An Assessment of the Spaces for Corruption in the Provision of Support to Civil Society Organizations at the Local Level
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August 2019
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Executive Summary

This report by the OSCE Mission to Bosnia and Herzegovina (the Mission) aims to assist Local Self-Governance Units (LGUs) in limiting the space for corruption in the provision of support to civil society organizations (CSOs) at the local level. It is based on the Mission’s comprehensive monitoring of public financial management, questionnaire responses, and interviews conducted with representatives of 20 LGUs.

Importantly, the identification of spaces for corruption in this report does not imply that corruption is taking place. Instead, this assessment identifies practical measures that can be taken by LGUs to prevent corruption. The main findings of the report indicate a need for comprehensive changes in how LGUs support CSOs, including improved record-keeping, more transparent funding procedures, and clear guidelines on monitoring and evaluation of allocated funds.

In particular, the Mission recommends that LGUs:

1. Establish or improve publicly available databases to include information on the type, amount, and source (direct support / public call) of support provided to CSOs by LGUs, as well as the activities and management structures of CSOs;

2. Initiate discussions with relevant authority levels to improve regulations regarding registration, financing and formal closing of CSOs;

3. Allocate funds through public calls rather than direct grants, as stipulated by existing legislation;

4. Establish criteria for non-financial (in-kind) support and officially record support provided in this way;

5. Ensure the use of clearly defined selection and allocation criteria for both financial and non-financial (in-kind) support;

6. Avoid using budget reserves to financially support CSOs;
7. Adopt annual programs for financing the CSO sector, which would be aligned with strategic development documents as much as possible;

8. Sign contracts with CSOs that receive allocated funds, containing provisions regarding CSOs’ financial and qualitative reporting obligations as well as monitoring tools;

9. Establish monitoring procedures to verify that the funds provided have been spent in accordance with their approved purpose;

10. Establish evaluation procedures that would assess the impact of allocated funds.

The implementation of the above-outlined recommendations would represent a bottom-up effort that could lead to significant improvement in corruption prevention in public financial management and would contribute to curbing corruption at the local level across the country.
Introduction

Corruption remains a serious issue of concern in Bosnia and Herzegovina (BiH), posing a threat to the country’s long-term stability and prosperity.

The latest Transparency International Corruption Perception Index ranks BiH 89th out of 180 surveyed countries, highlighting long-standing stagnation and erosion of the country’s democratic system.1 Reports issued by the European Commission and the Group of States against Corruption (GRECO) have also repeatedly stated that BiH has to invest efforts that go beyond declarative support to curb corruption.2

BiH authorities have taken some initial steps in this direction, including by adopting key anti-corruption regulations and strengthening domestic co-ordination in combatting corruption at all levels of government. However, the complexity of the institutional framework and the consequent difficulties in implementing anti-corruption legislation continue to obstruct the country’s progress in this area.3

In line with its mandate and relevant OSCE commitments,4 the OSCE Mission to Bosnia and Herzegovina has contributed to the fight against corruption by supporting the development, adoption, and promotion of anti-corruption regulations, and by improving co-ordination between governmental bodies in implementing these regulations. The Mission has also supported strengthening the role of the judiciary as a pivotal instrument in fighting corruption.

To tackle corruption at the local level, in July 2018 the Mission piloted a project in 20 LGUs5, focusing on identifying spaces for corruption in their provision of support to CSOs. This report presents the findings of the project and provides practical recommendations on how to close these gaps.

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4 OSCE Ministerial Council Decision no.5/14: https://www.osce.org/cio/130411
5 Bihać, Bijeljina, Breza, Brod, Donji Vakuf, Goražde, Grude, Han Pišesak, Ilijaš, Kladanj, Odžak, Prozor, Sokolac, Srebrenica, Stanari, Šamac, Šipovo, Tomislavgrad, Trebinje, and Ugljevik.
The Mission underlines that the identification of spaces for corruption does not imply that corruption is taking place. An effective fight against corruption requires strong repressive measures through law enforcement and the judiciary as well as realistic and adequate preventative measures. This assessment identifies practical preventative measures that can be taken at the level of local government.
Chapter 1:
Background and Justification

Corruption is extremely costly: politically, in terms of eroding democracy and the rule of law; economically, by wasting public resources and deterring investment; and socially, by diminishing BiH citizens’ trust in the political system and its leadership.

The BiH Law on the Agency for the Prevention of Corruption and Co-ordination of the Fight against Corruption defines corruption as “an abuse of power from those holding positions in the civil service or political positions at any government level that results in private gain.” The BiH Anti-corruption Strategy (2015-2019) supplements this definition with the Council of Europe’s Civil Law Convention on Corruption, which states that corruption also exists “if purposeful distortion of principles of impartiality occurs in decision-making for the purpose of gaining an advantage.” Transparency International defines corruption as the “abuse of entrusted public power for private gain.” Within this framework, this report understands corruption to entail either the abuse of power or the exercise of bias in decision-making, leading to gains for oneself or others.

In the public sector, the management of public expenditure, financial accountability, and budget transparency are the core elements of combating corruption. Indeed, the OSCE’s Dublin Ministerial Council Declaration on Good Governance from 2012 states that the effective management of public resources and budgetary processes are major components of good governance, and are by extension also essential for curbing corruption, for good governance implies transparent and accountable processes and institutions. Likewise, the United Nations Convention against Corruption (UNCAC) and

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10 See https://www.osce.org/cso/97568.
the Council of Europe Resolution on the Twenty Guiding Principles for the Fight against Corruption emphasize the importance of transparency and accountability of public administrations and management of public finances for corruption prevention. This understanding is also reflected in strategies and action plans adopted at various levels of government in BiH.11

Accordingly, in its pilot project on tackling corruption in selected LGUs, the Mission conducted preliminary monitoring of budget adoption and implementation, the work of budget and finance commissions, external auditing, quality control systems, and other relevant aspects of local governance. The analysis of findings indicated that there is a specific aspect of LGUs’ public financial management procedures that is especially problematic, namely, the provision of financial and in-kind support to local CSOs. For example, the preliminary findings showed that municipal councillors introduce a significant number of amendments to draft budgets that specifically focus on financial support intended for CSOs. The inconsistency in reporting against funds received by CSOs was also identified as an issue of concern.

It should also be emphasized that although there are no definitive figures, the amount of funding provided to CSOs appears to be relatively significant.12 Indeed, the Civil Society Promotion Centre has assessed that the overall funds allocated to CSOs from local budgets are larger than funds received from international donors13, and the biggest contributors to CSOs are municipalities and cantons.14

These initial findings led the Mission to develop targeted research tools to more clearly identify whether and where spaces for corruption exist in LGUs’ provision of support to CSOs.

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11 Several strategies emphasize a need for improvement of this sector, including BiH Anti-corruption Strategy (2015-2019) - the strategic objective 9.2.8 specifies collecting and spending public funds; the Federation of BiH (FBiH) Strategy for the Fight against Corruption (2016-2019) - specifically relevant: strategic goal 5.1.2 - public finances, Republika Srpska (RS) Strategy for the Fight against Corruption (2018-2022) - strategic goal 5 specifies: strengthening transparency and integrity of the public sector, and other relevant strategies at lower government levels.

12 The combined amount of all planned budgets of the assessed LGUs was 259,801,887 BAM in 2017 and 270,432,882 BAM in 2018.


14 Civil Society Promotion Center, Financial support of Public Institutions to Non-Governmental Organizations in Bosnia and Herzegovina in 2011, 2013.
Chapter 2: Assessment Methods

2.1 General information and principles

LGUs were selected to ensure a diverse sample in terms of economic development, geographical coverage and number of municipalities and cities, while also ensuring an equal number of LGUs per entity, and at least one LGU from each canton.

The questionnaire developed for the assessment covered a broad range of topics, including the types of CSOs funded, LGUs’ funding practices (including non-monetary in-kind support and the use of budget reserves), the level of transparency and CSO selection criteria, and monitoring and evaluation practices. The questionnaire specified that the Mission was assessing LGU funding practices between January 2017 and September 2018.\textsuperscript{15} The latest audit reports from the selected LGUs were used to inform

\textsuperscript{15} The preliminary findings, the need to develop specific research tools, and the Mission’s project timeframe conditioned the choice of the assessment period. Data collection began in October 2018, with the expectation that all LGUs would have completed their 2017 reports on budgetary execution and that they would have their 2018 nine-month’s budgetary execution reports available, as stipulated by entities’ rulebooks on financial reporting.
the development of the questionnaire. The response rate was 100 per cent, though a small number of respondents failed to answer all the questions.

The questionnaires served as the basis for subsequent interviews and allowed the Mission to follow up on inconsistencies, misunderstandings and incomplete or missing data. In total, 95 representatives of selected LGUs were interviewed between October and December 2018.

Desk research and a review of relevant documents and legislation supplemented the data gathered through questionnaires and interviews. Specifically, the Mission analysed LGU documents such as budget execution reports, audit reports and samples of contracts signed between LGUs and CSOs. This analysis provided a deeper insight into LGUs’ public financial management practices regarding CSO-funding and support.

The above-mentioned data collection phase lasted from October to December 2018. Subsequently, the Mission categorized and conducted a qualitative analysis of statistically relevant data in January 2019. The compilation and revisions of this report were completed between January and June 2019.

2.2 Principles of engagement

The Mission observed three primary principles at all stages of this assessment:

1. **Co-operation:** the Mission ensured full co-operation with selected LGUs by organizing meetings with all mayors and securing their approval of and support for the assessment prior to commencing monitoring in January 2018. Moreover, following the first six months of monitoring, the Mission organized a meeting with LGU representatives in July 2018 to present preliminary data, reaching a joint decision to focus the assessment on the provision of support to CSOs. Following this meeting, the Mission also met with representatives of non-governmental organizations in BiH, such as Transparency International and the Centre for Investigative Reporting (CIN), to gain their input on the planned assessment.

2. **Non-intervention:** the Mission did not instruct LGU representatives on what to report in the questionnaires or state in interviews at any point. Some LGUs requested a further explanation of specific questions, such as the definition of CSOs or the categorization of financial support, which the Mission provided. Such assistance was purely informational and did not influence any responses.
3. **Objectivity**: adherence to this principle ensured the accurate reporting of data and an analysis of findings according to defined domestic legislation and standards in the fields of anti-corruption legislation, public financial management, and CSOs. The principle of objectivity ensured impartiality and that the recommendations and conclusions are unbiased.

The Mission considered all types of CSOs in the LGUs it selected for this analysis, i.e. all non-governmental and non-profit organizations representing a wide range of interests, ranging from sports organizations to those promoting human rights. Annex 2 provides an overview of the types of CSOs identified, to what extent they exist in the LGUs monitored and to what extent LGUs provide funding for them.

2.3 **Limitations**

The assessment covered funding procedures from January 2017 to September 2018. In two LGUs, the Mission used data from the six-month municipal budget implementation report, as the nine-month implementation report was not available. Some LGUs did not provide all the information and data requested, such as complete lists of active CSOs or disaggregated data on allocated funds; thus, the Mission had to follow up and confirm data during face-to-face interviews. Sometimes, different LGU representatives provided contradictory data, which additionally impacted the completeness and accuracy of data. The Mission clarified information wherever possible. In a few cases, LGU representatives acknowledged that they reported information to the best of their knowledge, i.e., they were unsure if they included all potentially relevant information.
Chapter 3: Key findings - Spaces for Corruption

In identifying the spaces for corruption, the research focus ultimately narrowed to the following components of LGUs’ provision of support to CSOs: opportunities for public oversight; CSO selection and funding methods; compliance with allocation criteria; provision of in-kind support; transparency of CSO support; and monitoring and evaluation.

1. Space for corruption – lack of opportunities for public oversight of support

The assessment found that the lack of complete and publicly available information on active CSOs, as well as the lack of information on which organizations have received funding, allows for the potential misuse of funds during the allocation of support to CSOs. Without the public availability of such data, there is no way for citizens or CSOs to be able to monitor potential conflicts of interest, such as if an organization which is connected with a government official receives a disproportionate level of funding. Moreover, as relevant regulations currently allow for inactive CSOs to exist on paper, and without a regularly updated municipal database, inactive CSOs could be awarded grants, again, without the possibility for public oversight.

LGUs also do not generally include CSOs when planning the type and amount of financial or in-kind support that will be allocated to civil society. Many LGUs do not consult CSOs at all during this process, though some organize public hearings as a way to include CSOs. Not including CSOs in the decision-making process when allocating support prevents public oversight and does not allow CSOs to serve as a check on local governance CSO funding mechanisms. One surveyed LGU elects a CSO representative to its project evaluation body, a practice that should be replicated to increase transparency within LGU funding procedures for local communities.
2. Space for corruption – overwhelming use of direct grants rather than transparent calls for proposals

Direct budgetary support, based on non-competitive, individual requests is the most common means of financing CSOs in all 20 LGUs. Often, the allocation of these funds is based on individual requests instead of public calls. Moreover, the decision to provide budgetary support is often not related to local strategic priorities or clear evidence linking it to a public policy issue. This opens up space for arbitrary and subjective decision-making. It is also concerning because the allocation of funds is frequently based on individual decision-making within LGU management, allowing for overly-discretionary powers of decision-makers.

Furthermore, through direct budgetary support, many LGUs allocate funds without clear selection or allocation criteria and without public calls. This is a negative practice: allocating funds in this way undermines public scrutiny, as citizens are unable to determine whether and how this public funding benefits them and their communities.

Relevant legislation recognizes the importance of allocating funds via public calls. In Republika Srpska (RS), there exists a specific Methodology for Grants Management, precisely defining the planning, allocation, evaluation, reporting and monitoring of allocated grants, giving priority to development programs and recommending the allocation of grants via public calls. The Methodology specifies that public calls should be transparent and contain all relevant information about who can apply and under which conditions, and that they should have clear deadlines and selection criteria. Such detailed legislative methodologies do not exist in the FBiH, but as grants are budget expenditures, relevant legislation related to the preparation, planning, development, adoption, and execution of budgets should also apply to grants.

3. Space for corruption – inconsistent compliance with allocation criteria even when public calls are offered

Even if they use public calls, many LGUs do so without adhering to allocation criteria, creating another potential space for corruption. In some cases, the criteria exist on paper but are not appropriately applied in practice, with LGUs either inconsistently following the criteria or not using them at all. Indeed, only 45 per cent of assessed LGUs regularly followed the formal criteria for allocating project-based financial support during the assessment period.

16 All of the assessed LGUs’ development strategies include co-operation with and/or support to CSOs in their respective sectoral plans related to social development. However, only half of them harmonize funds allocation criteria with those development strategies.

17 In the FBiH, the laws on budget and laws on budget execution broadly define allocation criteria. These laws state that grants count as budget expenditures and that they should be allocated in accordance with programs adopted by respective governments/bodies.
Relevant LGU regulations stipulate which CSOs or project types are eligible to receive funds, the role of the designated body within an LGU responsible for allocating grants, and instructions for advertising public calls, among other provisions. Specific criteria for allocating project-based funds exist in the vast majority of assessed LGUs. These criteria delineate, among other things, procedures for public advertising, evaluating applications, scoring and ranking applications, and publishing the list of received applications. By using such criteria, a level playing field for all CSOs interested in working with the LGUs in question can be ensured. The inconsistent use of these criteria, however, gives an unfair advantage to those CSOs which do not fulfil all criteria, yet receive support because of personal or professional ties.

4. Space for corruption – lack of allocation or monitoring procedures for in-kind support, and a lack of understanding within LGUs of what this entails

Most surveyed LGUs were unfamiliar with the concept of non-financial (in-kind) support, such as the free use of LGUs’ premises, equipment, or services (document translation, applications for external donor funding, transportation, etc.). Most responded that they do not provide in-kind support to CSOs. However, during the post-questionnaire interviews, in which the concept was better explained, 80 per cent of assessed LGUs were found to have provided in-kind support to CSOs. Most LGUs, therefore, do (or did) not understand that in-kind support represents a form of governmental assistance to civil society.

It is therefore unsurprising that LGUs do not have comprehensive procedures regulating this kind of support. In most cases, mayors or relevant LGUs’ departments provide it simply on the basis of individual requests. Municipal assemblies or councils were also found, as another example, to offer office space or other municipal venues rent-free.

The vast majority of LGUs do not keep records of in-kind beneficiaries, nor do they estimate the value of support provided in financial terms. In fact, only one LGU stated that it keeps such records. Such unregulated, unrecorded and unmonitored support, usually based on an individual discretion, presents a problematic practice within the context of corruption prevention at the local level. LGUs should establish criteria for providing non-financial (in-kind) support and officially record the types and frequency of this kind of support.

5. Space for corruption – inconsistent and unclear use of budget lines for the allocation of funds

It is extremely difficult to determine how much funding is being awarded to CSOs. LGUs allocate financial support to CSOs through budget lines marked as grants to non-
profit organizations, or ‘other’ grants. This practice results in CSOs receiving funds from multiple budget lines, which clouds accurate data on the total amounts allocated. This could result in, for example, the same CSOs receiving multiple allotments of funds for the same projects or activities, from different budget lines. It would therefore be extremely beneficial for LGUs to establish mechanisms to track dispersed funds, regardless of how these funds are applied for/allocated.

6. Space for corruption – overly opaque discretionary budgeting practices

Approximately 65 per cent of assessed LGUs use budget reserves to support CSOs, with the relative amount of this support ranging from 20 per cent to 25 per cent of an LGU’s annual budget reserves. This practice is another example of funds being allocated without clear criteria or the use of public calls, opening up opportunities for overly discretionary, subjective allocation decisions. This is concerning from an anti-corruption perspective and contrary to entity-level legal provisions. Indeed, both the FBiH and RS legal frameworks prescribe budget reserves to be used for emergency or unforeseen situations, with the approval of the local government or LGU executive structures.\(^{18}\) In the RS, the allocated budget reserve can contain up to 2.5 per cent of the total planned budget, whereas this figure is 3 per cent for the FBiH.

7. Space for corruption – lack of comprehensive monitoring and evaluation procedures

In all 20 assessed LGUs, monitoring mechanisms are either underdeveloped or non-existent. Only 30 per cent stated that they have clear procedures for monitoring funds allocated as part of a project grant. 55 per cent of LGUs stated that they have partially defined monitoring procedures, noting serious gaps in monitoring. Many LGUs transfer funds to CSOs immediately after adopting the budget and do not link funding transfers to milestones achieved or specific activities (and in most cases, there are no projects at all). Only in some LGUs do CSOs submit reports after each transferred tranche, but achievements or positive performance are not prerequisites for such transfers.

The lack of comprehensive monitoring procedures is worrying in the context of corruption prevention. Without continuous monitoring throughout a project’s implementation, there is no possibility to identify the possible misuse of funds or any discrepancies between the type or number activities which were planned and those which were implemented.

\(^{18}\) The RS Law on Budget Systems defines budget reserves as the portion of the budget to be used for 1) covering unforeseen expenditures 2) expenditures for which the planned funds were insufficient 3) temporary obligations due to a reduced volume of budgetary funds and 4) for “other purposes”, in accordance with the decisions of the government or an LGU’s executive structure. The FBiH Law on the Budget Execution also defines budget reserves as funds to be used for unforeseen expenditures, and requires such funds to be used only upon governmental approval or with the approval of an LGU’s executive structure.
Monitoring of budgetary compliance is as important as the budget preparation and approval process. Regular monitoring of expenditures is central to effective financial management because it ensures that expenditures are within agreed financial limits and in line with prescribed guidelines and regulations.

Regarding LGU evaluation practices, the assessment found that although most CSOs submit financial, narrative, and supporting documentation (65 per cent) for funds allocated to CSOs, they do not assess the results that CSOs were meant to achieve using these funds. When the intended results of funds allocated to a CSO or towards a project are not assessed, it is difficult to determine if these funds were indeed spent as they were intended to be when the funding was approved.

Likewise, qualitative evaluation of invested funds is important because it can illustrate the process of project execution and help LGUs ensure that there are no deviations from a project’s expected results. Without appropriate tracking mechanisms ensuring that funding and other support is being used effectively, it is not possible to determine if the qualitative results are in-line with agreed targets. In turn, this makes discovering misuse of funds much more difficult for the LGUs in question, potentially allowing for corrupt practices.
Chapter 4: Conclusions and recommendations

This research has demonstrated a need for comprehensive changes in how LGUs support CSOs across BiH. As detailed in the recommendations below, improved record-keeping, more transparent funding procedures and clear, unitary guidelines would go a long way toward removing some of the spaces for corruption outlined in this report. These recommendations can apply to LGUs across BiH, and not necessarily just those surveyed as part of the Mission’s research.

While many areas of weakness have been highlighted, quick and effective change is possible. Local authorities in BiH have significant decision-making powers vis-à-vis implementation and oversight in their jurisdictions, meaning that changes in practice do not have to wait for direction from higher levels of authority. Moreover, modifying, improving, and better defining support provision practices at the local level is possible without any substantial financial outlay.

Corruption among public officials is perceived as widespread by the BiH public. Again, this analysis and its findings do not offer evidence of such corruption per se, but rather highlight the existence of significant spaces where corruption may occur. Through implementing the recommendations below and eliminating these spaces, local governments can improve the services they offer citizens and enhance the public’s faith in their local-level representatives.

In light of the clear spaces for corruption present in the provision of support to CSOs at the local level, this report recommends that LGUs:

1. Establish or improve publicly available databases to include information on the type, amount, and source (direct support / public call) of support provided to CSOs by LGUs, as well as the activities and management structures of CSOs;

2. Initiate discussions with relevant authority levels to improve regulations regarding registration, financing and formal closing of CSOs;
3. Allocate funds through public calls rather than direct grants, as stipulated by existing legislation;

4. Establish criteria for non-financial (in-kind) support and officially record support provided in this way;

5. Ensure the use of clearly defined selection and allocation criteria for both financial and non-financial (in-kind) support;

6. Avoid using budget reserves to financially support CSOs;

7. Adopt annual programs for financing the CSO sector, which would be aligned with strategic development documents as much as possible;

8. Sign contracts with CSOs that receive allocated funds, containing provisions regarding CSOs’ financial and qualitative reporting obligations as well as monitoring tools;

9. Establish monitoring procedures to verify that the funds provided have been spent in accordance with their approved purpose;

10. Establish evaluation procedures that would assess the impact of allocated funds.

The Mission stands ready to assist LGUs to improve their regulatory frameworks and managerial practices, thereby ensuring that support given to CSOs is transparent and subject to the appropriate level of oversight and accountability. This concentrated, bottom-up effort could lead to significant changes in corruption prevention in public financial management, curbing corruption at the local level across the country.
Annex 1:
General Data on Participating LGUs

**Bihać City** is located in the north-west part of BiH with an area of 900 km². Bihać is the administrative centre of Una-Sana Canton of the FBiH. Bihać City Mayor is Šuhret Fazlić. The official web-site of Bihać City is http://bihac.org/. The latest financial auditing for Bihać City is from 2016 and it was conducted by the Office for Auditing of Institutions in the FBiH: http://www.vrifbih.ba/javni-izvj/opcine/default.aspx?id=8421&langTag=bs-BA.

**Bijeljina City** is located in the north-east part of BiH with an area of 734 km². Administratively, it belongs to the RS. Bijeljina City Mayor is Mićo Mićić. The official website of Bijeljina City is https://www.gradbijeljina.org/. The latest financial auditing for Bijeljina City for 2017 was conducted by the RS Head Department for Public Sector Audit: http://www.gsr-rs.org/static/uploads/report_attachments/2018/12/17/RI063-18_Cyr.pdf.

**Breza Municipality** is located in the central part of BiH with an area of 72 km². Administratively, it belongs to Zenica-Doboj Canton, FBiH. The mayor of Breza Municipality is Munib Zaimović. The official website of Breza Municipality is https://www.breza.gov.ba/. The latest financial auditing for Breza municipality was conducted for 2016: http://www.vrifbih.ba/javni-izvj/opcine/default.aspx?id=8423&langTag=bs-BA.

**Brod Municipality** is located in the north part of BiH with an area of 228 km². Administratively, it belongs to RS. The mayor of Brod Municipality is Ilija Jovičić. The official website of Brod Municipality is https://www.opstina-brod.net/. The latest financial auditing for Brod municipality was conducted for 2016: http://www.gsr-rs.org/static/uploads/report_attachments/2017/12/25/RI041-17_Cyr.pdf.

**Donji Vakuf Municipality** is located in the central part of BiH with an area of 347 km². Administratively, it belongs to Central Bosnia Canton, Federation of Bosnia and Herzegovina. The mayor of Donji Vakuf Municipality is Huso Sušić. The official website of Donji Vakuf Municipality is https://www.donji-vakuf.ba/. The latest financial auditing for Donji Vakuf municipality was conducted for 2012: http://www.vrifbih.ba/javni-izvj/opcine/pdf/default.aspx?id=2339&langTag=bs-BA.

**Goražde City** is located in the east part of Bosnia and Herzegovina with an area of 248.8 km². Goražde City is the administrative centre of Bosnian-Podrinje Canton Goražde of the FBiH. Goražde City Mayor is Muhamed Ramović. The official website of Goražde City is

**Grude Municipality** is located in the south-west part of BiH with an area of 221 km². Administratively, it belongs to West Herzegovina Canton, FBiH. The mayor of Grude Municipality is Ljubo Grizelj. The official website of Grude Municipality is http://www.grude.info/. The latest financial auditing for Grude City was conducted for 2008: http://www.vrifbih.ba/javni-izvj/opcine/pdf/default.aspx?id=1719&langTag=bs-BA.

**Han Pijesak Municipality** is located in the north-east of BiH with an area of 342.27 km². Administratively, it belongs to RS. The mayor of Han Pijesak Municipality is Vlado Ostojić. The official website of Han Pijesak Municipality is http://www.hanpijesak.org/. The latest financial auditing for Han Pijesak municipality was conducted for 2015: http://www.gsr-rs.org/static/uploads/report_attachments/2016/07/20/RI053-16_Lat.pdf.

**Ilijaš Municipality** is located in the central part of BiH with an area of 308.6 km². Administratively, it belongs to the Canton of Sarajevo, FBiH. The mayor of Ilijaš Municipality is Akif Fazlić. The official website of Ilijaš Municipality is http://www.ilijas.ba/. The latest financial auditing for Ilijaš Municipality was conducted for 2002: http://www.vrifbih.ba/javni-izvj/opcine/default.aspx?id=8312&langTag=bs-BA.

**Kladanj Municipality** is located in the north-east part of BiH with an area of 331 km². Administratively, it belongs to Tuzla Canton, FBiH. The mayor of Kladanj Municipality is Jusuf Čavkunović. The official website of Kladanj Municipality is https://www.kladanj.ba/. The latest financial auditing for Kladanj Municipality was conducted for 2009: http://www.vrifbih.ba/javni-izvj/opcine/pdf/default.aspx?id=2332&langTag=bs-BA.

**Odžak Municipality** is located in the north part of BiH with an area of 171.4 km². Administratively, it belongs to Posavina Canton, Federation of Bosnia and Herzegovina. The mayor of Odžak Municipality is Jakov Ivanković. The official website of Odžak Municipality is https://www.odzak.ba/. The latest financial auditing for Odžak Municipality was conducted for 2008: http://www.vrifbih.ba/javni-izvj/izvan-budzet/pdf/Izvj_Opcina_Odzak_2008.pdf.

**Prozor Municipality** is located in the south part of BiH with an area of 477 km². Administratively, it belongs to Herzegovina-Neretva Canton, Federation of Bosnia and Herzegovina. The mayor of Prozor Municipality is Jozo Ivančević. The official website of Prozor Municipality is https://www.prozor-rama.org/. The latest financial auditing for Prozor Municipality was conducted for 2015: http://www.vrifbih.ba/javni-izvj/opcine/default.aspx?id=7710&langTag=bs-BA.

**Sokolac Municipality** is located in the east part of BiH with an area of 689 km². Administratively, it belongs to RS. The mayor of Sokolac Municipality is Milovan Bjelica. The official website of Sokolac Municipality is http://www.opstinasokolac.net/. The latest financial auditing for Sokolac Municipality was conducted for 2017: http://www.gsr-rs.org/static/uploads/report_attachments/2018/09/27/RI021-18_Cyr.pdf.

**Stanari Municipality** is located in the north part of BiH with an area of 160.96 km². Administratively, it belongs to RS. The mayor of Stanari Municipality is Dušan Panić. The official website of Stanari Municipality is [https://www.opstinastanari.com/](https://www.opstinastanari.com/). A financial audit of Stanari Municipality has never been carried out.


**Trebinje City** is located in the south part of BiH with an area of 904 km². Administratively, it belongs to Republika Srpska. Deputy Mayor of Trebinje City is Mirko Ćurić. The official website of Trebinje City is [https://www.trebinje.rs.ba/](https://www.trebinje.rs.ba/). The latest financial auditing for Trebinje City was conducted for 2014: [http://www.gsr-rs.org/static/uploads/report_attachments/2018/01/05/IP022-17_Cyr.pdf](http://www.gsr-rs.org/static/uploads/report_attachments/2018/01/05/IP022-17_Cyr.pdf).

Annex 2: Funding Trends

The below graph illustrates the funding trends observed in the monitored LGUs. It compares two specific categories: the percentage of CSOs present in the selected LGUs (“CSOs exist in LGUs”), and the percentage of these CSOs which also received funding in the assessment period (“Funded by LGUs”) – both as reported by the LGUs. The graph shows aggregated data for all twenty LGUs.

As the graph above demonstrates, the vast majority of supported CSOs are sports and recreation organizations, those that implement cultural and art-related activities, and war veteran organizations. At the other end of the spectrum are the CSOs working on protecting minorities, human rights, and gender equality.

There are several potential explanations for the disparities in support between, for instance, CSOs supporting sport or veterans and CSOs supporting women’s and minority rights. First, existing legislation at both FBiH and RS level stipulates that sport and recreation as well as culture and art are activities of public interest which all citizens should be able to enjoy. This results in entity, cantonal and LGU budgets providing funds and other support for relevant programs in these fields. Additionally, CSOs supporting veterans also hold a special status, helping them to consistently secure funding from LGU budgets.

Leaving aside whether these funding decisions support the development of a vibrant democracy, disproportionate funding raises questions about the possibility of favouritism and bias in decision-making.