



# Regulating Development Bank of Federation of Bosnia and Herzegovina

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## Summary

Based on the quantitative assessment of the activities implemented by the Development bank of Federation of Bosnia and Herzegovina (DBFBH), institution primarily designed to fight unemployment in Federation of Bosnia and Herzegovina (FBH), this policy proposal provides a set of policy options, and recommendations, aimed to improve, and regulate one of the crucial organizations strategically created to fight poverty in FBH. The proposed options are especially designed to address the DBFBH policy towards small and medium companies, which are the biggest drivers of employment in FBH. These options include some specific steps that should be taken in order to improve efficiency of the DBFBH in achieving its objectives, which is primarily to decrease the unemployment rate in FBH. Furthermore, a set of recommendations will be proposed to the Audit Committee of the DBFBH, aimed to improve the control, and evaluation systems within the DBFBH.

## 2. Introduction

Development banks are government-sponsored financial institutions concerned primarily with the provision of long-term capital to the industry. Development banks finance projects in the form of long-term loans at market rates, very-long term loans below market rates, and through grants. Despite the fact that development banks have played a significant role in the industrialization process of Europe and Japan, currently, there is a perception that recent development banking, especially in less developed countries (LDCs) did not manage to repeat the successes of their predecessors. Widespread evidences of mismanagement and corruption are only some of the factors that have contributed to their underperformance.<sup>1</sup>

<sup>1</sup> Armendariz de Aghoion, "Development Banking" *Journal of Development Economics*, 58 (1999), 83-100

Similar to the core mission of other development banks, The Development bank of Federation of Bosnia and Herzegovina (DBFBH) is a financial institution with its main purpose to implement the economic policy of the Federal Government, improve economic development, and employment through stimulated, and differentiated interest rates, previously set lower than the usual commercial interest rates. With its current capital of around 200 million BAM, and planned capital of around 400 million BAM, Development Bank of Federation of Bosnia and Herzegovina is one of the scarce resources that Bosnian government may use in a fight against poverty, and unemployment. Taking into account that Bosnian GDP is around 26 billion BAM, resources at disposal to the DBFBH are not negligible.

This bank is established through the Law on The Development bank of Federation of Bosnia and Herzegovina, and it has began its operations on July 8<sup>th</sup> 2008, as the ancestor of the Investment Bank of Federation of Bosnia and Herzegovina, that has been operating since 1997. As such, DBFBH is one of the key mechanisms for the Government of Federation of Bosnia and Herzegovina, especially in areas that are of minor interest for commercial banks e.g. infrastructure, water supply, environmental protection, and projects that require *longer repayment periods with low interest rates*. Also, with its focus on the more coherent economic development, structural, and regional balance, the DBFBH is designed to provide the most attractive financing conditions, specific credit lines for reconstruction and development of small and medium enterprises.<sup>2</sup>

<sup>2</sup> (<http://www.rbfbih.ba/razvojna/bs/txt.php?id=255>).

However, the first, and the most important objective of the Federal Development Bank in this sense, is fight against the unemployment. The Law on The Development bank of Federation of Bosnia and Herzegovina, Article 4 (Objectives of the DBFBH), clearly states the first objective of the DBFBH: financing the reconstruction, and development of Federal economy, and employment growth.

Firmly standing at the official rate of around 40%, unemployment is probably the biggest problem in Bosnia and Herzegovina. This is one of the highest unemployment figures not only in Europe, but also in the world. High unemployment rates represent a vast underutilization of human resources; the unemployed, who are most often young, urban, and educated individuals, are a potential source of social unrest and political discontent.

My overall objective in this proposal is to develop a better understanding of the DBFBH activities and whether they are in line with the legal and statutory requirements, i.e. increased employment.

For this proposal I have created a database of all companies that received loans from the DBFBH in 2009, and 2010; their financial performance, number of employees in 2008, 2009, 2010, 2011,



and I will try to answer the question: What was the effect of approved DBFBH loans on number of employees, and profitability in these companies? Assuming that transparency, and accountability in development banks represent an important aspect in assessing the objectives of the organizations, and based on a number of interviews I conducted with the members of the DBFBH's Internal Audit Service, I will put together a list of proposals for the same Audit Committee of the DBFBH.

### 3. Problem Description

#### 3.1. History of the development banks and current situation

The oldest government-sponsored finance institution is the *Societe General de Belgique* which was founded by the Dutch king William I of the Netherlands. This institution was created in 1822, with purpose to finance expenses of the Belgian state, as it was considered that Belgium is too small to be economically viable. However, after the Belgian revolution in 1830, this institution has financed the rapid industrialization of Belgium. In this sense, the creation of institutions such as Credit Mobilier, founded by Saint Simonians was also important. In the 19th century, the French economy was rapidly modernized, especially with participation of the Credit Mobilier which sold stocks to the public, and invested in the railway system. Later on, due to the lack of long-term financing, this served as model not only for European, but also for Asian and American financial institutions. Industrial Bank of Japan (IBJ) was founded in 1902, and was among the first financial institutions selling bonds to the private investors, primarily corporate banks, which enabled the corporate bankers to transmit the expertise in long-term financing, to the IBJ.

After the Second World War, many of the international and multinational development banks were created. Some of them are significant even today, e.g. International Bank for Restructuring and Development (1945), European Investment Bank (1958), African Development Bank (1964), Asian Development Bank (1966) etc.

In the 21<sup>st</sup> century, some of the development banks are not providing industrial projects and new enterprises with long-term finance for two main reasons. First, they are unable to bear the risks related to the financing of new companies in sectors that were more or less unknown. Second, they lack the specialized skills required to handle the higher risk of long-term investments. According to the model developed by Dewatripont and Maskin in 1995, softness of the budget constraint, meaning unconditional government support, keeps banks unmotivated to develop or transmit new expertise. Therefore, State subsidies to development banks should generally be conditioned upon investments being directed towards 'privileged' sectors, or specific objectives, state is trying to achieve. These are generally new ventures or industrial sectors where private financial institutions do not invest. On the other hand, if the state subsidies are unconditional, there will be no incentives for the development bank to acquire new expertise, they will not adopt new developments in the sector, and a problem of insufficient monitoring and evaluation will appear, which jeopardizes project efficiency.<sup>3</sup>

#### 3.2. Structure of the DBFBH

Bodies of the DBFBH are: Assembly, Supervisory Board, Managing Board, Auditing Committee, and Internal Audit Service.

<sup>3</sup> Janos Kornai, Eric Maskin, Gerard Roland, Understanding the Soft Budget Constraint, Journal of Economic Literature Vol. XLI (December 2003) pp. 1095–1136

### 3.2.1. Assembly

Government of the Federation constitutes the Assembly of the Bank (Assembly). Prime Minister of the Government of the Federation is "ex officio" chairperson of the Assembly.

Assembly is responsible for the following:

- Strategy and plans for business operations and development;
- Financial reports of the Bank, distribution of profit gained and loss cover;
- Request for payment (increase) of fixed assets;
- Appointment and revocation of the members of Supervisory Board;
- Control measures and supervision over business operations;
- Adoption and amendment to the Statute of the Bank;
- Statute of the Bank determines *modus operandi* and dynamic of the sessions of the Assembly.
- The Assembly meets regularly at least one a year.

### 3.2.2. Supervisory Board

Supervisory Board consists of seven members. Supervisory Board incorporates chairperson and six members who are appointed and revoked by the Assembly at the proposal of the Federal Ministry of Finances. Chairperson and members of Supervisory Board are appointed at the same time for the period of five years. The same person may be appointed to the position of the chairperson or a member of the Supervisory Board two times consecutively, at the most. Chairperson and members of Supervisory Board may be revoked before expiry of their mandate at their personal request or in case they fail to act in accordance with the Law, documents of the Bank, abuse of the office or if there arise circumstances incompatible with exercising duties in Supervisory Board. Chairperson and members of Supervisory Board may not be members of supervision, management and administration authority of any commercial bank.

Supervisory Board reports to the Assembly, and is responsible for the following:

- Appoints and revokes the members of the Managing Board;
- Provides authorizations for certain programs;
- Supervises business operations of the Bank;
- Supervises the work of the Managing Board
- Defines business goals and strategy of business operations of the Bank;
- Develops proposals of the strategy of maintaining the rate, type and distribution of capital;
- Develops strategy of risk and risk profile of the Bank, as well as ensures implementation of risk management policies and procedures;
- Adopts reports on business operations of the Bank prepared by the Managing Board upon semi-annual and annual statement of accounts with balance sheet and income statement as well as other reports within their competence;
- Adopts annual report prepared by internal and external auditing;
- Submits to the Assembly for consideration and adopts proposal of annual report on business performance of the Bank with financial report and reports from internal and external auditing, reports on work of Supervisory Board and Audit Committee and business plan of the Bank for the following business year;



- Appoints and revokes Audit Committee and Auditor General of internal audit of the Bank;
- Appoints and revokes Credit Committee of the Bank at the proposal of the Managing Board of the Bank;
- Proposes profit distribution and cover of loss;
- Prepares instructions and other documents for implementation of credit policy;
- Prepares rule books for Audit Committee as well as other general and internal documents of the Bank, business and other policies and procedures;
- Establishes temporary task groups and defines their membership and tasks;
- Ensures implementation of adequate internal and external auditing; and
- Decides on the issues that no other authority of the Bank is granted right to do according to the Law or the Statute of the Bank.

Supervisory Board sessions are held as necessary, but at least once a quarter. Two-thirds majority of the total number of members is necessary for the session, and for the decisions made by Supervisory Board to be adopted, it is necessary to have a simple majority of the total number of members.

### **3.2.3. Executive Board**

Managing Board organizes the work and runs business operations of the Bank. Managing Board consists of the President, Vice-President and Executive Director. Supervisory Board appoints President and vice-president of the Managing Board as well as executive directors. President oversees the Managing Board, runs business operations, represents the Bank, implements decisions of the Supervisory Board and Auditing Committee and is held liable for legality of business operations. President of the Managing Board may transfer part of his authorities to other persons. Mandate of the President of the Managing Board lasts for four years and may be renewed only once. In the absence of the President of the Managing Board or in case he/she is prevented to attend, Vice-President of the Managing Board presents and represents the Bank. Vice-President is appointed for the same period of time as President of Managing Board. Executive directors are appointed and revoked by Supervisory Board at the proposal of the President of the Managing Board for the same period of time as President of Managing Board is appointed.

### **3.2.4. Audit Committee**

The Bank has Audit Committee that is appointed and revoked by the Supervisory Board. Audit Committee consists of President and four members that are appointed at the same time for the period of four years. The same person may be appointed President or a member of the Audit Committee consecutively, twice at the most.

Audit Committee:

- Is liable for implementation of external audit;
- Submits financial reports to the Supervisory Board;
- Supervises operations of internal auditing and
- Carries out audit of financial operations of the Bank at the request of the Supervisory Board and reports to the Supervisory Board about it.

### 3.2.5. Internal Auditing

The Bank has the Internal Auditing Service (IAS), which is led by Internal Audit General (Internal Auditor). The Supervisory Board makes decision on appointment and revocation of Internal Auditor. Internal Auditor is responsible for the following: identification, monitoring and evaluation of business operations risks, ensuring that risks are managed in the way that reduces risks to the acceptable level, and monitoring of compliance of business operations of the Bank with the law, other regulations and general documents, and monitoring and evaluation of established business operations within the Bank. To implement its competencies, Internal Auditor has to have authorities for unrestricted and undisturbed work. Internal Auditor cooperates with the Auditing Board and reports to the Supervisory Board.<sup>4</sup>

<sup>4</sup> Law on Development Bank of Federation of Bosnia and Herzegovina

### 3.3. Objectives of the DBFBH

According to the Law on Development Bank of Federation, the goals of business operations of the Bank should be systematic and sustainable economic and social development of the Federation, in accordance with general strategic goals of the Federation. In the first place these objectives are:

- Financing of reconstruction and development of the economy of the Federation and increase of employment;
- Financing of economic infrastructure;
- Financing of improvement of agricultural production;
- Financing of rural development and incitement of construction of modern agricultural and tourist rural economies and development of rural tourism;
- Financing of export oriented companies
- Improvement of education and introduction of new technologies and innovations of business methods;
- Support to the development of small and medium entrepreneurship;
- Insuring the export of goods and services from the Federation against non-market risks;
- International promotion of developmental possibilities of the Federation;
- Improvement of environmental control;
- Development of single economic space;
- Development of production chains of domestic products;
- Equal development of the Cantons of the Federation.

Funds for these operations are ensured from the budget of the Federation of Bosnia and Herzegovina, specifically the part of the Budget called Development programs plan, which is financed in accordance with the programs of relevant ministries. Profit realization is not the primary goal of business operations of the Bank, but the Bank applies basic principles of cost-effectiveness, liquidity and placement safety within limits of established developmental goals and developmental conditions of financing.<sup>5</sup>

<sup>5</sup> Law on Development Bank of Federation of Bosnia and Herzegovina

### 3.4. Unemployment

With the impact of the global financial crisis in 2008, and the newest European recession, economic performance in Bosnia and Herzegovina is weakening. Growth in 2012 is expected



to be around 0.5 per cent. Significant state borrowings in last few years have jeopardized the fiscal stability. With the biggest loan repayments in 2014, of around 300 million BAM to IMF only, economic perspective for Bosnia remains sluggish. Among other consequences of the global and recent European recession, there are possible declines in government revenues, and low private investment rates.

Unemployment rate of 40 %, about 20 % of the population living below the poverty line and about 40% living on the brink of poverty, make the creation of jobs and income the most desirable objective. With its current capital of around 400 million BAM, Development Bank of Federation of Bosnia and Herzegovina is one of the scarce resources that Bosnian government may use in its fight against poverty and unemployment.

Since Bosnian currency (Convertible Mark) is linked to Euro via currency board, at the rate of 1.95583 KM for 1 Euro, monetary policy as one of the most important tools in fight against unemployment, is not at disposal to Bosnian policy makers. On the other hand, fiscal policy is in many ways burdened with extremely high social contributions aimed at keeping fragile social peace. This means that in boosting aggregate demand, Bosnian chief economists have only limited capacities.

Rising unemployment and falling income, help confirm the pessimism initially generated by the economic downturn. For these particular reasons, it is expected that the DBFBH loans may be one of the government tools that may be used in boosting the aggregate demand in the strategic parts of the national economy, especially in areas where it is not expected that other, commercial banks, see themselves as crucial players.

On the other hand, if the DBFBH loans are disbursed as any commercial loan given to the private sector, it may occur that these loans only serve as the leverage tool for companies in achieving financial targets, increasing profitability, but not having any major effect in employing people.

### **3.5. Incapacity of Bosnian companies**

In Bosnia and Herzegovina there are approximately 102,000 registered companies (craft businesses included). Over 90 per cent of businesses registered are small enterprises, meaning that they do not employ more than 10 employees, and have annual revenues less than 1 million EUR. Many focus on agriculture, food processing, light to medium metal, plastics industries, new service sectors and wood manufacturing. These enterprises employ one third of the estimated 694,000 (426,000 men; 268,000 women) formally employed workers in BiH. Actually, small businesses have the potential to be the main drivers of employment in Bosnia and Herzegovina.

The economic security of many BiH small companies, micro-producers and their families, is not favorable at all. Many Bosnian small and micro companies survive on very low incomes from their productive activities. Furthermore, with sudden changes in market prices and being under a constant threat of shocks on the market, their income streams are not stable. Many of them are burdened with expensive bank loans, and function at the edge of the formal economy.

Lack of capacities, human capital, infrastructure, and poor marketing skills throughout the BiH entrepreneurial community, are major causes for its chronically lagging in competitiveness,



and slow corporate development. Low awareness of enterprise managers on importance of internationally recognized quality standards, brand management (e.g. product development and design), and operations management (packaging, transportation) inhibit Bosnian companies, and products from getting access to foreign, especially European Union markets. Image of Bosnian products as of low quality, is an obstacle even in domestic markets, where across the categories Bosnian companies are constantly losing market shares. BiH continues to struggle with a significant trade deficit (6.5 billion BAM in 2010, around 25% of GDP, 53% coverage of export with import).

With adequate technical assistance or training, employment opportunities in Bosnia may be generated by substitution of products currently being imported, with those which may actually be efficiently produced in domestic companies. With monitoring of quality-related issues, and standards, new markets may be gained, and old markets recaptured.

### **3.6. Incapacity of the Development Bank of Bosnia and Herzegovina**

The hypothesis in this proposal is that the loans given by the DBFBH are not in line with the Law on Development Bank of Federation of Bosnia and Herzegovina, and its statutory requirements, where it is clearly stated that the primary objective of the DBFBH is to generate employment. In this proposal I will show that the DBFBH performs just as any commercial bank, paying attention only to the profitability, and reducing risks of their projects, not taking into account other aspects of development banking e.g. generating employment.

In assessing the impact of the existing DBFBH loan policy on employment in Federation of Bosnia and Herzegovina, I will measure the impact of the DBFBH loans disbursed in 2009, and 2010 on number of employees, and financial performance of a population of approximately 270 companies that were granted such loans in 2009, and 2010.

I will statistically compare the change in number of employees after the loan, against the change in number of employees in total country, to determine if the change in number of employees in companies that were granted DBFBH loans, was any different from the change in number of employees in general population (Federation of Bosnia and Herzegovina).

For this proposal I have created a database of all companies that have received loans from the DBFBH in 2009 and 2010 (approximately 270 companies), with the following information:

- number of employees in these companies in 2008, 2009 and 2010
- revenues in 2008, 2009 and 2010,
- profits in 2008, 2009 and 2010,

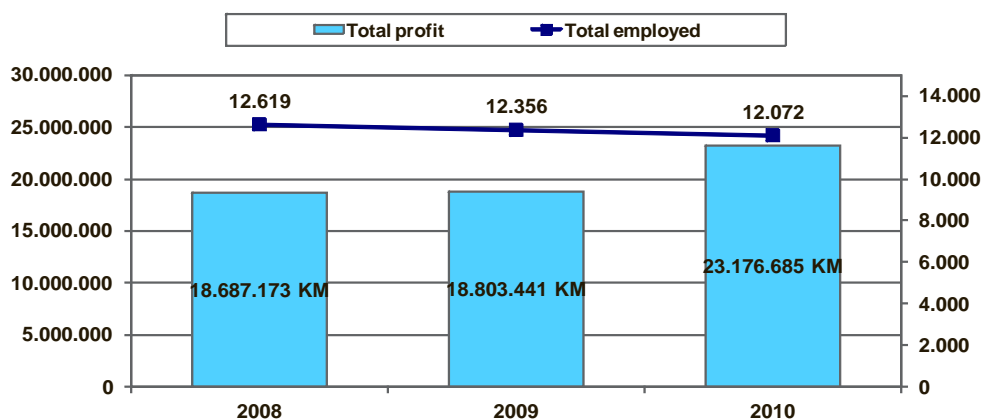
This database is presented at the end of this document.

From the tables below, we can see the decrease in number of persons employed in companies that have received loans from the DBFBH in 2010 and 2009, respectively. *In percentages, for companies that have received loans in 2009, the change from 2008 to 2010 is -4,33% , and for companies that have received loans in 2010, -5,61% .*





Disbursements 2009

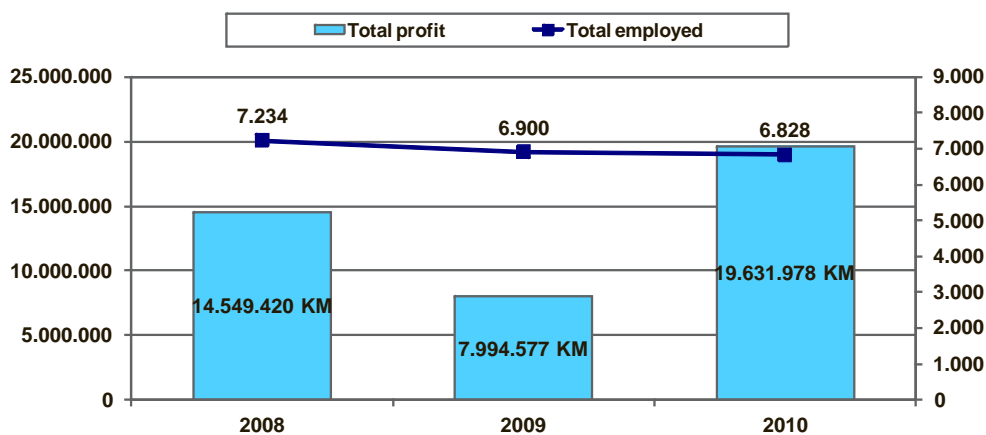


	2008	2009	2010	Change in % 2010/2008
Total employed	12.619	12.356	12.072	-4,33%
Total profit	18.687.173	18.803.441	23.176.685	24,02%
Total revenues	1.404.661.483	1.212.722.270	1.354.570.866	-3,57%

**Table 1**

Number of employees, revenues, and profits in 2008, 2009 and 2010 in companies that have received loans from the DBFBH in 2009:

Disbursements 2010



	2008	2009	2010	Change in % 2010/2008
Total employed	7.234	6.900	6.828	-5,61%
Total profit	14.549.420	7.994.577	19.631.978	34,93%
Total revenues	666.092.361	527.208.847	593.281.665	-10,93%

**Table 2**

Number of employees, revenues, and profits in 2008, 2009 and 2010 in companies that have received loans from the DBFBH in 2010:

At the same time, profits in these companies have soared. Profits increased 24% in companies that have received loans in 2009, and 35% in companies that have received loans in 2010. The revenues for both years stagnated, which indicates that the number of employees was directly dependant on the revenues.

**Table 3**  
Number of total registered employed persons in Federation of Bosnia and Herzegovina:

	2008	2009	2010	Change in % 2010/2008
Total registered employed persons in Federation of BH	430.745	426.197	424.598	-1,43%

In the same period, the number of registered employed persons in the Federation of Bosnia and Herzegovina (population in general) decreased by **1,43%**, which is significantly less than in companies that have received loans from the DBFBH.

**The fact that the number of employees in companies that have received loans from the DBFBH was decreasing at significantly higher rate then in general population clearly indicates a complete failure of the DBFBH to fight the unemployment.**

The major cause for this may be that the current Internal Auditing Service (IAS) evaluation system does not allow the assessment of compatibility of the DBFBH’s operations with its strategy and objectives, and that the primary concern for the IAS is the profitability of the investment, or to reduce DBFBH’s risks to acceptable level, not taking into account other important aspects of the development banking e.g. its legal obligation to increase employment.

Assuming that transparency, and accountability in Development Banks represent an important aspect in assessing the objectives of the organizations, I have conducted a set of interviews with members of the DBFBH’s IAS. These interviews were very useful for development of Policy Proposals and Recommendations to the DBFBH, as it was found that the IAS does not have its own budget, lacks human resources, and the most important - salaries, and other fees of the IAS’ employees are determined by the Executive Board, not by the Assembly (Ministry of Finance), which may directly influence the IAS’ independence from the Executive Board, whose work the IAS is supposed to control. Questionnaire is in the Appendix 2.

#### 4. Policy Options

In 1996, a Development Committee Task Force, which was formed by the heads of the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), and the World Bank Group (WBG) called for harmonization of evaluation methodologies, performance indicators and criteria by the multinational development banks.

„The development of objective indicators of performance is also essential for the public accountability of the MDBs and their ability to justify their use of public resources to shareholder governments, parliaments, and the public. Currently, it is not possible to compare their operational results, or even to describe them in a common language. Major public sector institutions like the MDBs must be able to account for their efforts in readily understood terms. A common



methodology for evaluating their portfolios should be developed and kept up to date over time, with best practices in evaluation techniques being identified and disseminated. A determined effort should be made to harmonize performance indicators and evaluation criteria, taking into account the differing circumstances of each institution. The lessons learned from these evaluations should be shared among the MDBs with an aim to apply them quickly in new operations.

The heads of the MDB evaluation units... [should] be in charge of elaborating common evaluation standards, including performance indicators; exchange experience with evaluation techniques, share results; which would enable these departments to become the repository of best evaluation practices. The immediate task would be to develop, within a specified time period, methodology and criteria for assessing and rating the MDB's operational performance and development effectiveness."<sup>6</sup>

In accordance with the methodology, and criteria developed by the biggest multilateral development banks developed on a global scale, and based on the fact that the current Internal Auditing Service (IAS) evaluation system, does not allow the assessment of the DBFBH's compliance of operations with its strategy and objectives (which is also shown in the DBFBH inability to assess the scale of the employment generated by its operations), the following set of policy proposals for the DBFBH is proposed:

<sup>6</sup> p.3, Multilateral Development Banks Evaluation Cooperation Group, Working Group on Private Sector Evaluation (WGPSE) (2009), MDB-ECG Good-Practice Standards for Evaluation of Private Sector Investment Operations, Third Edition

#### **4.1. The managing structure of the IAS**

Assembly should approve the powers of the IAS, designed to ensure independence and relevance. Assembly, during its mandate, would oversee the work of the IAS, and IAS jurisdiction should provide that the lines of reporting, personnel, budget and functions of IAS are organizationally independent of operational, administrative and strategic departments. In addition, these powers should specify that the Assembly has the ultimate decision authority for (1) hiring and terminating IAS head and staff; (2) IAS head's appointment terms and reporting structure; (3) IAS head's and staff's grading, performance reviews and salary increases; and (4) the IAS budget.

It is important that IAS operates with full autonomy but in close consultation with the DBFBH's other departments to ensure the maximum coherence of corporate standards (among operations, portfolio and strategy analysis, and evaluation) and good prospects for adoption and use of IAS's findings and recommendations for improvement.

The IAS should have an unrestricted access to DBFBH's staff, records, co-financiers, clients and projects. The mandate may, however, allow for restrictions on access to clients and projects in jeopardy cases, where an evaluator's visit could be prejudiced towards the DBFBH's financial interests or materially increase the risk of litigation. Should client access be restricted in jeopardy cases, then the number of such cases should be reported in the DBFBH's annual report or annual review.

The mandate should provide that IAS transmits its reports to DBFBH's Board after review and comments by the management but without management clearance or any management-imposed restrictions on their scope and contents.

#### 4.2. Evaluation timing, population, coverage and sampling

Taking into consideration information on project maturity status provided by other departments, IAS should determine the *population* from which the investments to be evaluated each year, are to be drawn. This population consists of the investments that will have reached *early operating maturity* during the year. *Early operating maturity is reached* when (a) the project financed will have been substantially completed, (b) the project financed will have generated at least 18 months of operating revenues for the company and (c) the DBFBH will have received at least one set of audited annual financial statements covering at least 12 months of operating revenues generated by the project.

Annual Supervision Report (ASR) should be prepared on a random, representative sample of sufficient size to establish, *for a combined three-year rolling sample*, success rates at 95% confidence level, with sampling error not exceeding  $\pm 5$  percentage points. Notwithstanding this principle, the IAS may wish to select projects to be cover based, e.g., with the potential for learning, the high profile of an operation, credit and other risks, whether the sector is a new one for the DBFBH, the likelihood of replication, or the desirability of balanced country and sector coverage.

#### 4.3. Guidelines, execution, and independent validation

In consultation with operations departments, IAS should prepare, refine and disseminate guidelines for the preparation of ASRs with sufficient details to promote consistency and objectivity in execution scope, analysis and ratings. As part of dissemination efforts, IAS may wish to conduct workshops to familiarize the ASR teams with requirements and supporting documentation for achieving good-practice execution. The guidelines should include ratings guidelines with benchmarks and standard reporting templates that include the performance ratings matrix. The guidelines should also include related documentation, such as an overview of the ASR program, a description of efficacious execution process steps, good-practice examples of ASRs from previous years' samples, and a list of execution mistakes to avoid (reported by past ASRs). IAS should maintain these guidelines on its website.

The research for ASRs would be drawn from a file review, discussions with available staff involved with the operation since its inception, independent research (e.g. on market prospects), a field visit to obtain company managers' insights, and to the project site to observe and assess outcomes, as well as discussions with parties who are knowledgeable about the company and the project (e.g. DBFBH specialists, company employees and auditors, suppliers, customers, competitors, bankers, any relevant government officials, industry associations, and local NGOs).

The standard transmittal memo on the ASRs executed by operations department staff should incorporate the approval (or electronic check-off) by the responsible operations department manager. In addition, the standard transmittal memo on the ASRs executed by operations department staff should incorporate the approval (or electronic check-off) and, if relevant, cite disagreements by other departments, e.g., technical, environmental, economic and syndication. Operations staff responsible for the operation at the entry level are invited to attend the review meeting, comment on the ASR's findings, or both.



Following preparation of each ASR draft, IAS reviews, along with the ASR team and its manager, the basis for its decisions where its ratings differ from those in the final edition of the ASR. At the end of the program year and prior to submitting its annual review, IAS sends a ratings validation variance memo to the responsible senior operations manager, and copies of the same to the relevant ASR teams and their managers.

The scope of the ASR should include, at a minimum: the **development or transition outcome of the project to the extent provided** in the “results on the ground” relative to the DBFBH’s mission, the **DBFBH investment’s profitability** (contribution to its corporate profitability objective), and the **DBFBH’s work quality** (also referred to as bank handling, operational effectiveness, or execution quality).

The operation’s performance under each of these dimensions is analyzed according to standard indicators, and the operation’s performance for each indicator is rated according to criteria and benchmarks specified in the guidelines. The performance reflected in the relevant ratings indicator is synthesized into ratings for each of the three performance dimensions, specified above. Within the rating scales (e.g., ranging from *unsatisfactory* to *excellent*), there should be a balance between positive and negative characterizations (i.e., if there are four ratings, two are less than good and two are good or better). The words used to describe these ratings should accurately reflect whether the judgments are less than good or else good or better. Each of the evaluated performance attributes is assigned a rating using a 4- to 6-point scale for each ratings indicator and a 4- to 6-point scale for each synthesis rating. Ratings of non-quantitative indicators require that relative qualitative judgments be made. The criteria should reflect the extent to which performance has been consistent with the DBFBH’s policies, prescribed standards for corporate sustainability and recognized good-practice standards. The criteria for the decisions should be clearly specified in the guidelines for the preparation of ASRs and in the IAS’s annual review.

#### **4.3.1. Indicators and benchmarks for the development or transition outcome, investment profitability, and work quality**

Assessments of development or transition outcomes for each of the development or transition outcome indicators take into consideration the sustainability of the results.

These are based on the: *project’s contribution to the company’s business success*, measured by the real after tax returns and by the project’s contribution to other business goals articulated at approval which should be *project’s contributions to economic development (positive or negative)*, *its contributions to the country’s private sector development*, *its development of efficient capital markets and/or its contribution to transition to the market economy*.

Performance is assessed not only by the direct economic costs and benefits to the owners and financiers, but also by the economic costs and benefits to customers, employees, government, suppliers, competitors, local residents, etc

DBFBH *investment’s profitability* is based upon the investment’s *gross profit contribution* (net of financing costs and loss provisions, but before deducting administrative costs) with ratings benchmarks set in relation to corresponding at-approval standards for minimally satisfactory expected performance. Loan and guarantee performance benchmarks are set in relation to the DBFBH’s expectations at approval.

The rating for the DBFBH's *work quality* is based partly on its *monitoring and supervision quality*, i.e., how effectively the DBFBH carries out its work after approval of the investment, and its *role and contribution*, i.e., the quality of the DBFBH's contributions from inception to evaluation. The rating decision considers compliance with basic operating principles, the DBFBH's contribution to client capacity building objectives (as relevant), the operation's consistency with furtherance of the DBFBH's corporate, country and sector strategies, and its clients' satisfaction with the DBFBH's service quality.

Assessments of the DBFBH's work quality should be made independently of the ratings assigned for development or transition outcomes and DBFBH's investment profitability. These assessments, which are benchmarked against corporate good practice, reflect the quality of the DBFBH's contributions to good or bad outcomes, not the good or bad outcomes themselves.

### **4.3.2. Standard attachments**

The ASR includes an attachment providing details supporting the financial and economic rate of return estimates (with transparent assumptions and cash flow statements). This attachment provides the basis for review and independent verification of the ASR's decisions and conclusions.

The ASR includes an attachment providing, for each safeguard dimension addressed in the DBFBH's environmental and social guidelines, a comprehensive summary of environmental, workers health and safety, and social outcome compliance information, with sufficient evidence from a field visit and/or client reporting to support the assigned outcome and related DBFBH work quality ratings. This attachment provides the basis for review and independent verification of the ASR's decisions and conclusions.

### **4.4. Annual reporting and process transparency**

IAS should prepare an annual review addressed to the DBFBH's management, staff and Board of Directors. The scope of the annual review should include, *inter alia*, a synthesis of the IAS's validated findings from all ASRs generated and reviewed during the period covered.

The annual review should provide sufficient information to make the reader aware of possible biases in the sample of projects covered by the annual review. Consequently, the annual review:

- Describes how the population was identified and how the sample was selected. If stratification was applied or part of the sampling was non-random, the annual review states the rationale.
- Reports on the number of ASRs for the year.
- Includes an annex profiling the important characteristics of the evaluated sample (e.g., sector, investment size, and percentage of operations affected by specific loss provisions) against the population.
- Confirms that all projects selected for evaluation had reached early operating maturity by the time of their evaluation.
- If less than 100% of the population has been covered, provides information on statistical confidence levels and states explicitly whether reported success rates can be attributed to the population.



The annual review should either (i) describe the ratings criteria and benchmarks in an annex or (ii) refer to a website providing this information. The ratings reported should be those of IAS. IAS should disclose the differences between IAS and operating staff ratings and the materiality of the differences. The disclosure is made in global terms, not on a project-by-project basis and is limited to differences in binary outcome, and work quality success ratings.

The annual review makes recommendations to Management and the Board, based on the evaluation findings. IAS should maintain a tracking system for recording dispositions by Management, of each recommendation. IAS should report periodically (at least every three years) to the DBFBH's management and Board on the quality and efficacy of the DBFBH's evaluation system, including the self-evaluation system, any gaps in coverage of the DBFBH's operations, the work of IAS, and the generation and application of lessons learned in new operations. In addition, it should submit to the DBFBH's management and Board the periodic benchmarking reviews of the consistency of the DBFBH's practices with the international standards.

#### **4.5. Identification of lessons, dissemination, and ensuring application of lessons**

Lessons should be concise, prescriptive, and placed in the context of a material issue that was encountered in the evaluation so that its relevance to new operations can be determined easily, on a stand-alone basis. The point of view and selectivity should focus on what the DBFBH might have done to obtain better results from the operation.

IAS makes available to DBFBH staff the findings and lessons derived from the DBFBH's evaluation work. The IAS makes available to DBFBH staff a range of user-friendly dissemination products covering the ASR findings, the annual review and IAS special studies.

It is the responsibility of operational department managers to ensure that past lessons have been systematically researched, identified and applied in new operations. In its annual evaluation process report, IAS reviews and reports to the management and the Board, the evidence available for decision making on the extent to which lessons are being incorporated in new operations.

#### **4.6. Disclosure**

To protect client company's confidentiality, the candor needed for the effective corporate learning, and the risk to the DBFBH's credit rating that partial release of investment portfolio data (and related standards and benchmarks) might entail, the DBFBH does not disclose individual evaluation reports or the full text of the IAS's annual review.

The DBFBH's disclosure policy for evaluation products should be explicit, consistent with the DBFBH's general disclosure policy, and should cover all evaluation products.

The DBFBH's disclosure policy is disclosed via the IAS's web page, specifically noting any exceptions applicable to evaluation reports. The DBFBH includes an accurate summary of IAS's major annual review findings in its Annual Report. IAS prepares and posts on the DBFBH's external website an abstract of its annual review that accurately summarizes its essential



findings, including the outcome, profitability, and work quality ratings profiles, sampling representativeness, ratings criteria, benchmarks, and consistency with international standards.

After appropriate reduction to protect commercial confidentiality, IAS should disclose its aggregate evaluation reports.<sup>7</sup>

<sup>7</sup> p.1-24, Multilateral Development Banks Evaluation Cooperation Group, Working Group on Private Sector Evaluation (WG-PSE) (2009), MDB-ECG Good-Practice Standards for Evaluation of Private Sector Investment Operations, Third Edition

## 5. Conclusions and Recommendations

Considering that The Development Bank of Federation does not have an efficient monitoring, and evaluation system of its operations, the DBFBH should focus on:

- Strengthening the governance structure of its Internal Audit Service,
- Developing effective evaluation systems,
- These systems should be based on effective annual reporting,
- Reporting should be implemented taking into account not only profitability, and risk management of the DBFBH's operations, but also its legal obligations, and strategic objectives e.g. increase of employment,
- IAS should also assess DBFBH's work quality, independently from profitability or project's outcome,
- Develop benchmarks, and ratings criteria,
- Application of lessons, and dissemination of evaluation results should be efficiently disseminated to the management, and all operational departments,
- Publicly disclose synthesized evaluation results in a user-friendly manner,
- Monitor consistency with international evaluation standards,
- Focus on long-term sustainability,
- Support new ventures, or industrial sectors where private financial institutions do not invest.

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## Appendix 1

### Disbursements 2009

	Employed 2008	Employed 2009	Employed 2010	Net profit 2008	Net profit 2009	Net profit 2010	Revenues 2008	Revenues 2009	Revenues 2010
A P BH DOO ODŽAK	1	0	2	5244	0	4850	29834	0	0
APS D.O.O.ZAVIDOVIĆI	1	1	1	852	692	499	0	5150	1000
AUTOPREVOZ-BUS DD MOSTAR	75	73	67	13718	-44849	-254297	3923186	3481085	3154781
AUTOSERVIS SENKOVIĆ DOO ODŽAK	10	15	10	10673	6118	16890	2766762	1918615	1702859
BAŠANOVIĆ DOO LUKAVAC	48	41	30	204043	89413	32175	3336371	2085373	1416109
BEKTO PRECISA DOO GORAŽDE	181	182	241	3011490	3705102	4007281	16967049	19238210	21818061
BEN MAL GROUP DOO VELIKA KLADUŠA	25	19	19	55476	184560	63947	772016	1432666	2320703
BIJELA VODA D.O.O. PRAČA	6	8	8	3228	-29399	2735	291106	168443	256051
BOGNER ČELIK DOO VITEZ	19	17	17	325555	29984	366880	10384043	6910239	8013075
BOSNA –M D.O.O.MAGLAJ	1	1	1	1538	5677	1567	16081	22584	21620
BRANCK CAFFE DOO POSUŠJE	14	14	15	7033	5879	29935	3203210	2827492	2664065
BRINA DOO LIVNO	7	15	23	3280	16559	14264	315810	757307	965165

BUDO EXPORT DOO ŽEPČE	53	57	51	28129	18912	39838	4771482	2710058	3165141
C.P.A. D.O.O. KALESIJA	75	80	72	61645	38785	50492	5255360	5158049	4801163
CENTROTRANS EUROLINES BIH DD SARAJEVO	560	517	487	541	-991870	104186	28002580	24362506	23990550
CIMOS D.O.O. MOSTAR	4	6	4	464	3274	3101	211795	491428	224878
CIMOS TMD AI DOO GRADAČAC	158	221	176	234397	1315	37	2598744	9677251	11952706
ĆEMAN ENERGOPROM D.O.O. TEŠANJ	48	20	23	27764	603	1289	8058674	5711045	5441040
DIT D.O.O. TUZLA	8	7	7	2762	9504	2300	763419	797778	758652
DOLAC DOO ŠUJICA	14	17	18	60781	28254	33883	1342535	1349921	1171718
DRINA PLAST DOO TUZLA	25	32	32	240426	94388	14476	2961015	2209227	2292389
DUKAT DOO JELAH-TEŠANJ	60	61	45	91838	12328	10307	11467557	7388272	6498750
EHM-CO DOO TUZLA	3	3	3	70828	33343	24655	257986	193531	164581
EL TARIK OIL DOO SARAJEVO	48	51	53	367378	201659	62459	24823730	17759367	19757907
ELMONT DOO ŽEPČE	46	47	43	3696	423116	22677	4106968	3765956	3234974
EM DŽAD DOO BIHAĆ	3	3	4	5079	2171	494	283428	363275	300039
Enco d.o.o.Sarajevo	22	23	23	457898	374179	474149	4478193	2031213	2636167
ENERGOINVEST DD SARAJEVO	890	871	829	2379006	1706477	2125882	348186502	325634731	367531017
ERAX INVEST DOO BANOVIĆI	8	8	11	256070	90738	-765	5180421	5202565	4732062
EUROVEZ DOO TEŠANJ	9	10	11	183676	112481	101485	997660	630813	553799

EXPRO D.O.O. SARAJEVO	2	6	3	-38069	-104320	-45834	107695	106057	66000
FAD DD JELAH TEŠANJ	107	102	114	-1039079	-1024833	1876261	9867999	10528988	29633721
FEN – BH DOO LUKAVAC	208	188	272	428254	1466141	2525845	26143749	25774840	31792400
FERRO KEŠ DOO MOSTAR	48	50	45	1898653	1443857	875078	69959123	37025608	45669438
FIS DOO VITEZ	2377	2489	2196	5793195	4634610	7242903	197228623	172210790	186836726
GALBEX D.O.O. GRAČANICA	21	16	16	82071	1650	7247	1097212	491068	998850
GRACE TRAVEL DOO ČITLUK	4	9	13	2012	2302	956303	1930229	1730989	2998730
GRGA TRANS DOO SARAJEVO	5	6	4	5515	1822	384	486780	363125	267588
HANO DOO SARAJEVO	78	91	82	3114510	1174024	84060	20506213	11229172	5863167
HARE DOO SARAJEVO	3	4	6	1370	2777	15429	98178	104420	265987
HAYAT DOO SARAJEVO	232	228	233	250168	6554	136727	9893211	7708016	9043656
HELIOPLAST DOO GRAČANICA	62	64	69	484123	1692573	1335218	7723529	8060810	11399246
HELIOS DD BANOVIĆI	124	96	99	-383265	-194580	-143207	4008798	3143196	3975210
HERING D.O.O. ŠIROKI BRIJEG	170	152	140	256070	90738	-765	5180421	5202565	4732062
INTER BUTAN DOO CAZIN	14	14	15	64161	133354	76248	1922366	1577895	1910864
IRIS DECORA DOO BIHAĆ	0	2	2	0	-14383	-861	0	63693	76638
IVEX D.O.O. USORA	9	8	8	-58213	-44683	-80984	780064	907194	725492
Jafa-JASE 4 DOO SREBRENİK	61	43	37	8639	47729	-246351	3061537	1580501	1300519
JKP ČISTOĆA D.O.O.-ŠIROKI BRIJEG	23	22	22	494	5713	485	542338	671172	676076

JMK ELECTRONIC DOO SARAJEVO	16	11	4	231475	246886	3330	1263055	1138862	1837621
JORDAN STUDIO DOO SARAJEVO	9	10	10	50316	48333	31238	911559	933801	969817
JP SARAJEVO-ŠUME DOO SARAJEVO	534	480	480	-475273	-203478	205150	13712163	10338386	9598860
KARABAJA D.O.O. MAGLAJ	6	4	3	-4638	-31321	-25059	353318	152423	160053
KLAS DD SARAJEVO	1358	1174	1110	226998	450345	285287	112321999	94889807	91140545
KLAS-PERVAN DOO, ŽEPČE	14	12	13	12568	30786	38390	2816824	3094820	3979632
KLAUS LEHMAN GMBH DOO GRAČANICA	29	38	39	536181	538826	96091	4365238	3200667	2478154
KONFEKCIJA BORAC DD TRAVNIK	1803	1744	1808	-8523650	-3611681	-2420475	19483398	18621104	23251504
KREDIS DOO POSUŠJE	2	3	5	3354	3385	3433	182482	275891	361128
LELO DOO CAZIN	6	2	1	10124	-109620	-108558	341218	152168	178053
LIŠČEVICA PROMET DOO ILIJAŠ	18	18	21	13372	22238	17443	3051281	2418374	2921374
LIV PROM DOO JAJCE	10	9	15	109454	47253	34572	4026571	2558943	3233684
MAKS DOO VITEZ	26	33	33	181060	193300	114249	2444224	2587164	1894819
MANDEKS D.O.O. ŠIROKI BRIJEG	38	38	39	838725	1016461	948172	6678756	5066248	5300982
MARKOVIĆ FARMA DOO GLAMOČ	0	1	2	0	-1703	55127	0	16146	213560
MIHALJ MONT DOO MOSTAR	4	3	3	4415	10332	19847	140127	210247	235955
MILES d.o.o. ČITLUK	27	38	41	80368	110310	71616	1677444	2579535	1860174
MLIN DD USTIKOLINA	35	36	32	-339041	7139	10789	2404458	2078726	2959841



MLIN IVO & BELE DOO OŠTRA LUKA ORAŠJE	9	10	14	370770	395237	258142	4695365	3392884	4135084
OM-SAL PRODUKT D.O.O. ŽIVINICE – TUPKOVIĆI	2	2	2	1846	405	-26528	56145	49195	49569
PAK RAMPART DOO VISOKO	48	49	48	6519	25428	430871	9585144	9667141	10864971
PALETA PLUS DOO BUSOVAČA	18	10	11	39003	-218717	405059	2653773	1853345	2535417
PAMGLASS DOO TEŠANJ	14	14	15	17234	2708	3380	1421560	976803	898307
PAUK DOO BIHAĆ	7	1	4	9622	7595	4716	557129	349752	229573
PERČINOVIĆ DOO TOMISLAVGRAD	2	2	2	-177080	245582	142815	478987	2086779	2229595
PERNA - F DOO BOS. KUPA	12	12	12	622400	510450	796055	18772	21751	17560
POKOPNO DRUŠTVO BAKIJE SARAJEVO	15	14	11	40908	69	37	1014403	1020479	953070
POLJORAD DOO TURBE	35	37	46	217959	286901	345988	4540456	4974656	4672023
PRETIS DD	280	250	226	7753	-2635282	-5318453	3110825	3318673	2056609
PRIVATNA LJEKARNA KISELJAK	0	0	2	0	22644	109981	0	141671	1129024
PROMINVEST DOO KONJIC	134	140	151	443029	758840	784112	12136397	13496773	16427745
PZU STOMATOLOŠKA POLIKLINIKA JURIŠIĆ MOSTAR	16	20	22	12925	16213	32900	313480	404106	489959
RAJZ DOO SARAJEVO	31	37	37	3637	-150078	314151	2857938	2927306	4598842
RATAR DD ODŽAK	9	9	8	0	0	-430469	990224	812964	442340
RDS PROM DOO MOSTAR	4	4	5	11479	40470	1426	513764	387025	380845

REAL COMERC DOO VITEZ	29	24	25	352152	248880	46362	6933971	3995972	3692029
RINOX DOO SARAJEVO	4	4	4	1842	3213	-76557	236782	143352	134464
S.P. BUDO DOO ZENICA	8	10	12	3183	5328	5647	1266387	923541	787791
SALKANOVIĆ TIŠLERAJ DOO ODŽAK	29	36	33	103707	685537	52493	1587023	4302483	1445217
SCONTO PROM DOO PRIJEDOR	411	400	388	455605	1647919	559840	29264647	28376041	17328712
Specijalistička ginekološka ordinacija "Dr. Drljević", Sarajevo	0	0	2	0	0	1416	0	0	162
STILLES DOO SARAJEVO	39	42	27	357528	-377861	211204	1976035	1448016	1088938
STROPING DOO SARAJEVO	37	41	37	237291	142106	71657	3042488	2128330	1892621
TELOPTIC DOO SARAJEVO	506	530	523	3508621	3896531	3844135	111836399	107287928	144119221
TERMOVENT D.O.O. ŽIVINICE	10	12	12	93013	56867	63399	1129003	765021	874608
TEŠANJSKA VRELA DOO TEŠANJ	13	9	7	-16130	24024	8306	584859	557993	652168
TF-RAMLJAK D.O.O. LJUBUŠKI	5	6	5	4412	13680	1568	203076	219099	191468
TMD - AGS DOO GRADAČAC	11	28	76	2413	149236	72373	230612	1588754	3868551
TRGOMETAL DOO POSUŠJE	11	9	9	260598	241692	696	8136135	4778342	4511137
UNA PROMET DOO, CAZIN	15	17	17	305256	327463	315757	6010756	5255317	5537625
UNION FOODS DOO ČITLUK	71	108	139	1505833	2254801	1213009	24474505	26353878	32886836
UNIS ELEKTRONIK DOO MOSTAR	15	15	17	11232	-69589	-54377	982272	681122	763173
VARIPLAST D.O.O. GRAČANICA	53	57	58	1044302	660678	656468	12924846	8639755	11455469

VEGAFRUIT DOO DOBOJ ISTOK	298	261	153	-2323316	266529	-994097	21341561	19087125	9316263
VELBOS DOO ŽEPČE	130	118	159	379131	20560	161302	23719904	12743508	18467554
VELNET DOO MOSTAR	11	10	12	78359	305338	382310	545518	846769	1036086
VINA ZADRO DOO ČAPLJINA	7	8	9	78202	95073	112826	1164946	1218476	1208168
VODOPRIVREDA POSAVINA	16	16	23	104506	10371	253929	986381	652970	1323678
WELTPLAST DOO POSUŠJE	69	73	74	762579	695943	200287	21838537	18167188	18178686
ZADA PHARMACEUTICALS DOO LUKAVAC	5	22	50	-114684	-675422	7847	0	0	881835
ZAIMOVIĆ D.O.O. KAKANJ	21	24	23	151304	66475	99183	8091172	6320876	6493802
ZZ AGROMIX DONJI VAKUF	4	4	4	4055	16518	1889	264596	249047	244783
ŽICA DD SARAJEVO	250	197	197	-2232750	-5435143	-3248869	38479013	17032503	21730140

#### Missing data

BIMAL DD BRČKO

FARMA BOŠNJAK Š.BRIJEG

FARMA PRANJAŠ ŽEPČE

KOKA PROMEX VISOKO

OGNJIŠTE DOO DRVAR

PDI POLJOPRIVREDNIK GRAČANICA

SOR HOBA PACK, VL. BAŠIĆ NERMIN,  
SARAJEVO

SZR MESNICA BALTIĆ SARAJEVO

	2008	2009	2010
<b>Total employed</b>	<b>12.619</b>	<b>12.356</b>	<b>12.072</b>
<b>Total profit</b>	<b>18.687.173</b>	<b>18.803.441</b>	<b>23.176.685</b>
<b>Total revenues</b>	<b>1.404.661.483</b>	<b>1.212.722.270</b>	<b>1.354.570.866</b>

### Disbursements 2010

	Employed 2008	Employed 2009	Employed 2010	Net profit 2008	Net profit 2009	Net profit 2010	Revenues 2008	Revenues 2009	Revenues 2010
3K d.o.o. Bugojno	9	8	6	2848	12729	28173	376253	375446	566403
A3 d.o.o. Široki Brijeg	132	139	159	1919164	1774888	1982871	44481386	22960422	18654209
ALFE SEKARUŠIĆI d.o.o. Mostar	5	5	5	6833	4517	5	513342	422861	303264
ALPROM d.o.o. Kiseljak	10	11	11	98829	53643	120192	2175074	1123196	2114038
AROX d.o.o. Ljubuški	18	17	18	63304	-89396	-220532	2394787	1721118	1618468

AUTO DAM d.o.o. Bihać	6	6	7	1415	-3190	1506	437275	300392	290950
BAFAS d.o.o. Kreševo	0	0	5	0	3853	2508	0	11365	511859
BC GRADNJA d.o.o. Bosanska Krupa	17	13	16	119753	200101	88624	5124364	2704923	2332639
BEAT BH d.o.o. Živinice	23	23	22	323745	129020	1603	3782308	2936281	2143902
BMS AGRO d.o.o. Ravno	0	0	1	0	0	91	0	0	41357
BRAĆA BENKOVIĆ d.o.o. UGLJARA Orašje	12	20	25	393861	234875	71826	1119220	1193314	1033493
BRAVARIJA d.o.o. Ljubuški	21	23	20	9882	5670	26347	1006390	636584	1032447
CNC HADŽIĆ d.o.o. Bosanska Krupa	1	2	4	-26510	1063	41616	0	93576	346457
ČALTEX d.o.o. Kreševo	14	16	14	-147255	1552	-642142	1925148	1510925	319336
ĆEMAN-ENERGOPROM d.o.o. Tešanj	48	20	23	27764	603	1289	8058674	5711045	5441040
ĆOSIĆPROMEX d.o.o. Usora	789	738	544	106951	374606	1316852	20511742	14869701	12729441
DI&DE DELIĆ d.o.o. Bihać	17	19	18	13125	30389	181124	3087752	2606503	3512623
DITRX d.o.o. Mostar	8	10	13	271178	145683	113563	2857014	2205627	2296070
DOLAC d.o.o. Šujica	14	17	18	60781	28254	33883	1342535	1349921	1171718
DOMENA d.o.o. Mostar	12	11	3	44000	43192	45272	1290361	850478	494689
DRINA PLAST d.o.o.	25	32	32	240426	94388	14476	2961015	2209227	2292389
DRVOPROMET d.o.o. Tomislavgrad	11	11	11	95982	12117	7380	1484904	937168	1092782
DŽAJKIĆ d.o.o. Široki Brijeg	6	7	6	6497	41609	14196	335185	494524	259850
ELCRO-TEHNA d.o.o. Čitluk	11	11	11	221021	120893	45661	4330427	2734594	1853150

ENERGOINVEST TVORNICA DALEKOVODNIH STUBOVA d.d. Sarajevo	220	217	213	514913	35865	212678	13442843	11855561	22254098
FAB d.o.o. Gračanica	6	8	9	1624	3545	51837	701495	876666	904690
FEN-BH d.o.o. Lukavac	208	188	272	428254	1466141	2525845	26143749	25774840	31792400
FIS d.o.o. Vitez	2377	2489	2196	5793195	4634610	7242903	197228623	172210790	186836726
GRADACTRANS d.o.o. Jablanica	19	19	19	112865	42542	24955	2537487	1755930	1218845
GRAND PTG d.o.o. Busovača	19	14	14	2428	-22485	5951	589523	376790	474364
GRIN d.o.o. Gračanica	75	73	71	4090	-400513	2485	4330966	3591403	3281759
GUMEX d.o.o. Čitluk	3	3	3	1872	-19340	23312	766633	802900	998378
HELIOS d.o.o. Banovići	11	9	7	-1816	15428	13063			
HEPOK d.d. Mostar	52	0	113	-971196	0	32192	289965	0	1249715
IZAZOV d.o.o. Kalesija	5	5	5	70238	86305	116120			
J&M TRADE d.o.o. Ljubuški	1	1	1	8040	3274	8107	104357	133868	77514
JAFFA-KOMERC Export-Import d.o.o. Mostar	7	11	13	22346	27007	22967	1051077	1074785	1816003
JAMI d.o.o. Sarajevo	179	162	161	15681	592658	468532	10621536	10770148	11336334
JKP KOMRAD d.o.o. Bihać	122	127	129	37268	6103	3964	3235286	3330671	3444439
JKP KOMUNALNO LIVNO	79	78	81	514	5530	3463	2176784	2363989	2918375
KAMEN d.o.o. Bihać	20	18	17	36684	-12476	6570	2550544	735919	460487
KARADŽA TRADE KAŠMIR d.o.o. Bugojno	21	34	29	10922	2152	7629	1189915	1199395	1614065

KARTAL d.o.o. Bosanski Petrovac	14	16	13	68125	2713	64425	1569026	1495349	1769960
KB-PLASTIK d.o.o. Maglaj	7	9	8	41954	23036	-61590	732834	721130	532494
KINO THEATRE d.o.o. Busovača	1	1	3	-24249	-30401	6200	0	64848	73990
KISMET d.o.o. Doboj-Istok	60	69	83	251401	368553	335227	1536783	1566136	1869376
KIWI ŠPORT d.o.o. Ljubuški	10	8	8	22778	20338	14975	2519428	1829421	1086287
KOLIBRI d.o.o. Vitez	6	5	5	1252	1364	3201	63930	72027	87827
KOMOTIN d.o.o. Jajce	116	124	109	297103	134955	57058	9966928	8507818	6887854
KONFEKCIJA VITINA d.o.o. Ljubuški	20	18	16	165394	11388	7402	1054739	589271	514505
KONTINENTAL d.o.o. Kiseljak	119	0	96	58550	0	151019	4785131	0	4043943
KOTEKS d.o.o. Tešanj	100	61	66	142077	83083	500321	15346977	10535063	17833862
KOVAN M.I. d.o.o. Gračanica	8	9	10	50726	51804	53749	691451	1285427	1821337
KRISTAL d.o.o. Vitez	97	103	108	691931	-315672	13871	13391672	10311199	9534143
KTM-BRINA d.o.o. Građevinarstvo Posušje	34	44	51	167426	57361	18744	12647065	6708050	7228005
LAFAT KOMERC d.o.o. Kalesija	12	8	15	31132	154044	198864	1699646	1563241	1981080
LAKS d.o.o. Mostar	7	7	7	4267	51140	2562	511698	590201	394507
LASER d.o.o. Bihać	111	93	66	-233943	30286	-359813	9770537	7190127	3802754
LOGOTIP d.o.o. Široki Brijeg	22	22	22	171374	178124	196227	1717498	1579076	1623377
LUNA d.o.o. Doboj Jug	0	3	4	0	-18779	-67275	0	8512	31872
M.I.PRIMA VIP d.o.o. Orašje	9	0	2	-11617	-4631	-33687	0	0	0



MADI d.o.o. Tešanj	62	71	88	435040	213452	685761	16929600	18068109	22918131
MAJ COMMERCE d.o.o. Bihać	11	10	12	192463	153264	111917	1998972	1631294	1321696
MAJOP d.o.o. Mostar	14	15	17	35917	61681	81849	9873386	10664443	11213948
MANICO I d.o.o. Doboj-Istok	17	19	21	32474	36500	37538	2445929	3285194	3271037
MC STELLA d.o.o. Velika Kladuša	25	26	34	5006	35718	39825	1519886	1488063	1851114
METLPLAST d.o.o. Tuzla	38	32	18	232383	-144138	-190618	3030061	1170172	721155
MIRNA d.o.o. Gračanica	24	20	16	240818	291719	76383	3358585	2620117	2323897
MLINI d.o.o. Čapljina	8	9	10	4577	4388	17451	339098	490152	552930
MM ŠUJICA d.o.o. Tomislavgrad	58	46	32	68150	-621109	-801599	2491465	1408481	859299
MOJ DOM d.o.o. Tomislavgrad	3	4	4	42219	6341	2560	97099	73988	92913
MR CO d.o.o. Sarajevo	2	0	3	2277	20219	20997	86780	262748	376407
NAHA d.o.o. Vareš	70	33	45	294098	6545	4414	2660311	1313688	1495675
NESKO-PROM d.o.o. Visoko	3	2	2	28396	10562	9916	316436	483931	511683
NEVISTIĆ COMMERCE EXPORT IMPORT d.o.o. Tomislavgrad	36	44	46	46767	72712	32269	8687381	7290613	11588282
PAMGLASS d.o.o. Tešanj	14	14	15	17234	2708	3380	1421560	976803	898307
PEHAR d.o.o. Čitluk	5	4	4	139706	695	1772	1173874	1034624	493202
PERČINOVIĆ d.o.o. Tomislavgrad	2	2	2	-177080	245582	142815	478987	2086779	2229595
PILKOM d.o.o. Gradačac	49	51	55	277437	-327684	-1041422	7348037	7903965	7683761

POBJEDA SPORT d.o.o. Goražde	172	143	124	281900	46815	253159	7244719	4368505	4884943
POLIKLINIKA DR. JURILJ Posušje	2	1	1	1972	1291	2563	143315	128429	153786
Preduzeće za puteve d.d. Mostar	71	70	73	88898	105665	30038	4907767	4173467	4254640
PROTON d.o.o. Žepče	5	9	10	12602	7219	-76285	518614	754231	588135
RDS PROM d.o.o. Mostar	4	5	5	11479	40470	1426	513764	387025	380845
RIZ KRAJINA d.o.o. Bihać	45	50	47	159401	53756	84639	3335069	2963476	3677522
ROLORAD d.o.o. Široki Brijeg	7	9	13	27122	63870	9152	781496	623684	792292
RUKOTVORINE d.o.o. Konjic	15	15	14	10196	7403	41524	361945	255952	319059
SADIK PROM d.o.o. Visoko	5	5	4	67765	12803	18666	452275	272325	288414
SALKANOVIĆ TIŠLERAJ d.o.o. Odžak	29	36	33	103707	685537	52493	1587023	4302483	1445217
SICON SAS d.o.o. Tuzla	9	9	11	75268	41413	15454	1389072	981617	1070682
SIRIUS d.o.o. Sarajevo	6	11	10	19187	5585	10888	1049399	1068342	1150752
SIROVINA-COMMERC d.o.o. Bihać	13	8	8	3470	-92981	66866	2376937	645294	1307370
SLAP d.o.o. Rogatica	4	3	4	72037	8693	-104458	362320	281850	302716
STOLARIJA KARIĆ d.o.o. Odžak	25	20	24	22644	15515	22554	904380	934841	842553
SUTON d.o.o. Široki Brijeg	44	47	53	265844	307262	314282	6466739	5846905	6346615
ŠIMUNOVIĆ d.o.o. Čapljina	5	5	4	4048	7315	35924	348478	372059	400517
TEHNOCEN d.o.o. Bihać	10	13	13	59535	11696	84154	705792	764283	908575
TEMPO-VRANICA d.o.o. Mostar	46	44	51	-1538536	19207	518419	1599348	3611799	8142950

TREBOVIĆ-COMMERCE d.o.o. Mostar	8	10	10	-100330	7550	9979	867041	762666	660211
TRGOMETAL d.o.o. Posušje	11	9	9	260598	241692	696	8136135	4778342	4511137
TRGOVIR d.o.o. Gračanica	40	43	48	755751	565894	1387891	1329034	1508694	2642583
UNIS TOK d.o.o.Kalesija	104	66	98	420492	645350	2640585	9520151	6069141	13093208
UNIS TŠP d.o.o. Mostar	5	7	7	13361	31171	25771	1604192	1636194	1851671
UNIVERZITET U SARAJEVU SCHOOL OF SCIENCE AND TECHNOLOGY Sarajevo	33	33	38	67905	113206	135767	1836081	1868205	3139221
VALBIH d.o.o. Konjic	4	4	4	90399	34027	211949	1309394	944975	1451919
VELBOS d.o.o. Žepče	130	118	159	379131	20560	161302	23719904	12743508	18467554
VELVET-TRADE d.o.o. Sarajevo	15	15	18	14597	53526	141439	2705738	2650357	2923869
VG MONTING d.o.o. Vitez	3	5	5	405573	30110	61049	1756873	1180361	766973
VINDI - TIP d.o.o. Sarajevo	38	32	31	868217	-652379	2138395			
VINOGRADI NUIĆ d.o.o. Ljubuški	5	8	8	11114	198290	70210	200796	1243853	509629
VINOPLOD d.o.o. Mostar	0	0	3	-1073	0	133	0	0	4039
VISPAK d.d. Visoko	207	197	193	31324	40836	38898	19171091	16956519	18149773
VRELO d.o.o.Drvar	27	25	28	42372	168073	73931	1013282	980374	928251
Z- CHROMOPROM d.o.o. Usora	6	7	5	15066	11496	13860	311859	184635	298150
ZZ AGROMIX Donji Vakuf	4	4	4	4055	16518	1889	264596	249047	244783
ŽICA d.d. Sarajevo	250	197	197	-2232750	-5435143	-3248869	38479013	17032503	21730140

## Missing data

BIMAL d.d. Brčko

FARMA BAHORI Gacko

Farma za uzgoj goveda za proizvodnju mlijeka  
BILAJAC Gradačac

OD Ramče Zenica, vl. Fejzić Ramo

POLJOPRIVREDNI OBRT KALIMERO  
Odžak

RASADNIK Kiseljak

	2008	2009	2010
<b>Total employed</b>	<b>7.234</b>	<b>6.900</b>	<b>6.828</b>
<b>Total profit</b>	<b>14.549.420</b>	<b>7.994.577</b>	<b>19.631.978</b>
<b>Total revenues</b>	<b>666.092.361</b>	<b>527.208.847</b>	<b>593.281.665</b>

(Development Bank of Federation of Bosnia and Herzegovina, Data on Disbursed Loans  
<http://www.rbfbih.ba/razvojna/bs/txt.php?id=3>

## **Appendix 2**

### **Review Framework for the Evaluation of the DBFBH**

#### **- Questionnaire -**

#### **1. Evaluation Policy: role, responsibility and objectives of the evaluation department**

- Does the DBFBH have an evaluation policy?
- Does the policy describe the role, governance structure and position of the evaluation unit within the institutional context?
- Does the evaluation function provide a useful coverage of all the activities/operations/programs of the DBFBH?
- According to the policy, how does evaluation contribute to the institutional learning and accountability?
- How is the relationship between evaluation and audit conceptualized within the DBFBH?
- Is the evaluation policy adequately known and implemented within the DBFBH?

#### **2. Impartiality, transparency and independence**

- To what extent are the evaluation department and the evaluation process independent from line management?
- What are the formal and actual drivers ensuring/constraining the evaluation department's independence?
- What is the evaluation department's experience in exposing successes *and* failures of operational activities/programs/projects/strategies/policies and their implementation?
- What is the evaluation department's experience in challenging conventional

wisdom?

- Is the evaluation process transparent enough to ensure its credibility and legitimacy?

Are evaluation findings consistently made public?

- Is there a policy on managing conflicts of interest?

• How is the balance between independence and the need for interaction with the line management, dealt with by the system?

• Are the evaluation processes and reports perceived as impartial by non-evaluation actors within and outside the DBFBH?

### **3. Resources and Staff**

- Is evaluation supported by appropriate financial and staff resources?

• Does the evaluation department have a dedicated budget? Is it annual or multiannual? Does the budget cover activities aimed at promoting feedback and use of evaluation and management of evaluation knowledge?

• How is the head of the evaluation unit selected and/or extended? Who does his/hers annual performance review? Who decides his/hers salary increase?

- How independent is the evaluation department in selecting and recruiting staff?

• Do staff members have specific expertise in evaluation, and if not, are training programs available?

• Is there a flow of staff between the evaluation department and the operational departments and vice versa?

• Is there a policy on recruiting consultants, in terms of qualification, impartiality and deontology?

### **4. Evaluation partnerships and capacity building**

• To what extent are beneficiaries, borrowers or executing agencies involved in the evaluation process?

- To what extent does the DBFBH rely on local evaluators or, when not possible, on

third party evaluators from borrowing member countries?

- Does the DBFBH engage in partner-led evaluations?
- Does the evaluation department support evaluation training and capacity building programs?
- How do partners/beneficiaries/NGOs perceive the evaluation processes and products (in terms of quality, independence, objectivity, usefulness and partnership orientation)?

## **5. Quality of Evaluation Products**

- How does the evaluation department ensure the quality of its evaluations (including reports and processes)?
- Does the DBFBH have guidelines for the conduct of evaluations and are they used?
- Has the DBFBH developed/adopted standards/benchmarks to assess and improve the quality of its evaluation reports?
- What is the usefulness of evaluation reports from the point of view of the Board of Directors, Management and the operational side of the institution?
- What is the assessment of the quality of the evaluation reports in terms of coverage, presentation of the evidence to support the conclusions, dispassionate, objective analysis and use of best international evaluation practices?
- How is the quality of evaluation products/processes perceived throughout the DBFBH?

## **6. Planning, coordination and harmonization**

- Does DBFBH have a multi-year evaluation work plan, describing future evaluations according to a defined timetable?
- How is the evaluation plan developed? Who, within the organization, identifies the priorities and how?
- Does the work program reflect the appropriate balance between corporate level evaluations, complex evaluations (e.g., country/sector/policy/thematic evaluations) and project level evaluations?



- How is the evaluation function organized within the DBFBH?
- Does the evaluation department assess the quality of the self evaluation processes in the institution?
- Does the evaluation department coordinate its evaluation activities with other multilateral agencies and bilateral donors?
- How are field-level evaluation activities coordinated? Is the authority for evaluation centralized or decentralized?
- Does the evaluation department engage in joint/multi donor evaluations?
- Does the evaluation department make use of evaluative information coming from other DBs, bilateral donors, academia or NGOs?

#### **7. Dissemination, feedback, knowledge management and learning**

- How are evaluation findings disseminated? In addition to the reports, are other communication tools used (e. g., press releases, press conferences, abstracts, annual reports providing a synthesis of findings, repackaging of evaluation findings, web based technologies, etc)?
- Are all evaluation reports made public? Are position papers made public? Are comments from third parties on the evaluation products made public?
- What mechanisms are in place to ensure feedback of evaluation results to the policy makers, operational staff and the general public?
- What mechanisms are in place to ensure that knowledge from evaluation is accessible to staff and other relevant stakeholders?
- Is evaluation viewed as an integral part of the knowledge management system?
- Is evaluation considered a ‘learning tool’ by the staff of the DBFBH?

#### **8. Evaluation Use**

- Who are the main users of evaluations within and outside the DBFBH?
- Does the evaluation respond to the information needs expressed by the Board of

Directors, Management, operational staff, and/or civil society?

- Are there systems in place to ensure monitor and track actions taken on the implementation of evaluation findings and recommendations?
- Are recommendations included in evaluation reports, clear and capable of being acted upon and monitored?
- What is the linkage between the timing of evaluations and new operations? For example, are there institutional requirements for the evaluations of policies, country strategies or projects to be completed before policies or country strategies are revised, or follow-ups on projects are funded?
- How does the DBFBH promote follow up on findings from relevant stakeholders (through e.g. steering groups, advisory panels or sounding boards)?
- Are links with decision making processes ensured to promote the use of evaluation in policy formulation? For example, is there a “just in time” dissemination system – i. e., ensuring that evaluation findings are packaged in a digestible form and delivered to decision makers who can influence decisions?
- Are there recent examples of major operation and policy changes attributable to evaluation findings and recommendations, i.e., influential evaluations?
- Are there examples of how evaluation serves as an accountability mechanism?
- What are the perceptions of non-evaluation actors (operation and policy departments, field offices, etc) regarding the usefulness and influence of evaluations?





**Damir Mehmedbašić**

Born in Mostar in 1979, PhD candidate at Sarajevo School of Business and Economics in Sarajevo, holds a Master of Business Administration degree from the University of Delaware, and Master of Science from Sarajevo School of Business and Economics. Also has a bachelor's degree from Faculty of Political Science in Sarajevo. Since 2010, Damir is an Executive Director of the Public Interest Advocacy Center in Sarajevo



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. Eighty one fellowships have been granted since the starting of the Program.