how to ensure foreign aid efficiency? One of the dominant questions arising in the current agenda for reforming the international assistance model is how can accountability of development agencies towards their constituents on the one hand, and governments of countries receiving donor assistance and civil society organisations on the other, be increased?

Reform of the international aid system was initiated because of some key defects which reflected negatively on the targeting of international aid and disabled harmonised activities of donor agencies. The transparency monitoring report „*Not Available! Not Accessible!*“, prepared by AccessInfo organisation, identified low level of availability and accessibility of information as the main downsides. A lot of information is not published or presented in enough detail. Information on budgets, contracts, consultations and anti-corruption mechanisms are especially hard to find. Although some agencies, such as DFID UK, provide a lot of good quality information, the research found that most agencies demonstrate an alarming lack of information. Consequently, agencies in Great Britain scored 90 points out of the maximum 132 points, whereas Norway scored only 40.

Being aware of the importance and necessity of adhering to the principles of transparency and accountability in regard to aid allocation, some international agencies started imposing additional criteria and intensified monitoring methods of implementation of allocated funds. Demands for increased monitoring of implementation of donor funds have also been coming from non-governmental organisations (NGOs) which increasingly demand a more transparent process of allocating donations with the aim of reducing the possibility of manipulations and promoting specific interests of both donor countries as well as of recipients in this area of international cooperation. Apart from non-governmental stakeholders, a significant number of governments of donor countries and multilateral organisations also took part in intensive promotion and advocacy of transparency of international aid. There is a whole range of international organisations and forums which recognize, support and demand transparency and mutual accountability as the basis for the effectiveness of aid implementation – the Paris Declaration, Busan Declaration, OECD, UNDP, European Union, The International Aid Transparency Initiative (IATI), PublishWhatYouFund and others.

¹ We can name two: OSF BiH group of authors (ed. Papić, Ž. Authors: Bojičić-Dželilović, V. Čaušević, F. Kušljagić, M. Mijović, Lj. Pajić, Z. Papić, Ž. Sali-Terzić, S. Stojanov, D. Stubbs, P. Udovičić, Z.) International Support Policies to South-East European Countries: Lessons (Not)Learned in B-H, Sarajevo: Müller, 2001. and Papić, Ž. Ninković, R. Čar, O. Integrity in Reconstruction – Corruption, Effectiveness and Sustainability on Post-War Countries, Sarajevo: IBHI, 2007.

One of the most important steps in this direction was the founding of the International Aid Transparency Initiative, IATI, in 2008 with the aim of promoting aid transparency at all levels and in all segments of the allocation process. IATI brings together donor countries, governments of developing countries, non-governmental organisations and experts for exchanging information on allocated aid, and it should be noted that their membership in this Initiative is voluntary.

The NGO *Publish What You Fund* made an even more important step in this regard by clearly defining the problems and main stakeholders in the chain of allocation and implementation of international support:

- **Governments of donor countries** do not know how much aid is allocated or planned by other donors, which leads to duplicating interventions in some areas alongside insufficient funds in other. Without donor support transparency, coordination between donors cannot be achieved and the maximum influence with their limited funds cannot be realised;
- **Governments of recipient countries** have difficulties accessing information about how much funding is invested into their country or where and how it is spent. Recipient countries must have more information in order to increase the effectiveness of funds allocated for support and join them with local funds. If donors do not publish their plans for funds allocation, that reduces the possibility of the recipient to plan long-term, comprehensive projects which, in turn, limits and slows down development;
- **Civil society**, including non-governmental organisations, employers and citizens, have the right to know how much international support is coming into the country and what it is being spent on. More and better quality information on international support provide an additional incentive to increase aid effectiveness and provide feedback to tax payers about what their money is spent on.

IATI tries to make information on the implementation of donor aid easier to find, use and compare. Those who are involved or interested in the aid programme will be able to keep better track of what aid is being used for and the end results. This is very helpful both to tax payers in donor countries and developing countries using this aid. Enhancing aid transparency will also enable governments of developing countries to manage aid funds more efficiently, meaning that all funds will be used to the maximum for mitigation of poverty and underdevelopment.

Publish What You Fund state that: „The four pillars of transparent aid allocation are to ensuring data is published in a manner that is 1) timely; 2) comprehensive; 3) accessible and 4) comparable“

The organisation *Publish What You Fund* has made a large leap forward in this sense by publishing the first Aid Transparency Index in 2010, through which they tried to establish different measurement indicators for measuring transparency of bilateral and multilateral donors. According to the Aid Transparency Index 2012, certain progress has been made in comparison to 2010 in regard to aid transparency, but it is not enough. For the 2012 Index, 72 organisations were selected, including bilateral and multilateral agencies, humanitarian agencies, development financial

institutions and private foundations. Only two organisations were ranked as „good“: UK DFID and the World Bank, whereas, for example, USAID, European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Norway, Czech Republic, Germany (GIZ), Austria, Switzerland, UK FCO, European Commission – Enlargement were all ranked „moderate“ or „poor“. Although the estimate and ranking were performed on a worldwide scale, it is important to note that some of these organisations are among the long-term and main donors in Bosnia and Herzegovina.

The average score for 72 donors in the Donor Transparency Index, on the scale of 1 - 100 points, is 41 points for activities worldwide. Comparisons with the situation in BiH, especially regarding NGOs, are very interesting. According to the Transparency International study „National Integrity System Assessment BiH 2013“, the civil society in BiH received 46 points (on the scale 1 - 100). Although this data is not directly comparable, it is still interesting to note that the average transparency/integrity of CSOs in BiH is larger than the average of 72 international donors. From the aforementioned study it is also important that the overall score of international organisations (apart from a few largest donors, this includes OSCE, OHR, ECK, EUPM, etc.) was 70 points (on the scale 1 - 100). Due to different samples, direct comparisons with previous results is not possible here either, but it is interesting that scores of international organisations by specific aspects of their activities are significantly lower: transparency practices 50; integrity mechanism 50; dedication to the fight against corruption 50; etc.

Possibly one of the most important documents regarding efficient and transparent implementation of international support is the Paris Declaration from March of 2005, which states that far-reaching measures will be undertaken in order to reform the ways in which international support is allocated and managed. The Declaration states that the volume and other sources of development must be increased in order to realise the Millennium Development Goals,

but also that effectiveness must be increased so that partner countries would strengthen their management and improve developmental indicators. Signatories of the Declaration are bound to intensify their efforts to provide developmental support by rationalising the fragmentation of donor activities at the state level, as well as by sectors. Some of the main conclusions and obligations of the Declaration are that international support policies must be adapted to various situations and needs of individual countries; that indicators, deadlines and objectives must be specified and that implementation must be controlled and evaluated. On their part, donors especially committed to harmonising their actions with strategies of partner countries, joint harmonising of their activities, simplifying procedures and promoting local ownership.

The Paris Declaration also highlights the role of CSOs and NGOs in regard to the effective use of aid and defined them as independent development stakeholders whose activities are complementary to the activities of the governmental or private sector and emphasizes the benefits of enabling CSOs and NGOs to realise their full potential in contributing to development. In the Paris Declaration, CSOs are explicitly called upon to declare how they can apply the principles of the declaration on foreign aid effectiveness from the perspective of CSOs.

The Paris Declaration states that „The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives – from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.“

The „Busan Partnership for Effective Development Cooperation“ from December, 2011 confirmed the conclusions of the Paris Declaration, emphasizing that a new and more inclusive development agenda needs to be created, in which different stakeholders will participate based on joint objective, principles and commitments – first and foremost, the civil society and the private sector. The role of civil society is defined as vital in enabling people to realise their rights, in promoting the rights-based approach, shaping development policies and partnerships and monitoring their implementation. Another issue which is addressed in detail in the Busan Conclusions is suppression of corruption and illegal money flows which, at the global level, inflict enormous damage and divert funds intended for development, impair the quality of management structures and impose a threat to the general safety of people. The „Busan partnership“ assigns the responsibility for the realisation of stated obligations and respect of provided principles equally to donor countries and partner countries.

In the European Union context, transparency and accountability are the main components for effectiveness of aid implementation. The operational framework for aid implementation effectiveness of the European Union Council from January, 2011 states that for monitoring donor aid effectiveness it is necessary to: avoid duplication or multiplication of data, apply an inclusive approach, ensure reciprocity i.e. for information to be delivered by both donors and partners, ensure data comparability and provide regular reporting and evaluations.

As shown in this brief overview, over the last few years there have been significant improvements and turning points in the international sphere when it comes to international support policies. Whether any efforts are invested in the resolution and enhancement of these issues in Bosnia and Herzegovina, we will try to answer in the rest of the analysis.

Where is BiH? – Donor overview in BiH

Bosnia and Herzegovina is one of the countries which receive substantial international support. According to data from the *Donor Mapping Report 2010-2011*, published by the BiH Ministry of Finance and Treasury, donor agencies, members of the Donor Coordination Forum (DCF) have donated 680.33 million EUR for BiH in 2010, whereas, by July of 2011, they donated 349.69 million EUR. Out of the 1,030.02 million EUR donated in 2010 and 2011, 304.93 million EUR was allocated through grants and a 725.09 million EUR through credits. Compared to 2009, the total amounts of official developmental aid in 2010 increased by 60.83 million EUR. Grants dropped by 26.21 million EUR, whereas amounts of credits increased by 87.04 million EUR. The largest percentage of international support was allocated to sectors of economic development and social protection (45%) and the infrastructure sector (35%), which are followed by the sector of management and sector of institutional development (6%), the conflict prevention and resolution, peace and security sector (5%), and the sector of agriculture and forestry (3%).

It is interesting to note that the Donor Mapping Report 2010-2011 states that the report provides information on activities and funds allocations of 20 donors – DCF members. It is emphasized that „The information and statistics presented in this report are based on the financial data entered into the DCF database, as well as the responses of individual donor agencies and a number of relevant domestic institutions. Although data has been verified by international and local stakeholders, there is still the possibility of errors. The same applies to the information provided in the narrative of the report.”

The largest and most significant bilateral donors active in BiH are: USA, Germany, Switzerland, Netherlands, Norway, Sweden and Italy, whereas the largest multilateral agencies are the EU, UNDP, World Bank and the European Investment Bank (EIB) European Bank for Reconstruction and Development (EBRD). Gradual decrease of funds is the trend which has been observed since 2006 in the allocation of international support for BiH. Apart from that, some of the bilateral donors which have provided direct support earlier, such as the United Kingdom, Netherlands, Spain, Austria and Italy, now provide support indirectly through multilateral agencies.

Although necessity of coordination, monitoring, transparency and efficiency of implementation of international support in BiH has been emphasized since 2000, serious progress occurred only in 2005, when the Donor Coordination Forum was founded. The second step forward was the founding of the Sector for Coordination of International Economic Aid (SCIA) by the Ministry of Finance and Treasury in 2008, which is in charge of coordinating international aid, excluding the aid of the European Union.

Furthermore, in 2009 the BiH Council of Ministers officially adopted the Paris Declaration on Aid Effectiveness, thus binding the governments of Bosnia and Herzegovina to fulfil 56 partner obligations in five main areas covered by the Declaration: ownership of local institutions, alignment of objectives, harmonisation, managing for results and mutual accountability. BiH has been officially added to the list of countries signatories of the Paris Declaration in 2010.

It is both contradictory and surprising that the state and all donors present in BiH have signed the leading documents and declarations pertaining to efficient and transparent implementation of international support, and that, at the same time, very little is being done on the concrete implementation of their provisions. The founding of the Donor Coordination Forum is certainly a praiseworthy initiative and an example which should be followed by all donors which are active in BiH. However, the efforts of the members of the Forum must be questioned when the number of 20 Forum members is compared to the number of 209 donors active in BiH according to the Donor Directory from January, 2012. It is certainly reasonable to question how resources of these donors are allocated, and how to monitor, evaluate and coordinate their use?

According to the OECD-a report *Aid Effectiveness 2005–10: Progress in implementing the Paris Declaration* from 2011, it is clearly stated that a lot more effort needs to be invested both by BiH institutions and donors in

order to ensure better quality implementation of the Paris Declaration in the country. According to data from 2010, when BiH participated for the first time in the survey for the report, BiH fulfilled only two out of ten indicators with corresponding targets – harmonisation indicator on strengthening capacity by coordinated support and aid. Progress was also made in regard to the tasks on results management, and the targets of other indicators (ownership, mutual accountability, two for cooperation and all three for harmonisation) were not fulfilled.

The Paris Declaration emphasizes that aid effectiveness is increased when donors use a mutual framework and coordinate the management and delivery of support. Partner countries have the obligation of defining clear programmes and strategies which are adapted to the needs and priorities of a country, as well as to set up a budget framework which will cover both local and external sources of funding and aid. Donors are responsible for undertaking measures and steps in order to utilise local systems for preparing their programmes and their implementation, financial management, monitoring and evaluation. Although programme-based aid allocation (*programme-based approach*) is emphasized in the Paris Declaration, only 35% of aid in BiH in 2010 was programme-based, which is significantly less than the set target of 66%. Only six donors allocate aid in this way, out of which funds 88% is allocated by the World Bank as budget support.

The target set by OECD is that 40% of donor missions in the field are realised jointly. However, according to the OECD Report, out of 131 donor missions in BiH (here we can see how data on the exact number of donors in BiH

The Donor Coordination Forum was founded in 2005 by 17 donor agencies and financial institutions as a semi-formal platform for information exchange. In time, DCF developed into a coordination mechanism which attempts to promote donor aid efficiency and accountability of institutions of the host state. After the initial 17 members, the DCF now has 20 members which actively contribute to the reform process in BiH.

vary) only 10% was coordinated. No donors coordinate more than 50% of their missions, while the majority stays far below this percentage. The UN has implemented the largest number of missions in BiH (59), out of which only 10 (17%) were coordinated with other donors, whereas institutions of the European Union coordinated the largest part of their missions - 50%.

Furthermore, both donors and partner countries are obligated to manage their funds in accordance with well-defined expected results, as well as to measure their progress and use information on achieved results in order to improve decision-making and enhance their effects. The global goal of the Paris Declaration was to reduce the number of countries without a transparent monitoring and evaluation framework by one third by 2010. The score given to BiH in 2010 by the World Bank for result-oriented framework was C (same as in 2007). At the state level there is still no monitoring and evaluation system so they are performed *ad hoc*, often solely by those institutions in charge of the subsequent audit.

It is noteworthy that only 7 respondents out of the potential 20 responded, in writing or orally, to our requests for interviews or questionnaires developed for this analysis, focusing precisely on the methods of allocating international support, monitoring its implementation and results estimates. Accordingly, the response rate is low (only 35%, despite many interventions and repeated requests for response or any information). Without a doubt, this points to the containment of foreign donors and the absence of elementary transparency. Apart from that, representatives of donor agencies which did respond emphasized some important issues and shared the practices and modalities of funds allocation which should definitely become a model for the rest of the donor community in BiH.

First and foremost, they emphasized the ways of publishing calls for proposals: on the internet, as well as daily or weekly newspapers, mailing lists, CSO networks and partner institutions, which ensures that all interested in applying are informed about funding opportunities in a timely manner. All calls must be accompanied by clear, detailed and accessible project documentation and guidelines, apart from which there must also be the possibility of asking additional questions or requesting clarifications on the conditions and requirements whether orally or in writing or by organising informative sessions. Evaluation commissions should include representatives of donors, external experts, representatives of local governments and of civil society. Commissions' members must report every potential conflict of interests and sign a report on impartiality. Evaluation commissions perform the first selection and, in fact, propose projects for funding on which the final decision is reached by a higher management or steering committee. Results of the selection process, with names of organisations, project titles and exact numbers of points should be published and made accessible to all applicants, in order for them to have insight into process results. Those organisations whose projects were not selected should be delivered detailed and well-substantiated explanations of the reasons due to which their projects were not selected and referred to the shortcomings of their project applications, thus strengthening organisations' capacities and ensuring that they will not repeat the same or similar mistakes in future project applications. There must also be grievance mechanisms which demand detailed and substantiated replies and, if needed, meetings with the applicants in which all necessary explanations will be provided. Complaints should not be perceived as negative, but as a means for donors to improve their application procedures while, simultaneously, working on strengthening organisations' capacities.

Contrary to donor funds, whose amounts and flows are extremely difficult to follow, there are precise and updated information on funds allocation of the government sector to the NGO sector. According to the survey by the Social Inclusion Foundation in BiH and CSPC, BiH government allocated a total of 100,006,470.48 BAM in 2012 for NGO activities, which can be followed by levels of government and sector to which funds were allocated. It is important to note that the response rate of government institutions for the survey is 98% (SIF in BiH/CSPC 2013).

Emphasis was also placed on methods of controlling and evaluating project implementation and results, as well as field visits to organisations implementing projects and the end beneficiaries. All respondents stressed that, apart from reviewing financial and narrative reports, the presence of donors in the field is of utmost importance and it ensures direct insight into implementation of activities and provides additional support and guidelines for work. Field presence does not only include controlling project activities, but also participation in different public events and media events realised within the project, in which donor participation is important for the promotion of both the project and the organisation. All information on supported projects, implementers, allocated funds and results have to be public and accessible, primarily on the donor web pages of the donor and project implementer. The completion of the project cycle should be accompanied with a brochure of good practices in order to familiarize the community with the implemented projects and results and to create a basis for the continuation or enhancement of

project activities. **The above stated should be understood as the donors' opinions on what should be done, not as a description of their regular practices.**

The UNDP project „Reinforcement of Local Democracy“ (LOD) is an example of good practice in BiH when it comes to establishing mechanisms of transparent disbursement of municipal funds to civil society organisations. This type of transparent work, monitoring and evaluation should definitely become the practice of the entire donor community in Bosnia and Herzegovina and, along with coordination and mutual harmonisation of donor missions, it is crucial for ensuring effective use of donor support and realisation of long-term, concrete, visible results.

What next?

Considering the general socio-economic situation in Bosnia and Herzegovina, which is deteriorating with every day, accompanied by constant political disagreements and obstruction of reform processes and attempts to establish development programmes, it is clear that Bosnia and Herzegovina will continue to depend on international assistance and that, for its own good, it has to focus its attention primarily on transparent and efficient use of the remaining donor funds in order to achieve long-term, sustainable results and development of BiH. In order to achieve this goal, complete inclusion, accountability and coordination of three key stakeholders in this process is necessary: representatives of governments and local institutions, civil society organisations or non-governmental organisations as the largest segment of the civil society in BiH, and the donor community. Consequently, our recommendations for measures and steps focused on enhancing donor transparency and effectiveness are divided into:

1. Recommendations for non-governmental organisations

- **Establishing registries of non-governmental organisations** – the first step towards changing and improving the current allocation of donor funds is the introduction of a public and electronically accessible NGO registry in BiH, which will cover all NGOs in BiH and provide information on the date and place of an NGO's founding, level of registration, implemented projects and donors who supported them, as well as annual programme and financial reports. The project portfolio is one of the most important parts of the NGO registry, because it provides donors with a clear insight into the areas in which an organisation implemented projects and achieved results;
- **Transparency of non-governmental organisations** – non-governmental organisations themselves have to promote transparency in their work and in the use of donor funds. All NGOs have to be registered, have offices and employees, regularly fulfil their obligations towards the state and their employees, have a functional and democratically elected management structure (management board, assembly), and publish narrative reports on their activities and results;
- **To work on ensuring sustainability, self-sustainability and continuity of their actions** – decreasing amounts of international aid allocated to BiH and their re-allocation to other areas represent a great problem and threat to the NGO sector, but also on the donor community which is experiencing increasing pressure to allocate support and funds. One part of the solution for this issue is in the hands of NGOs which must turn to local sources of funding, especially considering the fact that funds allocated by state institutions for activities of the NGO sector by far surpass foreign donations. NGOs also have to work on the diversification of donors and turn to those donors who are less present in the country, or not at all. Donor diversification also means turning to the private sector and utilising the potentials of public-private-civil partnership. Corporate and individual philanthropy in BiH is highly rare and needs to be developed because it represents one of the most common ways of fundraising in developed countries. Creativity and innovations of project ideas and their justification are the primary criteria for ensuring support for NGO work. Another fundraising option for the continuation of work in NGO sector can also be opened by founding individual profit-making subjects, which will be market-oriented and direct part of their profits for the work of the founding NGO.

2. Recommendations for the donor community

- **Create a donor registry** – it is necessary to create an on-line registry of donors active in BiH, with precise, updated and timely information on annual and multi-annual planned budgets, areas and issues on which the donor mission plans to focus on in the future period, timely announcements of calls for proposals, as well as all projects each donor supported and allocated funds in order to prevent the same or similar initiatives to be funded several times from different sources, unless it is a case of matching funds;

- **Improve and expand the work of the Donor Coordination Forum** – The Donor Coordination Forum must include all donors active in BiH, which will regularly and actively participate in its work and deliver all relevant information on their missions, activities and plans in order to ensure coordination and harmonisation of their activities. The DCF must form an additional coordination body or executive board to coordinate the work of the Forum, collect, distribute and public all relevant information to both members of the DCF as well as to other interested parties. Apart from donor agencies, representatives of local institutions and civil society organisations should also be forum members as most important partners and direct beneficiaries of international support, who can provide the best advice regarding the needs and issues on which donors should focus and which need to be resolved by good targeting of donor support;
- **Publish information regularly and transparently** – in order to achieve full transparency, donor organisations must publish a lot more information in a timely manner, so that they can be accessible and comparable. All information which should be accessible in accordance with the Law on access to information should be broadly publicized. A database with on-line public access to all information which do not fall under the regulation on the exemption on publishing information should be established;
- **Respect the right to request information and provide information** – organisations and agencies must guarantee that everyone has the right to access information both by proactive publishing and by establishing mechanisms by which everyone can request and be provided with information. Everyone's right to request information without the need to justify their request must be respected, keeping in mind that information delivery procedures have to be regular and free of charge;
- **Publish complete and detailed information** – ensure that information is published in detail and that there is a summary for every category of information, if possible; provide links for other relevant information available on-line, in other databases and on other web pages;
- **Proactive publishing of information** – international organisations and public institutions allocating funds should proactively publish information on funds allocation and other activities. It is necessary to develop a system of collecting and timely publishing of information on: policies and procedures of funds allocation, allocation strategies, flows of support (including financial flows, operative and administrative expenses), criteria for receiving support along with procurement procedures including the conditions for contractors and sub-contractors, integrity procedures, efficiency estimates and possibilities of public participation;
- **Prevent and suppress corruption** – in order to protect themselves from corruption and bad practices and work on their suppression, donors must have powerful mechanisms and comprehensive control, monitor the effect that they have, publish information on the number of complaints and corruption reports which they receive, as well as on the outcomes of investigations conducted in that regard. Adequate mechanisms need to be established for filing complaints for members of the public and for internal "whistleblowers" in order for them to divert attention to irregularities, and who will be provided with an appropriate level of anonymity and other necessary forms of protection.

3. Recommendations for government institutions

- **Enhance control and monitoring of the influx and implementation of donor funds** – government institutions should be far more engaged in issues of control and monitoring of international donations. After donor agencies themselves, the state is the most important stakeholder which must control money flows and implementation. This is very important because a large portion of money from donor support is focused on projects for which state institutions are responsible and because an increasing share of donor funds is matched by state funds in the implementation of various projects, so the state's role and active participation in this process is indispensable. As mentioned earlier, representatives of local institutions must become part of the Donor Coordination Forum membership where, apart from an advisory role, they will also provide information on government allocations for projects implementation by specific areas in order to find the best modalities of funds matching and maximising the end results.
- There are 3 laws being processed by the Parliamentary Assembly of BiH: Law on Associations, on Foundations and Endowments. In order to introduce the necessary financial control over the work NGOs, it is necessary to **include an article into the Law on Associations and Law on Foundations** which will state: „Supervision over the financial management of associations (foundations in the Law on Foundations) is realised by the Audit Office of the Institutions of BiH and other institutions in charge“. Apart from that, it is important to maintain articles of both

laws which prescribe inspection supervision over the work of associations and foundations in the application of laws and regulations implemented by the Ministry through administrative inspections. Changes in entity laws have to be made identically and with the same goal.

- **Facilitate implementation and respect of obligations accepted by signing of international documents on efficient and transparent use of aid** – signing international documents on the use of international aid is the first step in the application of regulations and obligations to which signatories are bound, so Bosnia and Herzegovina has to intensify its efforts to implement all regulations and improve indicators which measure the efficiency of implementation of international aid.

The provided recommendations are a basic framework and set of principles in accordance with which the donor community and other relevant stakeholders in Bosnia and Herzegovina should act. Experiences of developing countries demonstrate that there is no fast, unified solution for the development of a system and environment suitable for the development of transparency and efficiency of donor support, but it is quite clear that non-transparency, corruption, lack of harmonisation and coordination directly minimise or even completely nullify the effects of donor support. Therefore, this analysis and the final recommendations have the aim of presenting the existing faults of the system of allocating, monitoring and evaluating the effects of donor aid in Bosnia and Herzegovina in order for governments and donor agencies, as well as beneficiaries to increase their accountability and to improve mechanisms and adopt good practices and achieve maximum progress and long-term results and, finally, create conditions for sustainable development.

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