



# Financing civil society organizations from BiH government budgets - a case study of the BiH Ministry of Civil Affairs

Selma Osmanagić Agović

## Strong and financially stable civil society - benefits for the country

*"A strong civil society contributes to an effective state that can protect people's human rights, support economic growth, tackle corruption and provide security and basic services like education and health care."*

DFID Practice Paper: Civil Society and Good Governance, September 2007

Civil society development mirrors the level of development and openness of a democratic society. In BiH, civil society is still very weak and divided,<sup>1</sup> and more efforts are required to develop the capacity of civil society, particularly in areas in which it is not an equal partner to the government. In addition, many CSOs also face financial instability and a constant struggle to find new funds. On the other hand, there are some very good and well developed CSOs in BiH, which are able to play a strategic role in establishing and maintaining cooperation with relevant institutions and can participate on an equal level in the decision-making processes.

It is necessary that the BiH institutions recognize the benefits and advantages of cooperating with civil society and, more generally, are aware of the benefits of the existence of a strong and developed civil sector in the country. The benefits for local institutions of cooperating with CSOs are multiple. They include the possibility of outsourcing services within their competencies, but which

<sup>1</sup> This was noted in the EU document: „Enlargement Strategy and Main Challenges 2007-2008“ that assessed a slight improvement of BiH authorities in supporting the civil society development; that is however still not developed enough.

they currently do not have the capacity to implement<sup>2</sup>, to expert civil society actors; and the possibility of benefiting from CSOs' subject matter and field expertise in the development of policies and legislation. In addition, civil society can and must play an important role in the accession of Bosnia and Herzegovina to the European Union. CSOs can implement advocacy campaigns to ease the adoption of reforms, especially those that do not have the full support of the public but are necessary to fulfil pre-accession requirements. They can also play an important role in stimulating the effective use of EU pre-accession funds, and in the future, in planning the use of structural funds<sup>3</sup>.

For these reasons it is extremely important that the BiH authorities recognize the importance of creating conditions for the development of a strong and stable civil society and contributing to its financing. In order to do this, they must create an enabling environment<sup>4</sup>, and in order to do that, it will be necessary to create a transparent and systematic system for funding CSOs from public budgets.

<sup>2</sup> An example of delegating some competences to the CSOs is Ministry of Security, which outsourced 6 local NGOs to provide shelter and free legal aid to foreign victims of trafficking

<sup>3</sup> More on the role of CSOs in the process of European integration: National strategy for the creation of enabling environment for civil society development 2006-2011, Office for Cooperation with NGOs, page 52-54

<sup>4</sup> An enabling environment is the one that enables and does not control, which guarantees the independence of CSOs. As the Ljubljana Declaration states, an enabling environment means more than just creating a legal and fiscal framework. It is not enough to meet European standards for civil society. In fact, there is not one European model; instead there exist a series of different standards

## Summary

This policy brief presents the findings and recommendations of the research entitled "Civil society organization financing for BiH government budgets - a case study of the BiH Ministry of Civil Affairs", conducted within the Policy Development Fellowship Program 2008-2009, funded by the Open Society Fund of Bosnia and Herzegovina (BIH).

The study explores issues relating to financing civil society organizations (CSOs) from the funds of local institutions' budgets, and focuses particularly on the funds allocated at state level, by the Ministry of Civil Affairs of Bosnia and Herzegovina. The assumption is that the recommendations resulting from this research could be applied by lower levels of BiH governments as well.

The research showed that BiH currently does not have a single coherent policy for civil society funding and that the funding process is non-transparent. Significant amounts of money are allocated annually by all levels of government to finance civil society, often without public tenders and with almost no follow-up analysis of the effectiveness of the projects funded. As a result, this has discredited the work of these financing institutions and has had a negative effect on development of civil society. The goal of this study was therefore to define models for financing CSOs from the local institutions' budgets, which would have a positive effect on civil society development and also build trust in the work of ministries, and contribute to the development of a better understanding between civil society and government.

### The current model of financing civil society - what is missing?

*"...Financial viability remains the biggest concern and the weakest dimension of NGO sustainability."<sup>5</sup>*  
NGO index 2007, USAID

To date, the main source of CSO funding has been international donors. However, they are now reducing their financial assistance to BiH, and directing it towards other crisis areas. This will inevitably lead to a complete change in the main sources of CSO funding over next few years.

At the same time, it is clear that the process of allocating funds from the budgets of local institutions at all levels of government is not conducted in a transparent manner, lacks strategic vision, and is often motivated by political and personal interest. This has led to diminishing trust amongst both the public and CSOs in the institutions responsible for allocating the funds. Large amounts of money are allocated annually to provide support to civil society<sup>6</sup> without any coordination amongst the grant giving bodies without complying with any procedures. In addition, a large number of grants are allocated without announcing a public call for proposals or applying any guidelines during the selection process<sup>7</sup>.

The main focus of this policy study is the way in which the BiH Ministry of Civil Affairs grants financial support to CSOs. The findings developed, after collecting and reviewing the information gathered, showed that many of the CSOs do not understand the procedure by which the Ministry allocates grants. In addition, they do not trust that the system for allocating funds is fair or transparent. They consider that the process is very biased and subject to political and personal interest. On the other hand, it was clear that the Ministry is gradually working on improving the grant procedures. In that way, it can serve as an example to institutions at the lower level of government, which allocate financial support without any procedures, or any intention to systematise their grant allocation. However, there is still room for improve-

ment in the way the Ministry allocates grants to CSOs. For example, it needs to design its calls for proposals in a more strategic way, so that the projects implemented by the CSOs it funds are framed in the context of the Ministry's and BiH's strategic development goals. In addition, it should establish specific selection criteria for each project and monitor and evaluate the projects it funds to assess whether they have used the funds for the purpose intended and had a positive impact in the intended beneficiaries.

In conclusion, the current way of financing CSOs at all levels of government in BiH has no positive impact and influence on the development of civil society. In addition, because projects are not evaluated, it is not clear whether projects funded by public budgets have any positive effect on their intended beneficiaries or wider society. Finally, funds are not allocated in accordance with the strategic objectives of the relevant authorities, or BiH as a whole, which means that the relevant institutions are missing out on the added value that strategic CSO projects could bring to their work.

### What Next?

The question of how to fund civil society and its development from the budgets of local institutions in the most effective and strategic way is currently a controversial question in BiH, and needs to be dealt with now. It should be addressed in a responsible and serious manner, with an eye on the political and social reality in BiH. CSO funding must be allocated in a transparent way, which minimizes any possible malpractice in the selection process, and also builds the confidence of citizens in the institutions that fund civil society. It should also be conducted in a strategic way, so that it positively influences the development of civil society in BiH, and also plays a role in helping the BiH institutions to achieve their strategic goals. To sum up, in order to reform the system for funding CSOs from public funds, there will need to be significant changes to the current system of financing.

After considering the findings of this research and reviewing best practice in the region, we

<sup>5</sup> The NGO Index is a standard USAID tool for assessing NGO sustainability in the countries of Europe and Eurasia. Its methodology is standardized and consists of conducting focus group discussions with NGO experts, assessing a country's score and producing an annual report. The NGO Index 2007 is available at: [http://www.usaid.gov/locations/europe\\_eurasia/dem\\_gov/ngoindex/2007/complete\\_document.pdf](http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2007/complete_document.pdf)

<sup>6</sup> Previous studies that explored the topic of financing CSOs showed that all levels of governments in BiH allocate significant funds for civil society support; for example, in 2007 they awarded a total of 110 million KM. Most of the funds come from municipal level; the state assigns the smallest amount. In 2008, the Ministry of Civil Affairs distributed 1.5 million KM to 160 organizations in the country. More on this see: "Analysis of institutional cooperation between governmental and nongovernmental sectors in Bosnia and Herzegovina". Kronauer Consulting, Sarajevo, 2008. Available at: < <http://www.kronauer-consulting.com/download/analiza-en.pdf> >. Retrieved at 15.04.2009.

<sup>7</sup> More on allocation methods: "Government Allocations for the NGO Sector in Bosnia and Herzegovina in 2007. SDC: 2008," Swiss Agency for Development and Cooperation (SDC)



reached the following conclusion. It is essential to establish a state level independent body responsible for: providing more systematic support to civil society; for establishing better relations between CSOs and the government; and to ensure more strategic, systematic and transparent funding for civil society. Such a body would:

- contribute to the establishment of a more consistent and coordinated process of CSO grant allocation at all levels of government;
- increase the transparency and efficiency of the administrative bodies that allocate grants;
- provide a clearer picture of which CSOs are being funded by which government body to do what work; and therefore
- reduce the likelihood of wasted or inappropriately allocated funds and of funds being allocated by more than one government body to fund the same activity.

It would neither be technically, nor politically, feasible to centralize the allocation of financial assistance from all levels of the government in BiH to this independent, state level body. Therefore such a body should, in its initial phase only be in charge of grants coming from state and, if possible, entity level, but develop a Code of Practice for distributing public funds to CSOs that would also be applicable to the lower levels of government. After harmonizing the procedures for allocating CSO grants at state and, ideally, entity level, this body could develop the capacity of the relevant state and entity institution to award grants in compliance with the Code of Practice. When this had been done, the body could hand back grant allocation responsibility to the state and entity institutions and focus on monitoring and evaluating the implementation of the Code of Practice by all levels of government in BiH. These responsibilities could be incorporated within the responsibilities of the Office for cooperation with the nongovernmental sector, which the Agreement on Cooperation between the Council of Ministers of BH and the Non-Governmental Sector in BiH<sup>8</sup> envisages will be established by the Council of

Ministers. Until then, the competencies for allocating state level funds should remain with the BiH Ministry of Civil Affairs, which would need to make significant changes to its grant allocation and implementation process and procedures.

These changes would among others include:

- development of the set of criteria and system for scoring the project application
- Set a limit on the value of projects that CSOs can submit for funding in each call for proposals
- introducing the obligation of narrative reporting on project activities
- conducting the evaluation and monitoring of finances CSOs project and their impact on the community

- This should be regarded as an intermediate solution, until the establishment of the Office for cooperation with the nongovernmental sector at the level of the BiH Council of Ministers.

It is inevitable that there would be considerable resistance to this idea from some of the state institutions that currently have CSO funding within their remits, and perhaps from lower levels of government, and some CSOs too. However, the introduction of a more streamlined, effective and transparent system for financing civil society organizations from public budgets is one of the priorities of the European Union, and would be advantageous to all parties, including the BiH institutions, CSOs and the beneficiaries of their projects.

The following specific recommendations would apply once the Office for cooperation with the nongovernmental sector had been established:

**Recommendations relating to the new Office for cooperation with the non-governmental sector within the Council of Ministers of BiH:**

1. Ensure transparency in decision-making and grant allocation, to include:
  - Project selection criteria, as well as a points system. Scoring of specific criteria should be clearly defined and stated in all calls for proposals.

<sup>8</sup> Agreement on Cooperation between the Council of Ministers of BH and the Non-Governmental Sector in Bosnia and Herzegovina, Sarajevo, December 2007, available at: < [http://www.civilnodrustvo.ba/files/docs/Agreement\\_on\\_cooperation.pdf](http://www.civilnodrustvo.ba/files/docs/Agreement_on_cooperation.pdf)



A "Policy Development Fellowship Program" has been launched by the Open Society Fund BiH in early 2004 with the aim to improve BiH policy research and dialogue and to contribute to the development of a sound policy-making culture based on informative and empirically grounded policy options. The program provides an opportunity for selected fellows to collaborate with the Open Society Fund in conducting policy research and writing a policy study with the support of mentors and trainers during the whole process. Forty eight fellowships have been granted in three cycles since the starting of the Program. All policy studies are available at [www.soros.org.ba](http://www.soros.org.ba)



**Selma Osmanagić Agović** has an MA Degree in "State management and humanitarian affairs" from La Sapienza University of Rome and University of Sarajevo (2005) and graduated from the Law School in Sarajevo. During the last 5 years, she has worked for the American Bar Association (ABA/CEELI) and for the Directorate for European Integration on projects relating to the rule of law, judicial reform, the education of judges and prosecutors and the fight against corruption. She currently works as a consultant for ATOS Consulting on projects fostering cooperation between civil society and State Ministries and Offices. She is a member of ACIPS and an associate member of the Rule of Law Initiative.

- Set a limit on the value of projects that CSOs can submit for funding in each call for proposals and create a system that is aimed at providing larger amounts of funding for a smaller number of organizations. Ideally, grants should either cover all of the project activities outlined in the application, or make co-funding a clear requirement in the call for proposals, so as not to risk the chances of implementing the projects which are awarded funds.

2. Assure that projects funded by BiH institutions draw on the strategic plans of ministries and the development priorities of BiH as a whole, in order to enable better coordinated and strategic projects and improved cooperation between CSOs and the relevant institutions.

3. Design a Code of Good Practice, Standards and Benchmarks for the Allocation of Grants for the Programs and Projects of NGOs applicable to all government institutions in BiH and the Office for cooperation with non-governmental sector in the process of grant allocation.

4. Assign clear responsibilities for monitoring, analysis and evaluation of financing CSOs from public budgets at all levels of government in BiH.

#### **Recommendations relating to ministries at all levels of BiH government:**

1. Provide more information to the ministries at all levels of government about civil society in general, but also about the benefits they can gain from improved cooperation with civil society and possible modes of future cooperation.

2. Build the capacity of the ministries' representatives to apply strategic thinking and identify potential areas of cooperation with civil society, which would allow for joint activities based on partnership and other types of cooperation.

3. Designate one point person for CSOs or set up a department for civil society within each of the ministries which actively work with or support CSOs, with responsibility for working with the Office for cooperation with the nongovernmental sector.

#### **Recommendations that affect the development of the civil society:**

1. Develop a coherent state development policy for civil society that will be a guide for all actions concerning civil society and its funding.

2. Encourage capacity development of CSOs in sectors where CSOs are currently underrepresented or weak, so that they are better able to play a strategic role in the development of those sectors.

#### **Bibliography**

1. Agreement on Cooperation between the Council of Ministers of BH and the Non-Governmental Sector in Bosnia and Herzegovina, Sarajevo, December 2007, available at:

< [http://www.civilnodrustvo.ba/files/docs/Agreement\\_on\\_cooperation.pdf](http://www.civilnodrustvo.ba/files/docs/Agreement_on_cooperation.pdf)

2. "Analysis of institutional cooperation between governmental and nongovernmental sectors in Bosnia and Herzegovina". Kronauer Consulting, Sarajevo, 2008. Available at:

< <http://www.kronauer-consulting.com/download/analiza-en.pdf> >. Retrieved at 15.04.2009.

3. Communication from the Commission to the European Parliament Enlargement Strategy and main Challenges, Brussels, 6.11.2007, COM(2007) 663 final

4. "Civil Society and Good Governance", DFID Practice Paper., September 2007,

5. "Government Allocations for the NGO Sector in Bosnia and Herzegovina in 2007. SDC: 2008", Swiss Agency for Development and Cooperation (SDC)

6. NGO Index 2007, USAID available at [http://www.usaid.gov/locations/europe\\_eurasia/dem\\_gov/ngoindex/2007/complete\\_document.pdf](http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2007/complete_document.pdf)

7. "National strategy for the creation of enabling environment for civil society development 2006-2011", Office for Cooperation with NGOs, Zagreb, 2006