

**FY 2005 QUARTERLY REPORT
(2nd Quarter – FY05)**

**Concerning the BiH Mission Cooperative
Agreement
168-A-00-99-00101-00**

January 1 – March 31, 2005

**Elections Administration Strengthening in
Bosnia and Herzegovina**

Submitted to the

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
by IFES**

I. INTRODUCTION

During this quarter, IFES' activities focused on consultations regarding Conflict of Interest programming and audit procedures. In addition, trainings were held on TIDE (Training in Detection and Enforcement) and MAP (Money and Politics). IFES' activities in Bosnia and Herzegovina (BiH) are implemented by local and international experts. The overall goal of the project is to provide assistance to local implementing partners with the objective of improving transparency, combating corruption and promoting greater confidence in public institutions in BiH.

II. PROGRAM OVERVIEW

IFES' programming focuses on the development of sound and uniform procedures in the BiH election process. Specifically, programming is intended to lead to the development of uniform formalities in adjudication processes; enforcement of the Law on Conflict of Interest provisions; harmonization of policies and procedures; more timely and consistent information disbursement between the central and local bodies; and increased linkages between intra-state institutions. In cooperation with the Election Commission of Bosnia and Herzegovina (ECBiH) and the Association of Election Officials of Bosnia and Herzegovina (AEOBiH), IFES' programming continues to increase transparency and accountability through the implementation of the Conflict of Interest and MAP programs. IFES' work plan includes:

- Implementation of Conflict of Interest Law by assisting with the interpretation and concrete definition of policies; administrative operations; and determining an adjudication process for violations of the law;
- Improving voter registration rolls by implementing a program to link inter-agency data; strengthen the transfer of information from the local to central levels of government and increase the capacity of election officials to conduct sustainable registration and outreach activities;
- Augmenting the transparency of campaign and party financing and completing the remaining phases of the MAP program by enlisting the expertise of a Local MAP Coordinator and ECBiH representatives to install the MAP database; conducting IT training programs; overseeing database entry; developing a MAP political party handbook; training election officials, NGOs and Media to operate the database; refining the User's Guide prior to distribution, and publicly launching MAP through a Bosnian-wide public information campaign and coalition building.

III. PROGRAM ACTIVITIES

A. CAMPAIGN AND POLITICAL PARTY FINANCING

TIDE Training

The Training in Detection and Enforcement (TIDE) Program is a global initiative designed to enhance detection and enforcement of political finance abuses, thereby increasing accountability. The program objectives are the following: increase the capacity of political finance regulators in such areas as investigation techniques, audit skills and money laundering detection mechanisms; establish new methodologies to monitor activities such as compliance and enforcement patterns; monitor, analyze and develop enforcement mechanisms to impede the impact of cross-border political finance transactions. A key component of the TIDE project is the development of a flexible tool kit that can be used to identify weaknesses in the system, reform laws and regulations, enhance or reform enforcement bodies, and exchange best practices.

From February 15-19th, IFES conducted a three-day interactive training for the Election Commission of Bosnia and Herzegovina (ECBiH). The event was attended by members of the ECBiH, municipal judges, members of local NGOs, international members of the Organization for Security and Cooperation in Europe (OSCE) and Office of Higher Representative (OHR), international observers from the Kosovo OSCE office, and USAID representatives. The training was delivered by Ellen Weintraub, Commissioner of the United States Federal Election Commission (FEC), Nicole Gordon, Executive Director of the New York City Campaign Finance Board, Joe Stoltz, Director of Auditing of the FEC, Laurel Shanks Council to Commissioner Weintraub, and Dr. Marcin Walecki, IFES Senior Advisor for Political Finance.

The flexibility of the toolkit was put to the test during the intensive multi-day training. Prepared to provide an introduction to detection and enforcement, the expert team quickly changed gears when it became apparent that the Election Commission needed to address auditing. After the opening presentations on the first day, the afternoon session focused on drawing questions and comments from the participants in order to clearly assess their needs. The second day of the training focused on organization and enforcement issues. It included sessions on International Comparison of Sanctions, Audit and Investigative Techniques, and an Audit Case Study and Examination of forged documents. The final two days of training focused on workshops that allowed the trainers to address the specific needs of the groups – specifically focusing on audit issues.

By the conclusion of the training, the team had provided the Election Commission with an action plan for the next four months, a step chart that will allow the implementation of several audits by a new deadline, a check list for desk audit, an outline for an auditors' manual, sample audit programs, and a selection criteria for auditing. Their ability to adjust to the change in priorities and deliver well-received training is testimony to how

the materials can be utilized by experienced practitioners in a changing environment. Thus, IFES was able to derive important lessons for the future through the practical application of the program.

The event resulted in a series of lessons-learned from which IFES is revising its training package for use around the world. Once updated, the training package will be available in hard copy, on CD, and on the internet. One of the most notable lessons learned was that while training programs such as TIDE can help to showcase best practices in education, disclosure, audit, investigation, administrative fines, and dispute resolution, it is difficult in the short-term to deal with issues such as poor management, conflicting personalities, and issues of political pressure and limited resources.

MAP Training

On February 21, in partnership with the University of Sarajevo's Political Science Faculty and the ECBiH, IFES organized an interdisciplinary seminar on Money and Politics. Speakers at the seminar included: Vehid Sehic, ECBiH Chairman, Nicole Gordon, Director of the New York City Campaign Finance Board, and Dr. Marcin Walecki, IFES Senior Political Finance Advisor. The overall goal of the seminar was to discuss options for political finance regulation and control. Over 30 fellows and students participated in this unique event allowing the ECBiH and IFES to present the MAP Database to a scholarly audience. The seminar explored the challenges faced by democracies, such as combating political finance related corruption, promoting transparency and accountability in political finance, and researching party and campaign finance.

To initiate the discussion, Chairman Sehic outlined the most important issues related to the political finance system in BiH, described the role played by the Election Commission and briefly explained the MAP project. Ms. Gordon contributed to the discussion with interesting examples from New York City and provided a general overview of campaign finance reform in the United States. Dr. Walecki discussed the European standards in party funding. Walecki argued that transparency in political finance in Bosnia and Herzegovina would require a long-term process involving, among other things, easily accessible financial reports. Both Walecki and Gordon spoke in great detail about public monitoring of political finance and the fundamental role played by academics in researching and publishing their findings.

Overall the seminar received very positive marks and most of the comments praised organizers for bringing leading experts and practitioners together. The IFES seminar made an important contribution to the development of a research agenda for political finance, cooperation between the ECBiH and the University and mutual support within networks of academics.

An additional seminar was organized by Dr. Marcin Walecki and Branko Petric, ECBiH, on February 23 as a practical workshop for the potential database users. This MAP training was designed for 10 NGO practitioners actively involved in anti-corruption and political finance related activities. The objective of this workshop was to provide a

general introduction to political finance disclosure and to present IFES' MAP project. Based on the MAP Database and other available disclosure information, training participants examined case studies of particular parties to identify specific problems and issues related to money and politics in Bosnia and Herzegovina. The training employed adult-learning techniques including practical case studies followed by short presentations made by participants and a general discussion. Participants agreed on their future cooperation with the ECBiH including exchanges of information, filing external complaints to the ECBiH, and establishing an NGO coalition for perspective campaign finance monitoring for the 2006 elections.

Audit Assessment

Mr. Joe Stoltz, Director of the Federal Election Commission traveled to BiH from March 27 to 31 to act as an Advisor to the ECBiH. Stoltz assisted the Audit Department in developing a methodology for desk and field audits, and trained members of the Commission in audit related activities.

During the TIDE Training in February, some audit selection criteria was developed. Since that time, a document had been prepared and submitted to the Election Commission for approval, along with some desk and audit procedures. However, little progress has been made. Commissioner Petric has been clear in his commitment to the audit process and will be an advocate for the staff to the rest of the Commission. Mr. Stoltz impressed upon the staff of the Audit Department the need for them to take a proactive approach to receiving the guidance and approvals they need. However, the staff seems to be more comfortable waiting for guidance from the top, despite this not being the role of the Commission. The staff proposes and recommends, and the Commission approves.

The primary focus of Mr. Stoltz's consultation focused on selection criteria. Although they have been submitted to the Commission, little development of the necessary metrics for the application of the criteria was undertaken. The need for more detailed and specific standards were described as a protection for both the staff and the Commission. Through more defined selection criteria, the staff is protected from allegations of preferential treatment or inconsistent application, and the Commission can assure critics of standard rules that are applied to all Parties.

Mr. Stoltz worked with the Audit Department staff on the "how to" part of the audit selection criteria and on applying the criteria to three sample reports for the last reporting period. Each of the following criteria were considered: seats in Parliament, quality of reports, elections results, and public interest in the Party. During this process, the staff raised the issue of data entry into the MAP database. It required an estimated 150 staff days to accomplish the task a year ago using professional data entry staff. This year using only the audit staff, the process will take longer. The annual report was due on March 31, and the post election report due seven days later. If there is no solution, the audit process will be delayed, which could be problematic because data entry is a high priority so the database is available to the staff and the public.

In addition, Mr. Stoltz worked with the audit department staff on desk audit procedures and field audit procedures. At first, the staff was unable to grasp the need for specific instructions for consistency and the protection of all concerned from allegations of favoritism or unequal treatment. Mr. Stoltz then explained that every minor omission need not be pursued, as perfect public disclosure is not required. However, for both the desk and field audits, the staff began discussing the process in detail and headway was made on the desk audit procedures, and the beginning of a field audit program.

Prior to Stoltz's departure, he met with Ambassadors Davidson and Tkachenko at OSCE. Concerns were expressed regarding the staff's need for support from the Commission and the need for the staff to be proactive in preparing and recommending procedures and action plans. The Ambassadors suggested that perhaps they could encourage the Commission to move on the plans when they are ready. Everyone involved is concerned that audits begin before the international members withdraw at the end of June. There was little confidence in the local members' political will to begin audits once the international members are gone.

B. CONFLICT OF INTEREST

Law on Conflict of Interest Implementation Assistance

From March 15-24, Conflict of Interest Consultant, Gary Davis, traveled to Bosnia and Herzegovina to provide on-site consultation to the legal department of the Elections Commission and review processes and procedures for reviewing conflict of interest cases. The main purpose of the trip was to work with the ECBiH on post-election Conflict of Interest implementation.

In meetings with USAID and OSCE, Mr. Davis indicated that since the passage of the Conflict of Interest Law in 2002, the ECBiH has accomplished a number of goals, including: adopting rules of conducting procedures; issuing advisory opinions; introducing much needed amendments; drafting, distributing and collecting the necessary personal financial disclosure forms; establishing both an investigative and financial review units within the Implementation Division; participating in training programs with non-governmental organizations; issuing early warning education letters to newly elected officials; and preparing semi-annual reports to the Presidency of Bosnia and Herzegovina. These accomplishments by the ECBiH were completed with a limited budget, lack of updated IT equipment, lack of personnel and cramped working conditions.

Despite these short term accomplishments, Davis concluded that additional measures need to be implemented as part of the overall anti-corruption effort. To this end, Davis met with Mr. Sedad Omerspahic, Chief of the Implementation Division at the ECBiH, to discuss gift definitions, reporting requirements, gift registry and procedures, and sanctions. Mr. Omerspahic considers 'gifts' as one of the final areas needed to round-out policy considerations under the Conflict of Interest Law.

The Implementation Division is currently focusing on the practical problem of undertaking “field investigations” that will support policy decisions. This had led to a greater concern for issues such as: acquiring additional personnel; technical equipment up-grade; staff training; initiating of field investigations; and increased educational activities. There is little demand from the public for the release of the information contained in the forms, and therefore the review and release to the public of the financial disclosure forms already collected seems to be of a lesser concern to the staff.

In support of these efforts, the Commission is in the process of up-grading the technical capacities of the Implementation Division and the training capabilities of staff members. The Commission will use approximately 40 percent of the funds which were transferred to the Commission as a result of OHR’s sanction of SDS to improve the Implementation Division. These funds are expected to be used to purchase technical equipment and one vehicle for “field investigations.”

C. ADMINISTRATIVE

The performance period of the project ended March 31, 2005. Close-out procedures were initiated during the reporting period and compilation of the final report will begin in April.

IV. IMPACT SUMMARY

The pilot Training in Detection and Enforcement (TIDE) seminar was held in Bosnia and Herzegovina this quarter. It was evident that the focus of the Election Commission and participants was to address auditing. Throughout the event, participants diligently worked to provide the Election Commission with an action plan and sample audit program for future use. One of the unforeseen successes of the training was that it resulted in much needed team building between members of the Election Commission and different departments of the EC.

Based upon feedback from the international participants and trainers, it was concluded that in order to fully utilize TIDE materials, it would be advantageous to divide future training into several phases. The first would be a general overview, honing in on the problems of the Election Commission. The second phase, which can take place several months later, would be a follow up session in order to see what progress was made, as well as to deal with the next phase. The follow up session is crucial because the volume of information cannot be fully covered under one training session, therefore a second session allows the trainers to present the next level of materials and offer participants support in the implementation of the principles that were discussed in the first session. A second phase TIDE training is currently scheduled for Fall 2005.

Following the launch of the MAP Database in the previous quarter, IFES continued to promote political transparency and accountability by hosting trainings for students and NGO representatives. The results and outcomes demonstrate that MAP project activities

lead to better government ethics and practices through public reporting and enforcement; increased transparency of political parties, candidates, and elected officials accounts; improved political party internal accounting practices; and enhance accountability.

Conflict of Interest programming continued with on-site consultations to the legal department of the ECBiH provided by Gary Davis, Conflict of Interest Consultant. Davis provided suggestions for additional efforts that will be needed in order to combat anti-corruption efforts under the Conflict of Interest Law.

Joe Stoltz, Director of the Audit Department at the Federal Election Commission, provided the ECBiH staff and Commissioners with expertise following the TIDE Training in February. Mr. Stoltz worked with the staff to create audit selection criteria, desk audit procedures, and the beginnings of a field audit program and explained the necessity for the staff to be proactive in preparing and recommending procedures and action plans for the Audit Department.

V. COMMENTS

IFES programming in Bosnia and Herzegovina under its cooperative agreement ended March 31, 2005.

VI. ACTIVITIES PLANNED FOR NEXT QUARTER

The project ended March 31, 2005, therefore no additional activities will be implemented.

VII. PROJECT DELIVERABLES

- TIDE Materials (Bosnian version)