

# PART ONE - SECTOR PROFILE

---

## 1. SECTOR CONTEXT

### 1.1. Description and problem analysis

Strengthened democratic institutions, an inclusive democratic process, a strong role for the civil society and further progress with electoral, parliamentary and public administration reforms are key for the accession process. According to the constitution and its amendments, the state of Bosnia and Herzegovina (BiH) consists of two entities (Republika Srpska and Federation of BiH), and a specific self-governance unit – District of Brčko<sup>1</sup>. The institutional set-up in the sense of judicial, legislative and executive authority is further defined by the constitutions of the state, the entities and the statute of the district, constitutions of cantons and statutes of municipalities, identifying several administrative levels: the state, entity, the district, cantons and municipalities, with the Council of Ministers of BiH, governments of Republika Srpska and Federation of BiH (FBiH), the government of Brčko District and the governments of cantons as executive authorities. This division is further implying the existence of the related independent central administrative levels, with their own public administrations and the civil service systems.

„In order to clarify the scope of this sector, it should be noted that the sector covers democratic institutions and overall public sector management, including public administration reform (PAR) coordination, policy-making, civil service reform and service delivery both at central and local level; and public financial management (PFM), including revenue collection and administration, budget preparation, budget execution with cash management, public procurement, accounting and reporting, debt management, public internal financial control and external audit. In addition, support will be provided for improving government IT interconnectivity and interoperability, including for customs and tax administrations with EU systems. Furthermore, the sector covers support to statistics and evidence-based policy development and the capacities for progressively adopting relevant EU legislation. Finally, civil society development is a crucial part of this sector.“<sup>2</sup>

Keeping in mind the importance of PAR in the enlargement process, the commitment of Bosnia and Herzegovina to meet the Principles of Public Administration and the commitment of the EU to the Better Regulation agenda, the key elements of public administration reform shall be systematically addressed in all sectors. IPA II assistance should especially ensure the Better Regulation approach, whereby policies and legislation in all sectors are prepared on the basis of best available evidence (impact assessments) and in an inclusive manner by involving the relevant internal and external stakeholders in the process<sup>3</sup>.

Due to the extremely decentralised system in place in BiH, these subsectors are still characterised by a certain degree of fragmentation and an overall harmonisation of the decentralised individual systems in view of a more effective and efficient service delivery and finance management is the substantial goal of the current reform.

#### *Public Administration Reform (PAR)*

The existence of the different administrative levels in BiH has resulted in an atypical approach to the issue of modernization and the reform of the public administration, which started with separated initiatives in specific administrative levels and then evolved into a more integrated approach including all levels comprehensively.

Public Administration Reform (PAR) in BiH is one of the country key priorities for the further general economic and social development of the country, as well as in the context of EU integration process. The importance of the PAR process from the perspective of the EU is recognized through the fact that PAR is one of the key priorities for the candidate and potential

---

<sup>1</sup> Constitution of Bosnia and Herzegovina (Annex 4 of the Framework Peace Agreement in BiH)

<sup>2</sup> Indicative Strategy Paper 2014-2020 for BiH

<sup>3</sup> Indicative Strategy Paper 2014-2020 for BiH

candidate countries aspiring for future EU membership<sup>4</sup>; public administrations in the candidate countries must demonstrate the ability to adopt the 35 Chapters of the EU *acquis*, and subsequently develop necessary capacities to fully implement them.

The Council of Ministers (CoM) of BiH and the entity governments have undertaken to reform the public administration in the country recognising it as a pre-requisite for a more successful EU accession process that should lead to the fulfilment of Copenhagen and Madrid criteria for EU membership. The 'PAR Pledges' were made in 2003 by the CoM and entity governments and in 2006 they took the form of the PAR Strategy and Action Plan for the period 2006-2010. However, the constitutional arrangements are not explicit in this regard and the efficiency of the EU accession process is seriously undermined.

The PAR Strategy<sup>5</sup> has envisaged three stages of the reform (short - term, mid - term and the long – term), with the long-term phase ending in 2014. The duration of the Strategy was not stated *per se*, but according to the mentioned three-phased approach, the first operational document – Action Plan 1 has accompanied the strategy, with the duration period of 2006-2010. The expiry of this document was followed by the revision process, implemented by the Public Administration Reform Coordinator Office (PARCO<sup>6</sup>) and it resulted in the Revised Action Plan 1 (RAP1), adopted by all levels, for the period 2011-2014 in line with the conclusion of the long-term phase of the Strategy. The development of sectorial capacities in key policy areas – linked with the preparation of a second Action Plan (AP 2) foreseen in the PAR Strategy (mid and long-term phase) - has never materialized because of missing approval at all indispensable levels. Up to now, timing and deadlines set by the PAR Strategy and Action Plan proved to be rather unrealistic.

PAR is one of the few areas where a countrywide strategy has been approved and implemented by all levels of the Bosnia and Herzegovina (BiH) administration – the State level of BiH, the FBiH, the RS and the BD<sup>7</sup>. The current momentum and the expiry of the deadlines of the RAP1, have raised the question of continuation of the PAR in BiH. BiH Council of Ministers, entity Governments and the BD BiH Government passed the conclusions<sup>8</sup> reaffirming their commitment to proceed with the fulfilment of the reform objectives identified by the Strategy and RAP1 through implementation of projects and other ongoing activities until adoption a new Strategic Framework. The conclusions also supported the implementing structures in their continuous reform efforts. Implementation of PAR Strategy and RAP1 is still in pending and based of PARCO Progress Report a total of 68% of the objectives from the RAP1 Plan 1 have been achieved, by the end of 2016. Two projects financed from the PAR Fund and related to the RAP1 have been completed in 2016 and two more projects. in 2017. Currently 8 projects are under implementation, all directed to fulfilment of goals from the RAP1.

The Operational Plan for the preparation of the PAR Strategic Framework in BiH (PAR SF) has been adopted by CoM, entity governments and Brcko District Government in 2016. This document outlines the main steps involved in the development of a new Strategic Framework and specifies the scope and structure of the new PAR Strategy. The Intergovernmental working groups (appointed by the CoM, entities and BD governments for the preparation of the new PAR SF) prepared a draft PAR Strategy. Draft Action Plan is also prepared but both documents are still not finalised and adopted because of the lack of necessary political support.

Bosnia and Herzegovina has expressed commitment to address PAR in line with the Principles of Public Administration, which the OECD/SIGMA has developed in close cooperation with the European Commission and which define the core dimensions of PAR. In Principles „PAR is addressed through six core dimensions which are closely inter-linked: a professional and depoliticised civil service; a good policy planning system with clear policy and legislative development

---

<sup>4</sup> In accordance with accession criteria, set by the European Council in 1993. in Copenhagen, and reinforced in Madrid in 1995., sufficient *administrative capacities* are considered as key requirement for EU membership

<sup>5</sup> "PAR Strategy in Bosnia and Herzegovina" (2007), available at: <http://parco.gov.ba>

<sup>6</sup> PARCO (Public Administration Reform Coordinator) is a body introduced by the PAR 2006-2010 strategy in charge of overall coordination of the PAR reform processes between the Council of Ministers, entity governments and government of Brčko District of Bosnia and Herzegovina

<sup>7</sup> SIGM;A Baseline measurement 2015.

<sup>8</sup> Brief report on the activities related to public administration reform adopted by the BiH Council of Ministers' Decision No. 05-07-1-1724-15/15 of July 10, 2015, FBiH Government Decision No. 865/2015 of July 9, 2015, RS Government Conclusion No. 04/1-012-2-2523/15 of November 5, 2015, and the Brcko District Government's legislative Act No 01.11-1031DS-02/15 of June 5, 2015.\*<sup>8</sup> In accordance with accession criteria, set by the European Council in 1993. in Copenhagen, and reinforced in Madrid in 1995., sufficient *administrative capacities* are considered as key requirement for EU membership

<sup>8</sup> "PAR Strategy in Bosnia and Herzegovina" (2007), available at: <http://parco.gov.ba>

<sup>8</sup> PARCO (Public Administration Reform Coordinator) is a body introduced by the PAR 2006-2010 strategy in charge of overall coordination of the PAR reform processes between the Council of Ministers, entity governments and government of Brčko District of Bosnia and Herzegovina

<sup>8</sup> SIGM;A Baseline measurement 2015.

<sup>8</sup> Brief report on the activities related to public administration reform adopted by the BiH Council of Ministers' Decision No. 05-07-1-1724-15/15 of July 10, 2015, FBiH Government Decision No. 865/2015 of July 9, 2015, RS Government Conclusion No. 04/1-012-2-2523/15 of November 5, 2015, and the Brcko District Government's legislative Act No 01.11-1031DS-02/15 of June 5, 2015.\*

procedures and processes; well-defined accountability arrangements among institutions and between administration and citizens; efficient service delivery (administrative procedures, e-government) to citizens and businesses; a sound public financial management system; and a comprehensive strategic framework that addresses all other core dimensions<sup>9</sup>“.

Although the process of stabilization and accession has begun considerably ahead of other countries in the region, Bosnia and Herzegovina is slowly advancing on the European path. Progress in the area of public administration reform is noticeable and can be monitored through regular semi annual and annual progress reports prepared by PARCO, but the European Commission's assessment is that BiH is still in the early stages of public administration reform. The constitutional set-up establishes a complex political structure a highly decentralised and very costly structure with competences divided at multiple levels and asymmetrically, and facing a lack of functional coordination and policy-making mechanisms and processes. The fragmented planning and budgeting processes, the lack of clear accountability and oversight lines and mechanisms, and the lack of a clear division of competences and responsibilities continues to undermine the efficiency and effectiveness of delivery of public services and public administration as a whole<sup>10</sup>.

New strategic planning decisions at state level and entities have improved the country's system of planning, but this system is still very fragmented according to SIGMA and EC ratings. BiH has prepared the Economic Reform Program for 2017-2019. At the state level, the Mid-term work program of CoM BiH 2018-2020 was prepared and adopted<sup>11</sup> whose goal, among others, is to increase the capacity of the administration to apply the principles of good governance at all levels of government, strengthen the rule of law and combat corruption in the creation of business environment and the provision of public services indispensable to economic and social development. Entity governments also prepare medium-term programs, but there is still no complete planning system. Progress has been made in drafting sector-wide sectoral strategies, but the number of such documents remains low. Strategies exist for most of the sectors mainly at the level of entities and cantons, and to a lesser extent at the state level. SIGMA points out that "co-ordination of policy content is only partially defined". A mechanism for coordinating the European integration process has been established, but SIGMA estimates that "planning and regular monitoring of the EI process is not fully secured throughout the country" and that "a serious threat to the integration process is insufficient cooperation between the state level, Entities and BD in this field, Especially with regard to the single approach to alignment with the *acquis*". Monitoring of implementation and evaluation is not recognized in practice as corrective mechanisms, and reporting is often reduced to a formal obligation that is virtually no longer followed by additional action. Reports are not customized to the public or are always available.

The EC noted that "certain elements of policy-making and drafting were introduced in an inclusive manner and on the basis of evidence, but that the quality of policy and legislative proposals should be further enhanced". At the state level and in the Entities, regulations have been issued containing provisions on the preparation of the explanatory documents when drafting legal acts (including the reasons for the introduction of regulations and explanations of the chosen policy, compliance with EU legislation, etc.) and the provisions on public and interimist consultations and impact assessments. The level and scope of application of these formally introduced provisions varies. SIGMA states that "prescribed standards for the content of the explanatory statement in practice are not followed" and that "they do not describe the alternatives for the chosen policy, no implementation mechanisms are specified and implementation costs and other financial impacts are not estimated". Consultations are often carried out only formally, without the real desire to come up with the best proposals. It is necessary to ensure the further development of analytical capacity of civil servants for the implementation of these regulations. According to the SIGMA report there is room for strengthening the dialogue between the CoM BiH and the BiH Parliamentary Assembly as well as strengthening the accountability and reporting of the MoU to the Parliamentary Assembly on the implementation of legislation. There is no practice of regular parliamentary oversight over the achievement of the policy objectives and strategic documents set.

The legal framework for civil service in BiH is still fragmented. The institutional set-up for HRM has been established at all levels and remains unchanged<sup>12</sup>, with policy-making and implementation responsibilities divided between the ministries and the CSAs. Human resources management remains fragmented and inefficient due to the absence of a central policy-making institution at state and entities. There are four main civil service agencies that perform centralized HRM functions, but they are not empowered to lead and monitor the implementation of the civil service policy and legal framework. HRM units have been established in a limited number of institutions at all levels and HRM information systems have been put

---

<sup>9</sup> ISP BiH 2014-2020.

<sup>10</sup> ISP BiH 2014-2020

<sup>11</sup> 105. session CoM, held on 13.06.2017.

<sup>12</sup> OECD (2016), *Monitoring Report: Bosnia and Herzegovina*, OECD Publishing, Paris, pp. 11-13, <http://www.sigmaweb.org/publications/Monitoring-Report-2016-BiH.pdf>.

in place at different levels of administration but are not used as tools for decision making and planning due to lack of complete information and legal obstacles Over data protection. The remuneration system is not transparent and does not guarantee equal pay for equal work because different salary regulations are in force at different levels of administration. The coherence of salaries of civil servants across BiH is not ensured, due to different salary regulations at all levels. The salary systems are based on job classifications and pay grades, but no Government in BiH has conducted a thorough analysis and grading of jobs, making it difficult to establish the extent to which the principle of fairness is implemented in the area of salaries and compensation in general. A fair and objective job evaluation and classification system is still to be implemented. These and other shortcomings in the HRM system should be corrected through the IPA project prepared under AD PAR IPA 2017.

The issue of integrity is, as the EC states, relatively well-regulated at the state level through anti-corruption plans and integrity plans, codes of conduct for civil servants, rules on incompatibility of the function and through the work of the Agency for the Prevention of Corruption and Coordination of Combating Corruption, but perception Corruption continues to be high. There is room for further capacity building for the development and implementation of integrity plans.

The comprehensive public administration structure in BiH is difficult to manage because of the overlapping and ambiguous legislative framework. The typology of administrative bodies remains unclear, both at the State level and in the Entities. Providing public information is regulated separately at state level and at the level of two entities. The provisions are similar and guarantee a wide scope of access to public information. "The main disadvantages, in terms of practical implementation, are limited or ineffective right to appeal against refusing access to public information and an uneven level of proactive disclosure of information." In addition, there is no independent appeals authority. The Ombudsman Institution covers the entire country, but the reports point to a low level of implementation of the recommendations of the Ombudsman of Bosnia and Herzegovina.

As a result of constitutional arrangements in BiH, responsibility in the service delivery segment is decentralized. In the public administration system in Bosnia and Herzegovina, customer satisfaction is not measured in a systematic and multidisciplinary manner as the commercial sector does. Although there are institutions that have adopted this principle, the public administration system in Bosnia and Herzegovina is predominantly based on a very limited set of data obtained from users, when considering and providing services, mainly through consideration of complaints and representations or direct contacts with clients during work on specific cases . Interoperability is not yet ensured. BiH has not yet established all electronic registers.

The electronic signature does not function at the state level due to incomplete bylaws, and therefore electronic services available are reduced to providing information. In December 2015, the Operational Plan for Establishing an Interoperability Framework at the Institution of BiH was adopted. However, the lack of a state-of-the-art model and the distinction between the state and entity level and the Brcko District in accessing the legal framework for electronic signatures, the creation of e-government portal and the implementation of the interoperability framework hampers the further development of electronic services. Republika Srpska adopted the Law on Electronic Signature<sup>13</sup>, which entered into force on 31 December 2015. The Law envisages that public administration bodies may have electronic certification. In line with that in 2016 the certification body was established in Tax Administration of the RS that conducts registration of users (natural and legal persons, entrepreneurs) and issues electronic certificates for electronic signature in line with the Law. Furthermore, RS has e-government portal e-Srpska ([www.esrpska.com](http://www.esrpska.com)), which is a long-term project of Government of the RS and Agency for Information Society of the RS. It is a portal where users of public services can find correct and reliable information using the Internet as a means of communication. The EC points out that a valid legal framework at various levels guarantees key principles of good administrative behavior, but has room for further simplification of administrative procedures.

Land administration services are an essential component of the public infrastructure. Cadastral and land registry information are part of the INSPIRE Directive, which will create obligations for the member states to provide information in this regard and support the environmental policy of the Union. Current institutional framework in Bosnia and Herzegovina in regards to land administration is complex due to historical developments. Most parts of the country are covered by the Hungarian-Austrian Cadastre, established during the 19th century through a systematic survey of villages. This cadastre is the base for the Land Book, which records ownership and other rights to properties described in the cadastre. The Land Book is traditionally the responsibility of local courts, which is still the case in the Federation of BH, whereas in Republika Srpska, the Land Book is the responsibility of the Republic Administration for Geodetic and Real - Property Affairs (RGA). As per cadastre, it is the responsibility of municipalities in the FBH, whereas in the RS, it falls within the jurisdiction of the

---

<sup>13</sup> Official Gazette of RS, 106/15

RGA. On national level, Ministry of civil affairs, through the Department for Geodetic, Geological and Meteorological Affairs is responsible for the following: preparation and execution of regulations; activities and tasks within the jurisdiction of Bosnia and Herzegovina that relate to defining the basic principles of coordination of activities; The harmonization of the plans of the entity authorities and the definition of an international strategies in the fields of geodetic activities, including cooperation with the International Union for Geodesy and Geophysics (IUGG), as well as with other global associations in relevant fields; Participates in the preparation and execution of international agreements in relevant fields; Activities related to basic geodetic works and cartography of importance for Bosnia and Herzegovina, Both entities are working on improving of quality of the data - in the RS RGA is in process of establishing real estate cadastre (unique register of technical data and property right data), in the FBiH, FGA, municipalities and local courts working on harmonising the land book and cadastral data.

In the Federation of BiH on top the provisions that regulate cadaster and land registry, there are also provisions regulating spatial planning, use of land and issuance of urban, building operating and other permits and approvals. "Service standards for the land registry and cadastre in the Federation of BiH" were determined in 2010, when the *main products and services in the sector, service provision standards, service quality standards, and service provision speed and effectiveness standards* were defined<sup>14</sup>.

The standardization of spatial services is already on a mature level. The creation of services has also been hastened by initiatives such as INSPIRE Directive, where services are implemented according to existing standard. The existing spatial services technologies are planned to be used and integrated with the future eGovernment implementation. Lack of adequate spatial data and inaccurate land information hinders creation of standardized services to be used in the decision-making process on land usage in public administration institutions at all governmental levels.

The geodetic authorities in both entities were given, by their competent Governments, duty and the mandate to be the coordinators and leaders of the spatial data infrastructure establishment and implementation of the INSPIRE Directive, which is an additional requirement for the unified geodetic spatial data to be available to institutions to all levels of government in Bosnia and Herzegovina. Increase in availability of quality spatial data will facilitate decision-making at all levels of the government and have a major impact on the society as a whole.

Federation of Bosnia and Herzegovina is characterized by the fact that the official spatial data infrastructure is in development phase. In late 2014, at the proposal of the Federal Administration for Geodetic and Real - Property Affairs, the FBiH Government has adopted a decree on the establishment of the SDI, which in the future will further impact the unification of markets of spatial data and the introduction of internationally recognized and prescribed standards. The RS is characterized by the fact that the official spatial data infrastructure is in development phase. In 2012, at the proposal of the Republic Administration for Geodetic and Real - Property Affairs, the Republika Srpska Government has adopted a Law on Survey and Cadastre of the RS the establishment of the SDI, which is prescribed implementation of INSPIRE directive in the RS.

The key strategic issue in FBiH and RS is the establishment of closer cooperation with other stakeholders (local governments, municipal courts, other agencies and ministries of the Federal Government or Government of RS) in order to establish mechanisms for the exchange and collection of spatial data information.

*In area of information society and media* the Communications Regulatory Agency (Agency) was created on March 2, 2001, by merging the competencies of the Independent Media Commission (IMC) and the Telecommunications Regulatory Agency (TRA). Agency operates at the state level in accordance with the Law on Communications of BiH<sup>15</sup>, which was initially imposed by the High Representative's Decision in October 2002, and the Parliamentary Assembly of BiH adopted it in September 2003. The Agency was created as a converged regulator – one of the first National Regulatory Authorities (NRA) to regulate both telecommunications and broadcasting industries. In accordance with the Law, the Agency's competencies are: creation and promotion of rules in the broadcasting and telecommunications sectors,

---

<sup>14</sup> Service user orientation and continuing communication with clients enables the relevant authorities to identify the needs, tasks and activities that are required for making improvements to the land administration sector. In accordance with the general policy on e-government and public administration reforms, all information pertaining to real estate should be in digital form and made available to potential users via internet or other public networks in a transparent, user-friendly manner, in accordance with the law. Unique databases for land registry and for cadaster sector have been established in the Federation of BiH. Implementation of unique Cadaster software (katastar.ba) has marked a significant step forward in terms of quality and comprehensiveness of the system for data collection, monitoring and analysis. Cadastral data from RECDB from all 79 municipal cadastre offices are available online with number of visitors on the portal [www.katastar.ba](http://www.katastar.ba) constantly increasing, by all e-service parameters. Online access to data of the FGA is currently provided through two types of services – public services and user services. The Geoportal ([www.katastar.ba/geoportal](http://www.katastar.ba/geoportal)) is developed as integral part of the public website, and is built with respect to the requirements of the INSPIRE directive

<sup>15</sup> Official Gazette of BiH, No. 31/03, 75/06, 32/10 and 98/12

licensing of operators in the broadcasting and telecommunications sectors, planning, managing and assigning of the frequency spectrum, applying technical and other standards relating to quality, and the establishment and maintenance of a license fee system.

Key documents related to the telecommunications and broadcasting sectors, as well as the work of the Agency, which directly or indirectly determine the strategic directions of the sector development, limitations, deadlines, key events, objectives and mandate of the Agency are: Law on Communications of BiH, Telecommunications Sector Policy and Broadcasting Sector Policy. The development of audiovisual media services and radio is one of the strategic goals of **Agency**. Assessment of implementation of CRA's goals in the area of broadcasting implies the analysis of application of relevant rules in this area, as well as consideration of adoption of changes to current regulatory framework.

CRA broadcasting licensing is based on a public tender for allocation of frequency specter based on a competition. Broadcasting program is one of the principle category examined during the process of allocation of license. However, current regulatory framework does not foresee categorization of broadcasting stations on local, regional and national level.

Having in mind future transition to digital broadcasting and allocation of digital capacities with current and future broadcasting services, in addition to consideration of enhancing the effectiveness of frequency spectrum management, broadcasting division of CRA considered implementation of a new licensing regulatory framework which would be based on categorization of broadcasting stations on local, regional and national level.

In that respect, CRA will prepare relevant rules to include categorization of broadcasting stations on local, regional and national level, which are expected to be adopted by the end of 2017.

In the process of harmonization of market regulation with the regulatory framework in the EU, the CRA adopted the Rule on the analysis of the electronic communications market, whose integral part is an Annex under the heading 'List of relevant markets', those subject to ex-ante regulation. An integral part of the List of Relevant Markets is the Leased Line Terminal Market - Wholesale Level, regardless of the technology used (Market 6), which is in line with the 2007 European Commission Recommendation. Also, operators in Bosnia and Herzegovina have sent requests for regulating the market for leased lines at the wholesale level. However, due to the lack of human resources, as well as other obstacles, the Agency has not conducted an analysis of the wholesale market of leased lines so far.

Fraud in Value Added Services in Bosnia and Herzegovina became a very significant problem. A number of consumer complaints has been growing. The Agency recognized the need for getting recommendations from EU countries which have a lot of experience with the value-added services regulation. Precisely, it is about getting support in developing a draft Rule on obligations of providers of value-added services.

The Medium-Term Plan of the CRA for 2017-2019 states that the medium-term objective is to: Create conditions and establish high-quality, efficient, safe and modern systems of the transportation, communications and information society in Bosnia and Herzegovina. This is a consolidated medium-term goal that relates to three other institutions: the Ministry of Transport and Communications of BiH, the Agency for Postal Traffic and the Directorate for Civil Aviation, and its implementation is also contributed by the Communications Regulatory Agency, by affairs within its competence.

The specific goal of the Agencies is to: Develop, implement and improve the regulatory framework in the field of telecommunications, broadcasting and management of the radio frequency spectrum, through Improving the regulatory framework and market development in line with EU legislation, relevant international standards, technology and service development and current trends; and Licensing and monitoring of compliance with relevant regulations, rules and conditions of issued licenses.

Capacity building, both human and technical, is one of the key items necessary for the implementation of the Agency's Medium-Term Plan in the next three-year period. Given that the Agency's activities are based on expert knowledge, certain donor funds are needed to maintain and improve technical resources, as well as training employees in order to improve knowledge, through training and attendance at relevant national and international meetings, in order to follow new trends and technologies of the electronic communications market.

Bosnia and Herzegovina's public administration and public financial management systems have to improve to prepare the country for the adaptation of the challenges of EU integration to ensure a more efficient, effective and accountable administration and improved delivery of services to citizens and businesses. The pace of PAR remains slow and limited progress has been made in meeting the requirements of EU integration. SIGMA Baseline measurement report from 2015 stressed a number of shortcomings in all six area of PAR.

In the part of the Principle relating to the strategic framework for the PAR, there are also recommendations for improving the strategic framework, ie coordination and management of the PAR process. Apart from being responsible for the overall co-ordination of the PAR process in BiH, PARCO is also in charge of the management of the Public Administration Reform Fund<sup>16</sup>. It is the first institution of BiH which is entrusted with foreign donor funds to manage. The assets of this Fund are serving as a supplement to available budget resources which finance PAR. In this regard, it has to be noted that while information on investments by international donor organisations targeting implementation of the PAR is readily available, none exists on the share of investments made by BiH state, the two entities and Brčko District, with the exception of their contributions to the PAR Fund<sup>17</sup>.

However, the coordination role that PARCO has is not sufficient to implement real policy reform measures, because CoM and entity governments are independent in addressing PAR activities and related allocation of resources. This makes coordination complex, sometime risks to impede joint implementation of reform measures and gives rise to differing political agendas that might slow down reforms.

SIGMA Baseline Measurement Report highlights some weaknesses in the functioning of the PARCO. The first weakness is that the initial decision on establishing PARCO provides that when the CoM of BiH concludes that the objectives and activities of the PAR Coordinator's Office are met, it will propose to abolish or transform the Office. Second, unlike other structures at the CoM of BiH, PARCO does not have a seat at the CoM meeting, as the Chairman of the CoM is supposed to represent PARCO in these meetings. Third, since it was established through a decision of the CoM of BiH, PARCO is not a statutory institution regulated by the Law on the CoM. "This leaves PARCO without any real power to drive PAR at the political level nor any leverage vis-à-vis other institutions", stressed SIGMA. SIGMA's recommend, among other, the following: Redefine the status of PARCO to ensure its sustainability and that it has adequate authority to co-ordinate PAR reform in BiH, i.e. transform PARCO's status into a more permanent one; Redefine the PAR process steering and co-ordination structure to keep it consonant with decisions made on the elaboration of the new strategic framework; Ensure effective supervision of PAR implementation policy at the political level; Ensure that the Supervisory Teams can actually perform their functions and make an impact on the implementation of the PAR actions; The CoM of BiH, the Governments of the FBiH, the RS and the BD should agree on a single approach towards policy for service delivery in BiH, including the necessary technical standards.

### *Public finance management (PFM)*

PFM reform plans are set out in the PAR Strategy and in the RAP1. The aim of the reform in this area was to continue investing further and to establish an effective financial management system; establish and strengthen the control environment in which management operates. According to the PARCO report, 74% of the planned measures were implemented in this area<sup>18</sup>. In the new PAR strategy PFM is envisaged to be one of the five reform areas (in accordance with the Principles of Public Administration) and it should include all the levels of government in BiH (state, entities and District). Along with the process of developing a new PAR Strategy, the PFM strategy development process started at all levels of government, which should be consolidated into a single document and integrated into the new PAR strategy. The PFM strategies were prepared and adopted at the state level, in BDBiH, and in the Federation of BiH<sup>19</sup>. The RS strategy is in the final stages of preparation. In addition to the PFM strategy, at the state level, the Strategy for the Development of the System of Internal Financial Control (PIFC) and the Public Debt Management Strategy was adopted. The Government of the RS adopted Debt Management Strategy for period 2017-2020<sup>20</sup>. The EC said in 2016 that "a comprehensive public finance management reform program lacks, and the country continues to address the issue of public finances based on the adoption of separate debt management or internal financial control strategies."

Despite few recent progresses in the budget execution, the lack of fully adequate internal controls (especially in public procurement) make the PFM systems in BiH still remarkably vulnerable to inefficiency and waste.

The overall strategic planning and public finance management system at state, entities and Brčko District is emerging through the introduction of relevant regulatory and policy documents (including the Public Investment Management Information System – PIMIS); however, significant efforts and assistance will be necessary to ensure adequate institutional and technical capacities at levels of cantons in the FBiH and local governments country-wide so as to enable a coherent

---

<sup>16</sup> A fund mostly financed by the international community to support BiH in the PAR reform process

<sup>17</sup> SIGMA 2014 Assessment of PAR in BiH

<sup>18</sup> Godišnji izvještaj o napretku u provedbi Revidiranog akcionog plana 1 Strategije RJU za 2016. godinu

<sup>19</sup> Vlada FBiH je usvojila Strategiju reforme upravljanja javnim finansijama 2017-2020. na 106. sjednici održanoj 15.6.2017.

<sup>20</sup> On session held in August 2017.

public policy design and delivery system. SIGMA Assessment of PFM performed in 2016 gives a number of recommendations for improvement of PFM system in BiH. Some short-term recommendations are aimed at strengthening and amending the laws to ensure that parliaments approve PFPs in June, increasing budget transparency by publishing, along with the budget, all accompanying documentation and the like. Each of the four government levels has some particular weaknesses in its PFM system and credible and comprehensive medium-term macro-fiscal strategies are lacking at all levels; in all of the four levels the process of preparing the budget and public investment programme is not well integrated with the medium-term macroeconomic outlook and overall/sectorial strategic documents (which are in many cases missing or not properly cost estimated).

SIGMA<sup>21</sup> stressed that „the BFPs serve as a preliminary draft of the next annual budget, but not yet as a true multi-annual framework” which “would require a stronger role for the GFFBP in setting the overall framework for budget formulation, inclusion of expenditures by Extra Budgetary Funds, recognition of total capital costs of investment and recurrent costs of investments, and the use of the second- and third-year projections as the starting balance of the budget process”. The GFFBP sets the overall framework for budget formulation. Neither the GFFBP nor the MTBFs cover expenditures by EBFs, except in RS<sup>22</sup>. SIGMA stressed in 2016 that “they do not link strategic plans for policy development with budget projections”. In the same report SIGMA wrote that “progress has been made on linking budget projections to work programmes with non-financial performance information, but the high number of first-line budget users inhibits a strong impact on the strategic reallocation of resources”. But as SIGMA stressed “there is further room for improvement in the completeness of the information provided to the Parliaments as background to their deliberations on the Budgets, the time available to the Parliaments for considering the draft Budgets and the involvement of the Parliaments in approving the spending of the EBFs”<sup>23</sup>.

In budget reporting, charts of account of the four main government levels are not fully harmonized but that is not a barrier for compiling government finance statistics (GFS) in line with requirements of European system of accounts ESA. In the context of budget scrutiny, despite recent improvements, better follow-up on external audit findings and recommendations is missing. There is a space for improvement coverage and quality of internal audits by the institutions and of performance audits undertaken by the Supreme Audit Institutions. The SAIs are empowered to carry out financial, compliance and performance audits. Mainly due to the limited resources, the development of performance audits is slow. Most of the performance audits in 2016. covered financial issues and did not focus on policy areas. Governments’ level of implementing SAI’s recommendations is low .

Rodnom budžetiranju, čiji je cilj da rodno osjetljiv pristup bude primijenjen na sve aspekte svih budžetskih procesa, treba posvetiti posebnu pažnju i raditi na njegovoj primjeni.

One significant issue relates to budget transparency and accessibility of budgets by the public. By all means, the fact that budgets are available online does not suffice to make them transparent and more efforts should be paid in this sense. Moreover, the integrity framework (which include anticorruption, audit mechanism, internal control etc) still remains an important issue in the light of increasing accountability of public administration.

With a view to improving long-term sustainability of public finances in the entities, the management of public finances was strengthened in the last period with the timely adoption of the BiH institutions and entity budgets and the global framework for fiscal policy for the period 2016-2018. and 2017-2019. In the RS, FBD have been adopted for period 2018-2020<sup>24</sup>. Entities have been adopting FBDs for a three-year period and updated them each year in the previous time as well. The CoM has adopted a law regulating the preparation of a medium-term work plan to strengthen the policy basis of the medium-term budgetary framework (MTBF)<sup>25</sup>. The Global Framework of Fiscal Balance and Policy in BiH for the period 2018-2020 was prepared, and is expected to be considered and adopted at the Fiscal Council of BiH, Reflecting the provisions of the country’s constitution, the fiscal system in BiH is highly decentralized. A Fiscal Council was created in 2008, with the objective to coordinate fiscal policies in BiH in order to ensure macroeconomic stability and fiscal

---

<sup>21</sup> Assessment Report 2016

<sup>22</sup> Planned budgetary frameworks for Republika Srpska, which are submitted for drafting GFFBP BiH and ERP BiH, contain consolidated data for budget users of Republika Srpska, funds of social security RS, local self-governemnt units RS and public enterprises Roads RS and RS Motorways. Within framework of data for budget users of Republika Srpska included are: Budget RS (fund01), resources of funds 02-05 which are not included in the Budget (01) and are comprised of: resources used by the budget users on the basis of special regulations, grant based funds, privatisation and succession funds, i.e. Development Programme of RS funds etc. Funds for special projects which are not within fund 01.

<sup>23</sup> SIGMA Assessment report 2016.

<sup>24</sup> On 134th Government session, held on 24.07.2017.

<sup>25</sup> SIGMA Report 2016. Law on Amendments to the Law on Ministries and Other Administrative Bodies of BiH, BiH Official Gazette No. 19/16.

sustainability.<sup>26</sup> The Fiscal Council is an independent body, which independently assesses the credibility of fiscal policy in terms of respecting the established fiscal rules, measures and procedures and thus provides transparency and accountability in its conducting. As the fiscal coordinator body, in practice the Fiscal Council decides on revenues from indirect taxation and the budget of BiH institutions, thereby creating preconditions for budget planning at lower level of governments, which are responsible for over 90% of public expenditures<sup>27</sup>. Pursuant to the constitution, fiscal policies and medium-term framework are defined in each entity, while the BiH Fiscal Council has the fiscal policies coordination function through the *Global Framework of the Fiscal Balance and Policy*<sup>28</sup>. Indirect taxation is administered at the level of institutions of BiH; whilst direct taxation is administered at the entity level. Similarly, expenditure jurisdiction is assigned to the different levels of governance. Given that key government functions are performed at the entity levels (FBiH, RS) and BD, timely decision making on BiH Institutions' revenues from indirect taxes is important for enabling timely implementation of their respective budgets.

BiH Institutions (state level), FBiH and Republika Srpska (entity level) are developing internal audit capabilities and have independent Supreme Audit Institutions.

At the **State level** PIFC Policy Paper was adopted by the CoM in December 2009. It contained a list of actions with implementation deadlines before the end of 2012. However, as an outcome of its fact finding mission held in late 2014, EC DG Budget indicated that the Policy Paper is out of date and that a thorough gap assessment of the current internal control system is necessary for steering further reform activities. Council of Ministers adopted new Strategija razvoja sistema internih finansijskih kontrola u institucijama Bosne i Hercegovine za period 2016-2018<sup>29</sup>. The basic legal framework for financial management control (FMC) is in place. A Financial Management Control (FMC) Manual and an FMC Rulebook on reporting is being finalised. The Law on Financing of BiH Institutions introduced the annual statement of assurance. Risk management, however, remains to be developed. In the meantime without any formalised risk management and assessment, DG Budget questions whether the statement of assurance can be taken as a reliable measurement of accountability. BiH Institutions made considerable step towards developing a programme based budgeting by passing secondary legislation for development of medium-term plans for all BiH institutions and the CoM.

The new Law on Budgets in the **FBiH** came into force in January 2014 and aims to improve the coordination with lower levels of government, i.e., cantons and municipalities. However, the quality of fiscal reporting is still low, which undermines the public review, correct analysis and policy development. Overall, important steps are taken to improve the sustainability of fiscal policy, but still significant further efforts are required, particularly with a view to strengthening expenditure control and fiscal discipline<sup>30</sup>. The Law on Financial Management and Control in the Public Sector in the Federation of BiH<sup>31</sup> as well as the Standards of Public Internal Control in the FBiH and the Rulebook on Implementation of Financial Management and Control in the Public Sector of the FBiH<sup>32</sup> were adopted. Similar to the state level, FBiH is introducing the new instruments that will enable development of medium-term plans at entity and canton level. A new PIFC strategy for the period 2015-2018 was adopted in September 2015 and is to substitute the old one.

A PIFC Strategy paper in **Republika Srpska** was adopted in May 2010. The deadlines for implementation of the Action Plan expired at the end of 2012. Basic FMC provisions appear in the Law on the Budget System dated June 2008. The Central Harmonisation Unit (CHU) has been active in developing draft legislation. A FMC Manual, the Internal Control standards, and some secondary legislation for FMC implementation were developed by the CHU. In the Republic of Srpska the Law on the system of internal financial controls in the public sector of Republika Srpska was adopted and published in the "Official Gazette of Republika Srpska" no. 91/16.

---

<sup>26</sup> The Fiscal Council consists of six members, namely:

- a) The chairman of the Council of Ministers of Bosnia and Herzegovina
- b) The Prime Minister of Republika Srpska,
- c) The Prime Minister of the Federation of Bosnia and Herzegovina,
- d) The Minister of Finance and Treasury of Bosnia and Herzegovina,
- e) The Minister of Finance of Republika Srpska,
- f) The Minister of Finance of the Federation of Bosnia and Herzegovina.

The Governor of the Central Bank of BiH and the president of the Brčko District attend as observers the meetings of the Fiscal Council. (Law on Fiscal Council, Official Gazette, No. 63/08)

<sup>27</sup> Bosnia and Herzegovina - Public expenditure and financial accountability assessment (PEFA), <http://documents.worldbank.org/>

<sup>28</sup> RS in July 2017 established the Fiscal Council of the Republika Srpska. Law on Fiscal Responsibility in the Republika Srpska has been adopted previously (Official Gazette RS, 94/15).

<sup>29</sup> On the basis on this Strategy CJH adopted Operativni godišnji plan za provedbu PIFC Strategije za 2017.

<sup>30</sup> EC Progress report for BiH 2014

<sup>31</sup> Službene novine FBiH, br. 75/16

<sup>32</sup> Službene novine FBiH, br. 6/17

*In Brčko District of BiH* seemingly there has been no formal decision on which body will be in charge of developing the policy for PIFC. There is no CHU established yet and the implementation of PIFC policy is at a very early stage and no FMC legislation is yet in place. PIFC Strategy 2014-2017 was adopted in December 2014, however, given the lack of a CHU function, there is a question as to the local ownership of the Strategy. A decision will have to be taken for a competent body to initiate, develop, steer and implement the planned reforms.

Assessment of PFM performed by SIGMA in May 2014 highlights two main priorities that BiH should attain in implementing PFM. These are:

- a) to achieve a robust annual budget system that is based on a medium-term budgetary strategy and includes all sectors, in conformity with EU standards; to have a PIFC system in place for the entire public sector, in compliance with EU principles, standards and methods; effective parliamentary oversight, supported by an operationally and financially independent SAI's at all levels;
- b) to have a public procurement system, including public-private partnerships (PPPs)/concessions, in place and fully operational, in accordance with EU rules and good international practice. To ensure that public procurement operations provide value for money and are sustainable under budgetary limitations and projections, and stimulate economic growth. Contracting authorities, economic operators and civil society have to gain confidence in the fairness and integrity of the system, while corruption and fraud are significantly reduced.

SIGMA Report from the Public Procurement area stressed that "The legal framework for public procurement remedies in BiH is mainly compliant with the EU Remedies Directives, except that concessions are not covered. The PRB is not yet working properly, due to weak administrative resources and the absence of key staff in the branch offices. PRB decisions published since January 2015. on the page <https://www.ejn.gov.ba/> (Public Procurement Agency BiH).

In the field of public procurement, there is still a high percentage of contract award in a non-transparent manner (in 2016 **10.85%** of the contract was awarded through negotiated procedure without publication of a procurement notice), for the procurement of small value the contract award notice was not published points to the inefficiency of the legal protection system with regard to time limits for complaints, inconsistencies and insufficient transparency of appeals decisions, insufficient level of training of staff of contracting authorities and bidders, and ultimately points to the weaknesses resulting from insufficient degree of market development in BiH. This fact results in insufficient competition in public procurement procedures - a small number of bids are registered annually in public procurement procedures – on average 2 to 3 bids per process.

Public procurement system rests on basic principles, which should result in the most efficient use of public funds. However, in most procedures, the lowest price criterion is used. The failure to use the criterion of economically most advantageous offers in many cases threatens to jeopardize the efficiency and cost-effectiveness of public procurement, ignoring the quality and long-term costs. Very often, even with good intentions, procurement rules follow only as a procedure rather than as a way to look for the best possible outcome, ie the best relationship invested and earned. The Public Procurement Law envisages modern techniques and procurement methods, but they are rarely used in practice.

The administrative capacities of the contracting authorities and the professional capacity for the proper implementation of public procurement procedures are not at a satisfactory level. No attention is paid to the entire procurement process, planning is neglected, contract management also. When it comes to electronic procurement there is a need for the development of electronic infrastructure and the elaboration of legislation that will enable the full functionality of electronic procurement.

### *Statistics*

The development of the statistical system in BiH is one of the obligations of the Stabilization and Association Agreement, but also the prerequisite for ensuring comparable, reliable, objective and accurate data that is the basis for good planning and monitoring of the reform process in Bosnia and Herzegovina. The statistical system in BiH needs considerable further development based on strategic planning documents and precise methodological documents in order to meet requirements of the adoption of the *acquis communautaire* and for the needs of the statistical users in and outside the country. U skladu s članom 22. Zakona o ravnopravnosti spolova u BiH<sup>33</sup> svi statistički podaci i informacije koji se

---

<sup>33</sup> Official Gazete BiH, 32/10

prikupljaju, evidentiraju i obrađuju u državnim organima na svim nivoima, javnim službama i ustanovama, državnim i privatnim preduzećima i ostalim subjektima moraju biti prikazani po spolu.

Special attention is required to the provision of appropriate human and material resources and further professional training of the staff.

The System of Official Statistics of BiH is characterized on one hand by regional decentralization, reflecting the administrative and political organisation of the country, and on the other, to a large extent by a functional centralization. The three statistical institutions, called 'competent authorities' in the Law on Statistics of Bosnia and Herzegovina, represent the main levels of government:

- The Agency for Statistics of Bosnia and Herzegovina (BHAS) at the state level,
- The Federation of Bosnia and Herzegovina Institute for Statistics and the Republika Srpska Institute for Statistics at the level of the two entities.

The statistical office of Brcko District has been an integral part of BHAS since 2006 due to a governmental decision. Scope of activities of entity statistics for the level of the Republika Srpska is defined by the Law on Statistics of the Republika Srpska<sup>34</sup> and for the level of FBiH by the Law on Statistics of the Federation of BiH<sup>35</sup>. The structural set up of the National Statistical System (NSS) corresponds to administrative set up of BiH and is causing major challenges for BiH as a whole in relation to the coordination, communication and efficiency of the production of statistics as well as for consistency and quality of the statistical data. BHAS and the statistical institutes of the entities are given the right to collect primary statistical data and to access administrative records. It appears, however, that the rules concerning the mandate of data collection, in particular with regard to the access of administrative data, could be made much more transparent and indisputable in revisions to the laws.

BHAS and the statistical institutes of the entities, the Federation of Bosnia and Herzegovina Institute for Statistics (FIS) and the Republika Srpska Institute for Statistics (RSIS), as well as the other producers of official statistics are confronted with an increasing number of new requirements, both from national and international stakeholders. Once BiH becomes a candidate country, these requirements would increase still further.

---

<sup>34</sup> Official Gazette no. 85/03

<sup>35</sup> Official Gazette no 63/03

## 1.2. SWOT analysis<sup>36</sup>

The sector overall description has been summarised through a SWOT analysis.

The aim is to highlight key internal strengths and weaknesses of the sector and to correlate them with external (positive and negative factors). According to the specificity of the sector, the analysis has been divided into four most significant, inter-linked areas, such as: human resources, institutional framework, processes and infrastructure.

Strengths	Weaknesses
<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>✓ capacity building is provided<sup>37</sup></li> <li>✓ PARCO structure and staff is well established and acknowledged among all relevant institutions as being in charge of sector coordination</li> <li>✓ some progress in improving civil service legislation concerning public service and human resources management</li> </ul>	<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>✓ Civil Service Laws not fully implemented</li> <li>✓ generally low standards of professionalism, transparency and accountability</li> <li>✓ lack of indicators for performance assessment</li> <li>✓ lack of capacities for monitoring and evaluation of strategies, programmes and action plans</li> <li>✓ lack of continuous training for information officers/civil servants on implementing the Law on Free Access to Information at all levels</li> <li>✓ presence of corruption in the entire public sector, principally in the areas of service delivery and access to employment</li> <li>✓ no improvement in the recruitment procedures<sup>38</sup></li> <li>✓ limited use of the common HRM Human Resource Management Information System (HRMIS),</li> <li>✓ Nedovoljna zastupljenost žena u upravljačkim strukturama</li> </ul>
<p><b>Institutional Framework</b></p> <ul style="list-style-type: none"> <li>✓ a network of PAR Coordinators is in place to ensure the functioning of a coordination mechanism</li> <li>✓ donor coordination is ensured through the meetings of the PAR Fund Joint Management Board</li> <li>✓ there is a PAR monitoring system in place</li> <li>✓ there is an institutional set-up for strengthening the integrity of civil servants<sup>39</sup></li> </ul>	<p><b>Institutional Framework</b></p> <ul style="list-style-type: none"> <li>✓ the reform process lacks the necessary political support<sup>40</sup></li> <li>✓ lack of planning of costs and sources of financing for implementation of the PAR strategy</li> <li>✓ Nedostatak zakonskog okvira koji regulira razvojno planiranje</li> <li>✓ lack of clear definition of responsibilities and accountability lines across government levels</li> <li>✓ lack of a harmonised and modernised legal administrative framework<sup>41</sup></li> </ul>

<sup>36</sup> Main sources for elaborating SWOT analysis were the: 2014 EC Progress Report on BiH, the April 2014 PAR assessment made by SIGMA, the May 2014 PEFA Assessment, the Mapping of Sector Strategies in Western Balkans and Turkey issued on February 2014 by the DG ELARG, EC Overview and Country Assessment of the 2015 Economic Reform Programmes, Joint Conclusions of the Ministerial Dialogue between the Economics and Finance Ministries of the EU and the Western Balkans and Turkey, May 2015.

<sup>37</sup> The Civil service agency of The FBiH, Civil Service Agency of Republika Srpska and Civil Service agency of BiH all have training strategies and are delivering training (available on their webpages); these includes Training Strategies for Local Governments (elected officials and employees).

<sup>38</sup> Recruitment processes aren't yet oriented towards the application of objective and merit-based criteria, transparency and prompt appointments to vacant positions – improvements regarding processes in human resources at the level of Brčko District are recorded.

<sup>39</sup> Agency for fight against corruption set at the State level (Agency for the Prevention of Corruption and Coordination of the Fight against Corruption)

<sup>40</sup> No formal political discussion has as yet taken place on the future of reform beyond 2014, after the expiry of the current strategy and action plan

<sup>41</sup> This has negative effects on the quality of public services delivery at all administrative levels

- ✓ the monitoring capacity of PARCO remains weak<sup>42</sup>
- ✓ the capacity of the public administration, civil society, statistical system to be actively involved in, hence to benefit from, the implementation of macro-regional strategies is weak
- ✓ nonexistence of comprehensive PFM reform programme<sup>43</sup>
- ✓ absence of central government monitoring of cantons in Federation and local government units' fiscal position
- ✓ insufficient institutional capacities for PFM (inefficient revenue administration and collection, weak budget preparation and execution, low capacities in public debt management, public procurement, PIFC and external audit)
- ✓ the statistics from the national/ entities budgets on implementation of the strategy are not always reliable: lack of capacity of the statistical system to produce reliable macro-economic, business, social and demographic, financial and agricultural statistics
- ✓ cooperation between Civil Society Organisations and public institutions is weak

#### Processes

- ✓ overarching PAR strategy and its RAP1 provides the strategic framework for till the end of 2014, the objectives of the strategy are still relevant and well formulated and the PAR strategy is consistent with the EU accession strategy
- ✓ there is a very well developed website of the PAR strategy<sup>44</sup>
- ✓ National Debt has been actively managed to avoid defaults on loans and to ensure that principal and interest payments are made on time
- ✓ State level basic legal framework for FMC is in place: FMC Manual and an FMC Rulebook on reporting are being finalised
- ✓ the Law on Financing of BiH Institutions introduced the annual statement of assurance
- ✓ Law on Fiscal Responsibility in the Republika Srpska adopted
- ✓ Debt Management Strategy of Republika Srpska adopted<sup>45</sup>
- ✓ the new Law on Budgets in the FBiH came into force and aims to improve the coordination with lower levels of government, i.e., cantons and municipalities
- ✓ a PIFC Strategy 2014-2017 has been adopted in Brčko District a PIFC Strategy for 2015-2020 has been adopted in the FBiH

#### Processes

- ✓ the pace of PAR remains slow and limited progress has been made in meeting the requirements of EU integration<sup>47</sup>
- ✓ anti-corruption legal framework is largely in place, but the implementation of laws is weak and inconsistent and some key pieces of anti-corruption legislation still fail to comply with international standards, hence the prevention, detection and repression of corruption via relevant legislation, institutions and civil society partners is weak
- ✓ insufficient implementation of legislation regarding civil service
- ✓ Nedovoljna implementacija preporuka revizorskih institucija
- ✓ incomplete submission of Integrity Plans from the concerned institutions
- ✓ weak capacity of the civil service for legal harmonisation and implementation of the *acquis*<sup>48</sup>
- ✓ weak active transparency policy and implementation of the Law on Free Access to Information
- ✓ Neujednačen country-wide process of strategic planning<sup>49</sup>
- ✓ Rodno odgovorno budžetiranje još uvijek nije dovoljno zaživjelo, rodna analiza politika se nedovoljno provodi
- ✓ fragmentation of the legislation regulating the civil service at FBiH and Cantonal level<sup>50</sup>

<sup>42</sup>This is due to the lack of adequate performance indicators to measure progress in the implementation of objectives set in the PAR strategy

<sup>43</sup>This should set the basis for prioritising and sequencing reforms necessary in different parts of the PFM system and a debt management strategy (to be prepared at all levels) should be published in order to guide policy.

<sup>44</sup>It includes, among others, implementation progress reports and overview of projects supported by PAR Fund including their evaluation

<sup>47</sup>This is visible in various areas, including policy development, budget processes, human resources management, transparency and vertical coordination. Therefore there is a need to include the PAR coordinators at the cantons level and ensure their participation During the course of preparations of the new strategic framework and in all other the strategy activities

<sup>48</sup>It can also be said for commitments arising from the Interim Agreement and the Stabilisation and Association Agreement

<sup>49</sup> EC reports 2015. and 2016.

<sup>50</sup>This causes negative effect on the functionality of the civil service system.

<ul style="list-style-type: none"> <li>✓ basic FMC provisions appear in the Law on the Budget System in Republika Srpska; FMC Manual, the IC standards, and some secondary legislation for FMC implementation were developed by the CHU of the Republika Srpska</li> <li>✓ In Republika Srpska the Law on the system of internal financial controls in the public sector of the RS was adopted<sup>45</sup></li> <li>✓ there is a Strategy for the statistics that covers the period until 2020</li> <li>✓</li> <li>✓ Council of Ministers of BiH Decision on a procedure for medium-term planning, monitoring and reporting in Institutions of BiH, Official Gazette BiH No 62/14</li> <li>✓ Decision on procedure for planning, monitoring and reporting on realisation of adopted strategies and plans of the Government of the Republika Srpska<sup>46</sup></li> <li>✓ Strategy for implementation of new Reference Systems in Federation of BiH and the Republic of Srpska; adopted by relevant institutions;</li> <li>✓ Strategy for Activities to Determine the Geoid Surface Area in Bosnia and Herzegovina; adopted by relevant institutions;</li> <li>✓ Records of property and rights to property (realestate cadastre data) are publicly available for entire Republika Srpska;</li> <li>✓ Strategy for establishing and maintaining the Spatial Data Infrastructure of the Federation of Bosnia and Herzegovina; adopted by the FBiH Government in September 2016;</li> <li>✓ Strategy for Land Administration sector in FBiH for 2016-2020; adopted by relevant institutions;</li> <li>✓ Decision on the Electronic Communication Sector Policy of Bosnia and Herzegovina for period 2017-2021 and Adoption of Action Plan for Policy Implementation</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓ lack of policy documents: new strategies for majority of the sub-sectors are still to be developed and adopted</li> <li>✓ lack of cost estimated sector strategies</li> <li>✓ coordination process for budgeting, strategic planning and MTEF (at both vertical and horizontal levels) is not ensured</li> <li>✓ each government administration currently has a different budget calendar and a different way of preparing the budget, accounting and reporting</li> <li>✓ the budget process lacks democratic legitimacy, lack of and adherence to a fixed budget calendar, unsuitable scope and frequency of debt sustainability analyses<sup>51</sup></li> <li>✓ Law on FMC remains to be adopted by the FBiH Parliament, similarly the FMC Rulebook is not enacted in FBiH; PIFC Action Plan expired at the end of 2012 in Republika Srpska; given the lack of a CHU function, there is a question as to the local ownership of the PIFC Strategy in Brčko District</li> <li>✓ Lack of high-resolution maps; Having high point density and high spatial resolution data would improve accuracy and quality of spatial data required for informed decision making at various government levels and sectors (land administration, geodesy, modeling of potential floods/preventive flood protection, spatial planning, archaeology, geography, geology, geomorphology, seismology, forestry, etc)</li> </ul>
<p><b>Infrastructures</b></p> <ul style="list-style-type: none"> <li>✓ RSGA ICT Land Administration infrastructure is under development in accordance with the RSGA Land Administration ICT Strategy</li> <li>✓ FBiH ICT Land Administration infrastructure is under development in accordance with the FBiH Land Administration ICT Strategy</li> </ul>	<p><b>Infrastructures</b></p> <ul style="list-style-type: none"> <li>✓ lack of adequate ICT infrastructure to support the reform processes and e-government policies</li> </ul>
<p><b>Opportunities</b></p>	<p><b>Threats</b></p>
<p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>✓ capitalisation of institutional memory and knowledge: the already trained personal should train the trainers or provide mentoring and coaching</li> </ul>	<p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>✓ staff turnover at least in the ICT concerned sectors</li> <li>✓ lack of motivation</li> <li>✓ political discrepancies between the civil servants</li> </ul>

<sup>45</sup> Official Gazette RS, 91/16

<sup>46</sup> Official Gazette RS, 50/16

<sup>51</sup>Budgets are usually adopted in urgent procedure. Entity budgets frequently tend to undergo rebalancing over the year, which, given limited human resource capacity, leaves little time to improve the reporting process

<ul style="list-style-type: none"> <li>✓ the country's administrative structures are well aware and informed about the EU accession process</li> <li>✓ this sector is experienced in implementing the AP 1/ RAP1</li> </ul>	<ul style="list-style-type: none"> <li>✓ un-harmonised and no-unified approaches in harmonisation of legislation with the acquis between different levels of government</li> <li>✓ The budget for training comes mostly from international donors,</li> </ul>
<p><b>Institutional Framework</b></p> <ul style="list-style-type: none"> <li>✓ the objectives of the PAR Strategy are well identified and the Strategy covers all relevant issues<sup>52</sup>, that gives the opportunity for realistic action definition</li> <li>✓ the implementation of the strategy is supported by the PAR Fund<sup>53</sup> that gives the opportunity to contribute to actions supported by IPA</li> <li>✓ the PAR reform has horizontal character and covers/ refers to a number of sectors</li> <li>✓ sector coordination represents a platform for introduction of a mechanism to better link other strategies with PAR</li> <li>✓ important steps are taken to improve the sustainability of fiscal policy, particularly with a view to strengthening expenditure control and fiscal discipline</li> <li>✓ to set up and make functional an independent audit authority for indirect management of IPA funds</li> <li>✓ in line with the partnership principle, the involvement of civil society could represent a way to achieve better publicity and more transparency <ul style="list-style-type: none"> <li>✓ The institutional framework should ensure the political independence or adequate financial and operational independence of the CRA</li> </ul> </li> </ul>	<p><b>Institutional Framework</b></p> <ul style="list-style-type: none"> <li>✓ lack of political support<sup>54</sup></li> <li>✓ increase of corruption</li> <li>✓ budgetary cutbacks</li> <li>✓ the PAR Strategy is not budgeted; its funding depends on the PAR fund, which Denmark, Sweden and Norway sustain with donations (phasing out or diminishment of assistance can hamper strategy implementation and sustainability)</li> <li>✓ inadequate public access to complete, reliable, and timely information on procurement</li> </ul>
<p><b>Processes</b></p> <ul style="list-style-type: none"> <li>✓ average quality of existing indicators for PAR and PARCO has the opportunity to improve them and to introduce a results based monitoring with a view to perform impact evaluations</li> <li>✓ public expenditure and financial accountability assessment was recently completed and could be used as a starting point for preparing a reform programme</li> <li>✓ the PFM reform programme could help to address existing weaknesses in the sector<sup>55</sup></li> </ul>	<p><b>Processes</b></p> <ul style="list-style-type: none"> <li>✓ untimely adoption of a new PAR Strategy/framework</li> <li>✓ managerial accountability may not be accepted or applied across the administrations<sup>57</sup></li> <li>✓ the use of less competitive procurement methods</li> <li>✓ legislature's procedures are not respected<sup>58</sup></li> <li>✓ lack of transparency and objectivity in the horizontal allocation among different governments could undermine public review, correct analysis and policy development</li> </ul>

<sup>52</sup>The preparation of the strategy was accompanied by a comprehensive consultations process including the state and entities authorities. The implementation of the strategy requires reforms in the clearly identified 6 areas: policy making and coordination capacities; public finance; human resources, administrative procedure; institutional communication; information technologies.

<sup>53</sup>The main donors of the Fund were: UK, the Netherlands, and Sida. At present the donors are Sida, Denmark and Norway.

<sup>54</sup> There is a need to promote the achievements and impacts of the PAR especially among the decision makers and politicians. The benefits of implementing the PAR reform are not as visible at the first sight as for e.g. transport sector. Therefore there is need to ensure their further support to the PAR.

<sup>55</sup>Such as the lack of a medium-term budgetary framework with medium-term targets, and the lack of long-term planning on capital investment and further development of programme-based budgeting, financial reporting also needs to be reformed or improving the development planning process

<sup>57</sup>DG Budget sees the lack of managerial accountability throughout budget and the proper functioning of internal audit

<sup>57</sup>Although necessary legislative work is slowly progressing, there is a clear need to identify the measures to ensure acceptance of managerial accountability and its proper implementation.

<sup>58</sup>BiH Presidency is required to submit a proposed budget to the Parliamentary Assembly by November 1 each year, and the Parliamentary Assembly is expected to discuss the proposed budget and adopt the annual budget law by December 31.)

- ✓ further streamlining of the donor coordination processes conducted by various institutions are a good momentum to build a more effective use of assistance<sup>56</sup> and bring additional funds
- ✓ further strengthening of the statistics provides the opportunity of using more reliable data

<p><b>Infrastructures</b></p> <ul style="list-style-type: none"> <li>✓ political and financial support from the donor community</li> <li>✓ development of ICT is an element of the PAR strategy</li> </ul>	<p><b>Infrastructures</b></p> <ul style="list-style-type: none"> <li>✓ phasing out of donor assistance</li> </ul>
--	---

DRAFT

---

<sup>56</sup>Donor coordination forum by Ministry of Finance and PAR Fund donors meetings

## 2. SECTOR APPROACH ASSESSMENT

### 2.1. Assessment criteria

EU study<sup>59</sup> considered the Governance sector in BiH for absorbing assistance through sector approach. It described the sector as sufficiently mature. However a few challenges remain:

There are specific sub-sector policies (although articulated in line with the decentralised administrative system of the country, for example as far as PFM is concerned): in general terms they are supported by a suitable strategic framework for PAR in line with the EU accession requirements. Although the sub-sector policies are endorsed by domestic actors (and also by Civil Society Organisations to a certain extent) more political support is needed to ensure ownership and sustainability of the overall reforms. Policy objectives should be corroborated by a stronger planning and such planning ought to be linked to suitable allocation of resources.

The institutional setting is very complex and articulated due to the decentralisation characterising BiH, this requires identifying Institutions that are in charge of coordinating the sub-sector reforms and the presence of institutional arrangements allowing clear lines of communication and responsibilities. Institutional capacities might represent a reason of concern, ownership is rather low and no reliable data on workload and functional analyses are available. Donor coordination is rather satisfactory and allows the necessary complementarity of assistance.

The sub-sector budgets are not easily traceable in the state and entities budgets and there is not a developed programme based budgeting to clearly indicate the scope of the sub-sector financial allocations. The Global Framework of Fiscal Balance and Politics in BiH for 2018-2020 has not yet been adopted by the Fiscal Council. As a result, the Medium Term Expenditure Frameworks for the period 2018-2020 (MTEFs-institutions of BiH, FBiH and DB) is still not in place, although preparatory works leading to the setting up of the MTEF are carried out. Framework Budget Document of the Republic of Srpska for period 2018-2020 was adopted<sup>60</sup>. However, at the current stage, it is not possible to assess at which extent external assistance contributes to the sub-sectors reforms. The total contribution to the Public Administration Reform Fund (from 28 February 2017) is about BAM 32 million. So far, the domestic authorities have paid about BAM 2 million. For projects in the six areas of public administration reform, more than BAM 9 million was used (with VAT).

Although there are possibilities to monitor the implementation of reforms, there is not a proper performance assessment framework in place. The new PAR strategic framework foresees performance indicators, and the monitoring of the PAR process is ensured by the civil society. However, the whole sector is periodically monitored by International Organisations and meaningful indicators are available and rather reliable.

The PFM strategy for BiH has not prepared. The PFM reform strategy 2017-2020 for the institutions at the state level was adopted in December 2016. The PFM strategies in both the Federation of BiH and Brcko District of BiH were adopted in 2017. Adoption of the Republika Srpska PFM strategy is still pending. It is necessary to connect PFM strategies with PAR Strategic Framework in line with EC recommendation from progress reports.

#### 2.1.1. National sector policy(ies) /strategy(ies)

There are several strategic documents that cover the reform priorities in the sector.

The most important are:

- ✓ Public Administration Reform Strategy (from 2006)
- ✓ Revised Action Plan 1 of the Public Administration Reform Strategy in BiH (2011 – 2014)<sup>61</sup>
- ✓ Strategy for the Development of the Public Procurement System (2016 – 2020)<sup>62</sup>
- ✓ Strategy and Action Plan for Anti-corruption (2015 – 2019)

---

<sup>59</sup> Mapping of Sector Strategies in Western Balkans and Turkey issued on February 2014 by the DG ELARG

<sup>60</sup> On 134th RS Government session, held on 24.07.2017.

<sup>61</sup> Odlukama VMBiH, vlada RS, FBiH i BDBiH važenje Strategije iz 2006. I RAP1 je produženo do usvajanja novog Strateškog okvira, čija je izrada u završnoj fazi

<sup>62</sup> Na 77. Sjednici VMBiH održanoj 13.10.2016

- ✓ Statistics Development Strategy for Bosnia and Herzegovina 2020.
- ✓ Strategic Framework of the SAIs development (2013 – 2020)<sup>63</sup>
- ✓ IDDEEA Strategy for the period 2016 – 2020<sup>64</sup>
- ✓ Gender Action Plan (2013 – 2017)
- ✓ Medium-term debt management strategy of Bosnia and Herzegovina (from 2017)
- ✓ Mid-Term Work Program of the Council of Ministers of BiH 2018-2020.
- ✓ Strategy on the Switch - over from Analogue to Digital Terrestrial Broadcasting in the frequency bands of 174-230MHz and 470-862 MHz in Bosnia and Herzegovina

There are also strategies for individual levels of government:

- ✓ Strategy for the Development of Internal Financial Control System in the Institutions of Bosnia and Herzegovina for the Period 2016-2018.
- ✓ Strategy of public finance management reform in the institutions of Bosnia and Herzegovina 2017-2020.
- ✓ Public Finance Management Strategy of the Brcko District of Bosnia and Herzegovina 2017-2020.
- ✓ Strategy of Public Finance Management Reform of the Federation of BiH 2017-2020.
- ✓ Strategy for the Development of Public Internal Financial Control (PIFC) of the Federation of BiH for the period 2015 to 2018<sup>65</sup>
- ✓ Debt Management Strategy of Republika Srpska
- ✓ Programme and Action plan of development and improvement of accounting and auditing profession in Republika Srpska for period 2015-2020"
- ✓ PIFC Strategy 2014-2017. For the Brčko District of BiH
- ✓ Training Strategy for Employees in Administration Bodies in the Federation of BiH 2016-2020,
- ✓ Development strategy of the Supreme office for Republika Srpska public sector auditing (2014 – 2020)
- ✓ Framework Training Plan for Employees in Republika Srpska's Republic Administration for the Period 2015-2018.
- ✓ Strategy for the Development of Statistics of Republika Srpska 2020.
- ✓ Strategy for implementation of new Reference Systems in Federation of BiH and Republika Srpska; adopted by relevant institutions;
- ✓ Strategy for Activities to Determine the Geoid Surface Area in Bosnia and Herzegovina; adopted by relevant institutions;
- ✓ Mid-Term Work Plan of surveying and establishing real estate cadastre, RSGA 2016-2020.
- ✓ Strategy for establishing and maintaining the Spatial Data Infrastructure of the Federation of Bosnia and Herzegovina (adopted by the FBiH Government in September 2016)
- ✓ Strategy for Land Administration sector in FBiH for 2016-2020; adopted by relevant institutions;
- ✓ Action Plan for the Parliamentary Assembly of Bosnia and Herzegovina to enhance its role in the EU integration context,
- ✓ Action Plan for the Parliament of the Federation of Bosnia and Herzegovina to enhance its role in the EU integration context,
- ✓ Action Plan for the National Assembly of the Republika Srpska to enhance its role in the EU integration context,
- ✓ Action Plan for the Assembly of the Brcko District to enhance its role in the EU integration context.

As part of the preparation of candidate and potential candidate countries for participation in the EU co-ordination of economic policies, BiH prepares and submits to the European Commission every year the Economic Program for Reforms. In order to achieve comparability with other countries, ERP is prepared in accordance with the ERP Preparation Guide provided by the European Commission. Dialogue between the European Commission and the candidate countries and potential candidates on the submitted ERP reflects to a certain extent the European semester process at the European Union level. The programme outlines the medium-term macroeconomic and fiscal framework as well as structural reforms to enhance competitiveness and long-term growth. The last program submitted by BiH is related to the period 2017-2019

---

<sup>63</sup> According to which all levels and their Supreme Audit Institutions should develop their own development strategy

<sup>64</sup> On 7<sup>th</sup> session of the CoM held on 13 October 2016

<sup>65</sup> Adopted on 19<sup>th</sup> session of the FBiH Government held in August 2015

and ERP 2018-2020 is in preparatin. Economic Reform Programme 2017-2019 contains measures related to Public finance management (PFM), Reducing the burden on economy in entities, Ensuring the sustainability of public spending and strengthening financial accountability, Introducing electronic signature – eSignature, Improving the business environment and reduction of the informal economy as well as other measures related to Public Administration Reform.

Assessing the quality of the ERP<sup>66</sup> European Commission underlines that section on structural reforms (diagnostic, measures, public consultation etc.) needs continued improvement by consolidation of the entities' contributions into a single coherent country-wide ERP with measures shared on a country-wide basis. The fiscal framework is still poorly integrated: in particular, the public sector's investment plans are insufficiently linked to the macroeconomic framework, and it remains largely silent on the links between public revenue/spending and structural reform. The compilation and presentation of fiscal data is not in line with the European System of National Accounts (ESA 2010), and the programme does not present a road map for aligning the country's statistical system with EU standards or for submitting a fiscal notification. Neslaganje plana javnih investicija i makroekonomskog okvira (dio koji se odnosi na javne investicije) je zbog različitog pristupa u izvorima finansiranja. U makro dijelu su obuhvaćeni svi potencijalni izvori finansiranja (širi pristup) od onog kojeg koristi ministarstvo finansija (samo iz budžeta).

The implementation of the policy guidance jointly adopted in the Economic and Financial Dialogue of 25 May 2016 has been limited.

The **PAR Strategy** and its Revised Action Plan 1 2011–2014 (RAP1) are the main strategic documents adopted as country-wide strategies.

Through the AP1/RAP1, PAR Strategy implementation is related to specific reform areas:

- ✓ Policy making and coordination capacities/Strategic planning, coordination and policy-making;
- ✓ Public finance
- ✓ Human resources management
- ✓ Administrative procedure/Administrative proceedings and administrative services
- ✓ Institutional communication
- ✓ Information technologies/e-government

The development of sectorial capacities in key policy areas – linked with the preparation of a second Action Plan (AP 2) foreseen in the PAR Strategy has never materialized because of missing approval at all indispensable levels.

As the PAR strategy and primarily RAP1 expired in 2014, the BiH Council of Ministers, the Entity and BDBIH governments have given their consent for their further implementation until the adoption of a new strategic framework. According to the PARCO, a total of 69 percent of RAP1 goals were implemented by the end of June 2017.

Following the recommendation of the European Commission on the need to create a new country-wide public administration reform framework, BiH has started developing a new PAR Strategy and Action Plan. In 2016, with the support of SIGMA, an Operational Plan was prepared for the preparation of the PAR Strategic Framework which was adopted by the BiH CoM, the Entity governments and the Government of BDBIH. Document contains the basic directions of public administration reform for the next medium-term period. The working structure for the preparation of the PAR Strategic Framework was appointed and consists of representatives of relevant institutions of all levels of government and, in 2016 this structure prepared a new PAR strategy for the period **2017-2022** and accompanying Action Plan for PAR, which are in the phase of harmonization.

PAR Strategic Framework **2017-2022** is in line with the Reform Agenda for the period 2015-2018 and the key requirements of the European Commission outlined in the enlargement strategies. PAR strategic framework is based on the Principles of Public Administration and consists of five pillars:

- 1) Policy Development and Coordination,
- 2) Public Service and Human Resource Management,
- 3) Accountability
- 4) Service Delivery
- 5) Public Finance Management.

---

<sup>66</sup> European Commission: Commission staff working document-Economic Reform Programme od Bosnia and Herzegovina (2017-2019)-Commission assesment

The Strategy also describes the key issues related to the coordination and monitoring of the public administration reform process. The Public Administration Reform Coordinator's Office provided the PAR Strategic Framework to the EU Delegation to BiH and received comments on the documents. Comments are also requested from SIGMA. In the forthcoming period, a new PAR Strategic Framework is expected to be agreed and adopted.

**PFM** is envisaged by the countrywide PAR Strategy from 2006, and its Action Plan 1 and the RAP1, but the PAR Strategy did not cover all areas of public finance management. BiH expressed its readiness to produce a PFM document. The Ministry of Finance and Treasury of BiH has prepared a Strategy for Public Finance Management in the Institutions of Bosnia and Herzegovina 2017-2020. Strategy was adopted by the BiH CoM<sup>67</sup>. At the BD BiH level, the Public Finance Management Strategy for the period 2017-2020 was also prepared and adopted by the Government of BD BiH. The PFM Strategy 2017-2020 has been adopted by the Government of FBiH<sup>68</sup>, while in RS this strategy is being phased in. After all four strategies have been adopted, it will be necessary to consolidate the PFM strategic documents into a comprehensive document. PFM is included in the new PAR Strategic Framework **2017-2022** which in line with the recommendation of the European Commission on the need to "adopt a state-of-the-art public finance management reform program that is in line with the new strategic framework for public administration reform"<sup>69</sup>.

In addition to these documents, there are still separate strategies for individual areas of PFM. The BiH Institutions, the FBiH, Republika Srpska and Brčko District are in different stages of development and implementation of PFM. The main budget processes in the country are developed, set in legislation and efficient (budget preparation, execution, treasury operations and external audit). While the legal framework for internal audit is in place, the legislation to regulate financial management and control is still pending for enactment. In Republika Srpska the Law on the system of internal financial controls in the public sector of the Republic of Srpska was adopted and published in the "Official Gazette of Republika Srpska" no. 91/16..The results and speed of development of FMC in the country significantly varies on the four levels. In late 2014, EC DG Budget made an assessment of the PIFC monitoring and evaluation in BiH resulting in that none of the four levels has an up to date PIFC Policy/Strategy Paper to guide PIFC implementation. In the report, DG Budget also noted that the perception of internal control was almost exclusively related to financial transaction control (legality and regularity): FMC focuses only on control of the budget as its target and does not extend to overall sound financial management. Managerial accountability does not appear to be accepted or applied across the administration: DG Budget sees a lack of managerial accountability throughout the budget which represents blocking point for further development of effective FMC and directly affects the proper functioning of internal audit<sup>70</sup>. Although necessary legislative work is slowly progressing, DG Budget's conclusive observation suggests BiH to clearly adopt suitable measures to ensure acceptance of managerial accountability and ensure its proper implementation.

In the meantime, at the state level, a Strategy for the Development of the System of Internal Financial Control in the Institutions of Bosnia and Herzegovina for the period 2016-2018 was prepared and adopted. At the FBiH level there is a Strategy for the Development of Public Internal Financial Control (PIFC) of the Federation of Bosnia and Herzegovina for the period 2015 to 2018<sup>71</sup>, while the BDBiH applies the PIFC Strategy 2014-2017. The PIFC strategy is still being applied in the RS since 2010.

In addition, in 2017, the Mid-term debt management strategy for Bosnia and Herzegovina was adopted.

Below is a list of strategic documents relevant for the area:

- ✓ Global framework of fiscal balance and policies in Bosnia and Herzegovina 2017–2019
- ✓ Global framework of fiscal balance and policies in Bosnia and Herzegovina 2018-2020 – not adopted yet
- ✓ Strategic Framework
- ✓ Economic Reform Programme (ERP) 2017-2019
- ✓ Mid-Term Work Program of the Council of Ministers of BiH 2018-2020.
- ✓ Budget Framework Document of BiH Institutions for period 2017. - 2019.
- ✓ Budget Framework Document of BiH Institutions for period 2018-2020. – in preparation
- ✓ Business Strategy ITA BiH 2012-2016 – in force
- ✓ The program of public investment of BiH institutions 2014-2015 – in force

---

<sup>67</sup> Na sjednici VMBiH, 29.12. 2016.

<sup>68</sup> Na 106. sjednici Vlade FBiH, 15.7.2017.

<sup>69</sup> EC Izvještaj za BiH za 2016.

<sup>70</sup> Report of the Budget fact-finding mission to BiH (September – October 2014) DG Budget – Public Internal Financial Control and External Audit - PIFC Policy, Strategy and Legislative Framework -

<sup>71</sup> Usvojena na 19. sjednici Vlade FBiH, avgust 2015. godine

- ✓ The program of public investment of BiH institutions 2016-2018 – in preparation
- ✓ Strategic Plan of the CBBH 2016 – 2021.

#### *FBiH*

- ✓ Development Strategy of FBiH –2010-2020 – in force
- ✓ The program of public investment of FBiH 2016-2018 – in preparation
- ✓ PIFC Strategy for 2015-2020

#### *Republika Srpska*

- ✓ Development strategy of the Supreme office for Republika Srpska public sector auditing (2014 – 2020)
- ✓ The Strategy of development of local government for the period 2009.-2015
- ✓ Strategies for introducing "*International Agreement for capital measurement and capital standards*" BASEL II from 2009 and Amendments to the Strategy for the introduction of "*International Agreement for capital measurement and capital standards*" BASEL II for the period 2013-2018 – in force
- ✓ Improving supervisory practices for the period 2014-2019
- ✓ The program of public investment 2016-2018.<sup>72</sup>
- ✓ Strategy for the development of Statistics of Republika Srpska 2020
- ✓ Debt Management Strategy of Republika Srpska 2017-2020.
- ✓ Programme and Action plan of development and improvement of accounting and auditing profession in the Republika Srpska for period 2015-2020"
- ✓ Economic Reform Programme of Republika Srpska 2017-2019.
- ✓ Framework Budget Document of Republika Srpska for period 2018-2020<sup>73</sup>.

The primary goal of the *Strategy for Development of Statistics 2020* is to provide a framework for the implementation of programme goals that would provide for development of the statistical system in BiH into an efficient and modern system capable of defining its priorities in line with requirements from its users.

*Strategy for Development of Statistics 2020* is a document aiming to define long-term goals as well as the general principles, guidelines and criteria for action and for development of the statistical system. At the same time, the Strategy represents grounds needed in order to establish the list of statistical activities and the set of statistical indicators aligned with the needs and requirements of final users. It will, in addition, represent the basis for development of an action plan, i.e. will be used to define statistical activities, their dynamics and to plan results for the period of strategic management of the official statistics.

The procedure of development of the *Strategy for Development of Statistics* of BiH 2020 was jointly initiated by the management of the three statistical institutions in BiH. Views from statistical data users, owners of administrative sources, statistics producers and all relevant stakeholders were taken into account when developing the Strategy; which is, to a great degree, determined by BiH strategic goal to accede in the EU. That implies the acceleration of the process of harmonisation of the statistical system of with the EU statistics. Only the full harmonization will enable comparison and evaluation as well as the adoption of valid decisions with regard to measures needed in order to improve certain segments of the social life.

### **2.1.2. Institutional setting and capacity**

#### *PAR*

The **PAR** Strategy provides the basis for the management of the reform process: it defines the roles of the PARCO and other stakeholders in implementation; it was followed by the creation of a donor coordination instrument – the PAR Fund; and it establishes the system for monitoring and evaluation.

Based on the implementation structure required by the PAR Strategy, the negotiations on the measures and the ways of their implementation took place between PARCO and the representatives of the governments and respective ministries. This process resulted in the establishment of a formal platform which identified the key stakeholders in the PAR process, taking into account the multi-layer administrative system in the country.

<sup>72</sup> On 130<sup>th</sup> Government of RS session held on 20.06.2017

<sup>73</sup> Adopted on 134<sup>th</sup> Government session, held on 24.07.2017

Eventually the "Common Platform on the Principles and Implementation of the Strategy on PAR Strategy Action Plan"<sup>74</sup> defines the management structure, roles and responsibility for the implementation and monitoring of the reform. The SIGMA estimates that BiH in the area of PAR has a clear management and coordination structure, which is well defined and described in the "Common Platform"<sup>75</sup> document. In accordance with the Sectoral Plan Document for the period 2015-2018 And prepared Action Document „Support to the Public Administration Reform and the Reform of the Statistics system” further development of institutional settings in the PAR sector is envisaged.

While the political responsibility for implementation of the PAR Strategy lies primarily with the CoM of BiH and entity governments, the monitoring and coordination of implementation of the strategy is done on a central level by PARCO. Implementation is done on all levels of administration by the relevant institutions. The implementation arrangements are set by the Action Plan 1<sup>76</sup>, which identifies responsible institution for each reform measure and activity. The entities adopted and follow the strategy and AP1/RAP 1 implementation.

PARCO is a body of the CoM of BiH and PAR Coordinator operates under the Office of the Chairman of the CoM, this formal structure serves as a tool to coordinate the overall PAR implementation and its adjustment to the strategic vision, mission and goals. The PARCO is in line with the PARCO Decision to coordinate the activities related to the preparation, adoption and implementation of the Public Administration Reform Strategy in Bosnia and Herzegovina. There are PAR Coordinators who ensure the overall coordination including at the state, entities and District level. The main coordination body is on a political level (the Board for Economic Development and European Integration). The Coordination Committee for Economic Development and European Integration<sup>77</sup> has been conceived as a body for co-ordinating and monitoring the PAR process in BiH on a political level, consisting of the Chairman of the CoM, Prime Ministers of both Entities and BD and other high-level actors. However, this Board is not yet fully operational, therefore a true and effective coordination at the political level is still to be developed. There are sub-coordination bodies on working level, such as the 7 supervisory teams for 6 reform areas.

A significant development in advancing with the Strategy implementation occurred in 2007 with the signing of the Memorandum of Understanding for the establishment of the PAR Fund<sup>78</sup>, which institutionalized financial support to the reform process channelling donor funds to the operational implementation of the reform measures.

PARCO managed to build a rather solid co-ordination mechanism that works within the complex BiH decision making system and to build a good capacity in regard to managing and co-ordinating PAR. However, This well-defined institutional and functional structure still has some systemic weaknesses that undermine its ultimate effectiveness and the authority of the PARCO. According to the SIGMA Baseline Measurement Report from 2015, the first weakness is that the initial decision on establishing the PARCO states that, when the CoM BiH concludes that the PAR objectives and activities of the PAR Coordinator have been executed, VM BiH gives a proposal for the PARCO to change form<sup>79</sup>. Secondly, unlike other structures within the CoM, the Coordinator's Office does not have its representative at sessions of the CoM, but the CoM Chairman is officially represented by the PARCO at the sessions. Thirdly, given that it was established by the decision of the CoM, the PARCO is not a statutory institution subject to the BiH Law on BiH<sup>80</sup>. All this leaves the PARCO without any real power at the political level and without the ability to influence other institutions<sup>81</sup>. The same remarks also apply to PAR coordinators in Entities and BD. SIGMA has provided recommendations for institutional strengthening in this area, which were the basis for programming the approved Action Document. Support to the Public Administration Reform and the Reform of the Statistics system.

The civil servants working at PARCO constantly improve their knowledge and capacities, mainly through the opportunities provided by technical assistance projects and Civil Service Agency training courses. As a result, their outputs are generally qualitative and provide the necessary information. The situation at the entity and Brčko District levels varies. The main difference is that PAR is only one of the duties of PAR Coordinators and Supervisory Team members, preventing them

---

<sup>74</sup> PARCO (2007) "Common Platform on the Principles and Implementation of the Strategy on Public Administration Reform Strategy Action Plan", available at: <http://parco.gov.ba>

<sup>75</sup> Common Platform on the Principles and Implementation of the Strategy on Public Administration Reform Strategy Action Plan, CoM BiH, FBiH Government, RS Government, BD BiH Government, April 2007

<sup>76</sup> PARCO (2006) "Action Plan 1 of the Public Administration Reform Strategy in BiH", available at: <http://parco.gov.ba>

<sup>77</sup> Common Platform on the Principles and Implementation of the Strategy on Public Administration Reform Strategy Action Plan, CoM BiH, FBiH Government, RS Government, BD BiH Government, April 2007

<sup>78</sup> PARCO (2007) "Memorandum of Understanding on Establishment of the Public Administration Reform Fund", available at: <http://parco.gov.ba>

<sup>79</sup> Odluka VM BiH br. 302/04 o uspostavi Ureda koordinatora za PAR u sklopu Ureda predsjedavajućeg VM BiH

<sup>80</sup> Zakon o VM BiH, "Službeni glasnik BiH", br. 30/03, 2002.

<sup>81</sup> Roll, H.-A. i G. Virant (2010), *The Structures of the PAR in BiH with Special Regard to PAR Coordinator's Office* ("Strukture u PAR-u u BiH, s posebnim naglaskom na Ured koordinatora za PAR"), EUPAR (2010).

from focusing fully on this major task. The “*Rulebook on Internal Organization and Job Classification in the Office of the Chairman of the CoM of BiH*” defines PARCO systematisation of human resources and the majority of posts are staffed. Moreover, PARCO has continued to strengthen its employees’ capacities suitably supported by the Civil Service Agency and by international donor organisations. The topics covered by the various trainings provided to PARCO staff include strategic planning, monitoring and evaluation capacity development, performance measurement, decision making, teamwork, conflict management, planning and chairing meetings, e-public procurement, financing, legislative techniques, administrative procedures and anti-corruption. Nevertheless, the process of European integration and the requirements in the area of public administration reform impose new obligations, and it is necessary to ensure further strengthening of PARCO capacities and capacities of other participants in the PAR process at all levels.

#### *PFM*

The implementation of reform measures in the area of public finance management (PFM) has been coordinated in the PAR within the PAR structure. The PARCO is responsible for the overall co-ordination of the PAR process, while the Supervisory Team for Public Finances, one of the seven teams set up under the PAR structure in accordance with the Joint Platform, is tasked with operational implementation of measures in this area. Taking into account the development of the new PAR Strategic Framework and the need for a single PFM program, it is necessary to provide clear institutional arrangements for the implementation of this document. On the proposal of the BiH Ministry of Finance and Treasury, the Ministry of Economy and Finance on the proposal of the Ministry of Finance and Treasury of Bosnia and Herzegovina adopted a Decision on Amendments to the Decision on the Establishment of a Working Group for the Development of the Public Finance Management Strategy in BiH Institutions 2017-2020 which established the co-ordination of state-level institutions to implement the PFM BiH BH Strategy. The Working Group, which has made the PFM State Level 2 strategy, is responsible for “monitoring the implementation of the Action Plan for the Improvement of Public Finance Management Strategy in Bosnia and Herzegovina Institutions for the period 2017-2020 in relation to objectives and results as well as reporting on the same”. The Ministry of Finance and Treasury of BiH is responsible for submitting semi-annual reports to the PARCO, while at the same time informing the Council of Ministers about the implementation of planned measures on an annual basis. Within the PAR structure it will be necessary to ensure coordination with other levels of government in the implementation of PFM measures, ie intergovernmental co-ordination in this reform area.

Institutions operating in the field of public finance management are the following:

Budget execution is regulated by the Law on Treasury of the Institutions of BiH<sup>82</sup>. The budget system at the state level consists of 75 budget users (ministries and agencies and others). The BiH Institutions’ budget is funded exclusively from the share of indirect tax revenues. The Budget Department in the Ministry of Finance and Treasury is fully responsible for budget preparation, and has 15 employees:

Other actors in the process of preparing the budget on BiH Institutions level are the following institutions:

- ✓ Fiscal Council;
- ✓ Indirect Taxation Authority;
- ✓ Macroeconomic Analysis Unit;
- ✓ Directorate for Economic Planning.

In the CoM of BiH and entity governments, respective Ministries of Finance are the competent authorities responsible for the development and implementation of PIFC policies as well as for the establishment and implementation of the internal audit function and system FMC in budget organisations.

CHUs are responsible for co-ordination between all institutions in connection with the implementation of PIFC action plans and for monitoring their implementation. The legal framework for budgets varies considerably between different levels of government. This, among other things, means that each level of government currently has a different budget calendar and a different way of preparing the budget, accounting and reporting, as well as different chart of accounts. SIGMA stressed in Baseline Measurement 2015. That “puni regulatorni okvir za FMC još nije uspostavljen”, te da „CHU-ovi imaju ograničene resurse dodijeljene FMC-u“. BiH nije uspostavila jedinice interne revizije u svim organizacijama koje ih moraju imati. U organizacijama u kojima postoje uspostavljene jedinice, one ne zadovoljavaju minimalni zahtjev za brojem zaposlenika koji se navodi u pravilnicima, a mnoge kako navodi SIGMA<sup>83</sup> imaju samo jednog internog revizora, što nije

---

<sup>82</sup> Official Gazette of BiH, no. 27/00

<sup>83</sup> SIGMA Baseline Measurement Report 2015.

dovoljno za efikasnu i efektivnu uslugu interne revizije. Zakonom o internoj reviziji institucija BiH uspostavljen je Koordinacioni odbor CJH's koji je odgovoran za harmonizaciju regulative iz oblasti interne revizije u javnom sektoru na cijeloj teritoriji Bosne i Hercegovine. Centralna jedinica za harmonizaciju uspostavljena je za FMC na državnom nivou i na nivou entiteta, ali ne u BD. SIGMA ističe da se službeni CHU odbor za koordinaciju nije sastao od 2011. Potrebno je dalje jačanje kapaciteta CHU's u skladu sa preporukama SIGMA.

*FBiH* - Budget execution in FBiH is regulated by the respective Law on Treasury<sup>84</sup>, in compliance with the Law on Budgets in FBiH<sup>85</sup>. The budgetary system in FBiH consists of independent budgets:

- ✓ FBiH - a total of 63 budget users;
- ✓ 10 cantons;
- ✓ 79 municipalities;
- ✓ 13 Extra-Budgetary Funds (EBFs), which include the Pension Insurance Fund, Health Insurance Fund and the Employment Fund.

The competent authority for the preparation of the budget is the Department for budget and public expenditure in the Federal Ministry of Finance (FMoF) that is organized as follows:

- ✓ Department for budget analysis and financial consolidated reporting, that is responsible for macro-economic analysis and determination of macro-economic framework;
- ✓ Department for the budget, budget policy and coordination, that is responsible for budget preparation;
- ✓ Debt Management Sector is responsible for the budgeting process for projects of public investment (e.g. Public Investment Projects, PIP).

Cantonal Ministries of Finance in FBiH prepare budgets for cantons. The budgets of cantons and municipalities are independent from the federal budget and are not part of the federal budget. They are approved by the cantonal/municipal councils. Sub-entity budgets are consolidated at the entity level for reporting on budget execution.

*Republika Srpska* - Budget execution is regulated by the Law on Treasury<sup>86</sup>, while the Law on Budgetary System<sup>87</sup> was adopted in 2003.

The Budgetary system consists of the following budgets:

- ✓ Republika Srpska budget;
- ✓ Budgets of municipalities and cities;
- ✓ Financial plans of extra-budgetary funds (Health Insurance Fund, the Public Fund for Child Protection and the Department of Employment).

Department for budget and public finance in Ministry of Finance is responsible for the preparation of the budget. Department for macroeconomic analysis and policy within the RS Ministry of Finance is involved in preparation of BFD. Budget preparation for 57 municipalities and 7 cities is regulated by the Law on Budgetary System and Regulations on the adoption of the budget at the local level. The Budget Framework Document also covers local level and extra-budgetary funds. In addition to the budget of the RS, budget of cities and municipalities in the RS and social security funds RS, BFD RS within the framework of central government contains the funds of budget users which are not recorded through budget, but through funds 02-05, which are: special-purposes funds, grants, privatization and succession funds and special projects. The Ministry of Finance is preparing guidelines for the development of municipal budgets in line with the policy framework. Municipal budgets must be approved by the Department for Budget and Public Finance at the Ministry of Finance, which is then submitted to the municipal assemblies / municipalities for adoption. Municipal budgets are independent of the entity and are not included in the annual entity budgets.

*Brčko District* - Budget execution is regulated by the Law on Treasury of Brčko District<sup>88</sup> on the basis of the Law on Budget of Brčko District<sup>89</sup>.

---

<sup>84</sup> Official Gazette of the FBiH, no. 19/03

<sup>85</sup> Official Gazette of the FBiH, no. 19/06

<sup>86</sup> Official Gazette of the RS, no. 16/05

<sup>87</sup> Official Gazette of the RS, no. 121/12, 52/14, 103/15, 15/16

<sup>88</sup> Official Gazette of the Brčko District, no. 19/07, 2/08

<sup>89</sup> Official Gazette of the Brčko District, no. 17/08

Directorate of Finance of the Brčko District is the body responsible for management of the public finances. In addition to the Cabinet of Directors, Directorate of Finance is composed of the Department for Treasury and Department for tax administration.

Other relevant legal frameworks at all levels are given in:

- ✓ Laws on the annual budget, which was adopted at the state, entity and Brčko District levels;
- ✓ Laws on the annual budget execution, which was adopted at the state, entity level and Brčko District, as well as at the cantonal level in FBiH.

In the field of external audit, there are four independent audit offices: Audit Office of the BiH Institutions, Audit Office of the Federation of Bosnia and Herzegovina, Public Sector Audit Service of Republika Srpska), Public Administration Audit Office and Institutions in the Brčko District of BiH. Audit institutions co-operate within the Coordination Board established by Article 46 of the Law on Audit of Institutions of BiH, and relevant laws of entities and BD. The Coordination Board has the most important role in ensuring a unified access to public sector auditing throughout BiH, and thus its most important functions: the establishment of consistent guides and guidelines based on the INTOSAI audit standards; Exchange of professional experience and aspiration to ensure consistent quality of audit; Organization and coordination of development activities of all three audit offices; Assignment of audit responsibility for joint activities and determination of representation in international bodies. The development of audit institutions is conducted in accordance with the document "Strategic Framework for the Development of Supreme Audit Institutions 2013-2020". It is necessary to further strengthen the independence and to ensure the further development of audit institutions at all levels.

In the area of public procurement key institutions are established at state level. The Public Procurement Agency (PPA) performs the usual functions of the central public administration body responsible for public procurement, including regulatory development, functioning of the procurement portal, giving advice to contracting authorities, monitoring procurement procedures and reporting to the CoM. PPA has two subsidiaries, in Banja Luka and Mostar. The PPA Board is the PPA Advisory Body. The committee has five members, with the Director of the PPA and the Chair of PRB (Procurement Review Body) as observers and representatives of non-governmental organizations. It includes the Foreign Trade Chamber of Bosnia and Herzegovina, the Association of Employers of Bosnia and Herzegovina and others. The SIGMA score from 2015 is that the cooperation between the major procurement authorities has improved.

In the area of taxation there is an Indirect Taxation Authority, the only body in BiH responsible for the implementation of legal regulations and indirect taxation policy, and for the collection and distribution of indirect tax revenues. The responsibility of the administration is to collect all indirect taxes. In the Entities there are the Tax Administration of the Federation of Bosnia and Herzegovina (organized in two levels, at the level of the Central Office based in Sarajevo and at the level of ten cantonal tax offices with the related 73 tax offices) and the Tax Administration of Republika Srpska, which is responsible for collecting contributions for social insurance and non-tax revenues. In the BDBiH, the Tax Administration is within the Directorate of Finance of the BDBiH. In order to improve the collection of tax revenues and the prevention of evasion of the system, a Memorandum on institutional cooperation have been signed for the exchange and transfer of data on taxpayers between the Indirect Taxation Authority, the Tax Administration of Republika Srpska, the Tax Administration of the Federation of Bosnia and Herzegovina, the Tax Administration of the Brčko District of BiH, Information and financial services of the Republic of Srpska and the Financial Informatics Agency. The data is exchanged between the tax authorities and released for use by the APIF RS and the FIA Tax Administrations.

Fiscal coordination of different levels of government is done through the Fiscal Council of BiH, which brings the Global Fiscal Balance and Policy Framework in BiH. GOFBiP is based on the Macroeconomic Projections of the Directorate for Economic Planning of Bosnia and Herzegovina and indirect tax revenues from the Macroeconomic Analysis Unit of the Board of Directors of Indirect Taxation (OMA). Within the Fiscal Council of Bosnia and Herzegovina there is also a Fiscal Council Advisory Group with seven members delegated by the Chairman of the Council of Ministers of Bosnia and Herzegovina, Prime Minister of the Republika Srpska, Prime Minister of Federation of Bosnia and Herzegovina, Minister of the Ministry of Finance and Treasury of Bosnia and Herzegovina, Minister of the Ministry of Finance of the Federation of Bosnia and Herzegovina, Minister of Ministry of Finance of Republika Srpska and Mayor of Brčko District of Bosnia and Herzegovina. The Advisory Group is responsible for preparing and proposing decisions and other legal acts issued by the Fiscal Council.

DEP prema budžetskom kalendaru radi makroekonomske projekcije za izradu DoB-a. Također, Direkcija je zadužena za planiranje razvojnih politika. The Economic Planning Department coordinates the development of ERP.

Development of the **statistical system** is a complex process requiring continued dialogue with statistical data users, reporting units and other institutions in charge of the official statistics activities as well as the constant monitoring and application of international standards. Special care in this process is taken in order to provide and maintain appropriate human and material resources.

The development of the statistics in BiH is based on the “*The Strategy for Development of Statistics of Bosnia and Herzegovina 2020*”. The strategy is a roadmap that provides for the fulfilment of the set goals and priorities; the organisational setup is also described in the Strategy. The organizational units within the statistical institutions in BiH are in charge of programming and planning of statistical operations. In the same time, these units have to implement the work and to report at the end of the year. Procedures of reporting with regard to the implementation of annual plans are stipulated by the state and entity level laws on statistics.

The Agency for Statistics of BiH is in charge of the overall coordination of work, monitoring and control of the implementation of activities from the Strategy, according to provisions from the *Law on Statistics of BiH* and the *Agreement on Implementation of Harmonized Methodologies and Standards in Producing Statistical Data of BiH*.

The National System of Official Statistics of BiH is characterized on one hand by regional decentralization, reflecting the administrative and political organisation of the country, and on the other, to a large extent by a functional centralization. The three statistical institutions, called ‘competent authorities’ in the Law on Statistics of Bosnia and Herzegovina, represent the main levels of government:

- The Agency for Statistics of Bosnia and Herzegovina (BHAS) at the state level,
- The Federation of Bosnia and Herzegovina Institute for Statistics and the Republika Srpska Institute for Statistics<sup>90</sup> at the level of the two entities.

The statistical office of Brcko District has been an integral part of BHAS since 2006 due to a governmental decision. The structural set up of the National Statistical System (NSS) corresponds to administrative set up of BiH and is causing major challenges for BiH as a whole in relation to the coordination, communication and efficiency of the production of statistics as well as for consistency and quality of the statistical data.

Statistics production is one of the standard key functions in modern central banks as it is necessary to conduct monetary policy and analyse economic and financial trends. The Central Bank is responsible for production and dissemination of Monetary and Financial Statistics, Balance of Payments and International Investment Position Statistics, as well as for General Government Finance Statistics. The Statistical Council of Bosnia and Herzegovina is established by the Law on Statistics of Bosnia and Herzegovina<sup>91</sup>). The Statistical Council of Bosnia and Herzegovina is composed of the following persons in ex officio capacity:

- (1) Director of the Agency
- (2) Deputy Directors of the Agency,
- (3) Directors of the Entity Institutes for Statistics,
- (4) Head of the Brcko Branch and any other head of branches which the Agency may establish under the Law on Statistics of Bosnia and Herzegovina,
- (5) the Governor of the Central Bank of Bosnia and Herzegovina (or his representative) and
- (6) the Minister of Treasury of Common Institutions (or his representative).

The Statistical Council of Bosnia and Herzegovina is also composed of three members from the data providers and users who are operating in the fields of statistics, economics or business. These three members are appointed for a period not exceeding four years by the Council of Ministers on the proposal of the Ministers of Civil Affairs and Communications. The Council meets at least bi-annually. It gives advice on the preparation and implementation of the Programme and on the functioning and further development of Statistics of Bosnia and Herzegovina.

---

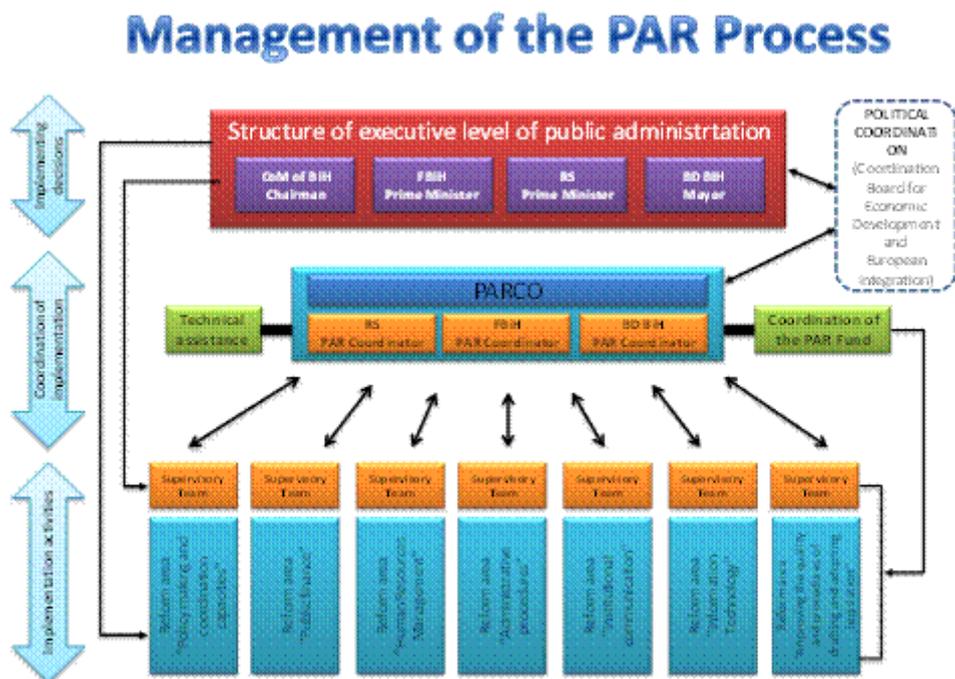
<sup>90</sup> The Law on Statistics of the Republic of Srpska - chapter IV, defines establishment, composition, mandate etc of the Statistical Council of the Republic of Srpska. (Official Gazette of the RS, 85/03)

<sup>91</sup> Official Gazette of Bosnia and Herzegovina”, No. 26/04 and 42/04

### 2.1.3. Sector and donor coordination

In BiH, there is a clear structure for managing and co-ordinating the PAR, tailored to the complex structure of the country. This structure is well defined and described in the document entitled "Common Platform" adopted in 2007 by the Council of Ministers of BiH, the Government of the Federation of Bosnia and Herzegovina, the Government of Republika Srpska and the Government of Brcko District of BiH. The SIGMA estimates that "PAR is one of the examples where the state has managed to overcome complex decision-making processes conditioned by constitutional state regulation"<sup>92</sup>.

This multi-layered structure of the PAR includes several levels of responsibility and roles, as it is shown in the picture below<sup>93</sup>:



On the political, or policy-making level, the Coordination Board for Economic Development and European Integration has been recognized as a political steering body for the PAR. The Board includes the Prime Ministers and Ministers responsible for the PAR. However, this Co-ordination Board has never convened.

The Public Administration Reform Coordinator's Office, in accordance with the Decision on the Establishment of the PARCO, is responsible for coordinating the activities related to the preparation, adoption and implementation of the Public Administration Reform Strategy in Bosnia and Herzegovina. The Entity and BDBiH Governments have appointed their Public Administration Reform Coordinators. PAR coordinators are responsible for coordinating reform activities within and between certain levels of public administration.

On the technical level, the innovative mechanism of Supervisory Teams has been introduced, based on the intergovernmental working groups, consisting of high-level civil servants from responsible institutions defined by the Action Plan, for each reform area. Seven supervisory teams were established in six PAR areas defined in the PAR Strategy, which supervise the implementation of the activities envisaged in RAP1 and the objectives set out in the PAR Strategy.

Responsibility for coordination of donors in Bosnia and Herzegovina is divided between the Directorate for European Integration (DEI) for EU donors and the Ministry of Finance and Treasury of BiH (MFT BiH) for other donors, in coordination with relevant Entity institutions, and joint responsibility is shared with relevant Entity Ministries when it comes to international financial institutions (IFIs). The MFT BiH regularly organises Donor Coordination Forum meetings and

<sup>92</sup> SIGMA Baseline measurement, 2015.

<sup>93</sup> PARCO – Management of the PAR process

publishes annually donor mapping reports showing the donors active in Bosnia and Herzegovina and setting out their contribution by sector.

Activities to improve coordination of development assistance in BiH are placed in the Sector for Coordination of International Economic Assistance (SCIA) within MFT BiH. The International Aid Coordination Committee has been established, consisting of representatives of DEI, Directorate for Economic Planning, MOFT, Entities and Brcko District. SCIA MFT BiH is responsible for coordinating the overall international economic assistance of BiH, with the exception of the part related to EU assistance. Within its competencies, the SCIA has established several mechanisms of donor coordination: the Donor Coordination Forum (DCF) as a semi-formal platform for information exchange and coordination between government institutions and 20 donors; The donor database is established within the framework of PIMIS software, which consists of two special platforms, i.e. databases - public investment management databases and donor activity monitoring platforms. The mechanism of regular reporting on donor activities in BiH was established. Reports are published annually and include an overview of past and planned donor activity per sector defined in accordance with the IPA II reporting methodology.

The specific donor coordination for PAR sector is ensured through Public Administration Reform Fund (PAR Fund), managed by the Joint Management Board (JMB) of the PAR Fund. The JMB is composed of the governments' representatives (PARCO, the entities and District PAR coordinators), representative of the Ministry of Finance of BiH and representatives of the Donors and based on consensual decision-making. JMB meetings are organized every two months. The PAR Fund<sup>94</sup> represents a joint financial initiative that unifies funds received from donors and contributions from the state level, both Entities and BD. The Code of Conduct (MOU), which has been signed by donors and governments at all levels, has been established by the MOU. Pursuant to its mandate, the PARCO is responsible for direct co-operation with the donor representatives of the PAR Fund and other donors in the area of the PAR, ie donor coordination at the sector level. Donor Coordination is implemented through several mechanisms, including meetings of the PAR Governing Board meetings, sectoral donor meetings in a wider forum, and formal and informal communication and exchange of information. The PAR funds are managed by the Joint Steering Board, which makes decisions on the amount of financial support from the Fund for Project Plans, final approval and project specification, and the award of the contract. Based on the list of project ideas made by the PARCO in co-operation with entity coordinators and co-ordinator for the Brcko District of BiH and supervisory teams, the Annual Management Board of the Fund adopts a list of priority projects with indicative amounts for funding from the Fund. The decisions of the Governing Board of the Fund are made by the consensus of all members. The Fund for PAR regularly submits reports to the Joint Management Board of the PAR Fund on project implementation and ideas for new joint projects to be funded from the PAR Fund. The Coordinator's budget is treated as a contribution to BiH's realization of the PAR. PAR Fund allows the implementation of the reform measures through a project-based approach. The Reform projects, defined on the basis of the activities stipulated by the Action Plan 1 and its revision, are implemented after the approval given by the Joint Management Board. Through a custom-made project coordinated by PARCO (jointly with the given implementation body), this mechanism enables the implementation of joint activities funded by the Donor community directed towards all relevant administrative levels.

In cooperation with donors providing support to the PAR sector through bilateral projects and other types of technical assistance, the PARCO has begun the practice of organizing donor meetings in a wider forum or sector in order to improve the effectiveness of donor assistance. The formal framework for these meetings was not established. Given that sectoral donor coordination has so far been focused on donors of the Fund through meetings of the Governing Board of the Fund, sectoral donor meetings in a wider forum have not been maintained regularly.

In the area of PFM, as well as in other reform areas, coordination of reform efforts took place primarily within the PAR structure. At the operational level, the Supervisory Team for the reform area of Public Finance was established in accordance with the Joint Platform, which was in charge of key reform activities in this area. Within the individual PFM subsectors there are intergovernmental mechanisms of cooperation, eg the Coordination Board of Audit Institutions or a similar committee that brings together internal audit institutions, which is, however, not in full function. Following the adoption of the new PFM Strategy for State Institutions, BiH CoM issued a decision by which the mandate of the PFM Working Group was expanded to monitor and report to PARCO and BiH CoM on the implementation of the Action Plan of the PFM Strategy for BiH Institutions. Coordination with new strategic documents in the sector will need to be coordinated, while ensuring intergovernmental co-ordination.

---

<sup>94</sup> MoU za uspostavu Fonda za PAR potpisan između Odjela za međunarodni razvoj Ujedinjenog Kraljevstva, Švedske organizacije za međunarodni razvoj i saradnju, Ministarstva za razvoj i saradnju Kraljevine Holandije, Delegacije EK u BiH i VM BiH, Vlade FBiH, Vlade RS-a, Vlade BD i MFT-a BiH u julu 2007. godine

In the Strategy for development of the **statistics** of BiH the need to strengthen coordination mechanisms and the exchange of data between the Agency for Statistics of BiH and the entity Statistical Institutes is recognised.

Furthermore, some activities such as: establishing standing working groups, intensifying meetings at the management level defining coordination mechanisms, communication improvement, data exchange improvement, coordination of activities related to the implementation of the statistical data protection procedures are proposed. These set of activities should also contribute to strengthening the role of the Statistical Council of BiH.

#### **2.1.4. Mid-term budgetary perspectives**

Macroeconomic framework of BiH was developed by the Directorate for Economic Planning of BiH and presented in the Economic Reform Programme 2017-2019. Makroekonomske projekcije ukazuju na pozitivne ekonomske trendove. Neznatno jačanje ekonomskog rasta u okruženju i potpisivanje kreditnog aranžmana sa MMF-om bi trebali dodatno ojačati ekonomski rast BiH u 2017. godini na realnu stopu od 3,4%. U proljetnim projekcijama DG ECFIN-a se očekuje ubrzanje rasta u EURO zoni sa 1,6% u 2016. na 1,8% 2017 godine. Pri tome bi ubrzanje u Sloveniji trebalo biti znatno izraženije sa 1,7% u 2016. na 2,3% 2017. godine, uz slično očekivano poboljšanje u istom periodu i u Hrvatskoj sa 1,8% na 2,1%. Ovo bi trebalo dovesti do jačanja rasta bh izvoza na realnu stopu od 5,3%, te ujedno dati podstrek privatnim investicijama i zapošljavanju. Pored toga, potpisivanje aranžmana sa MMF-om bi trebalo značajno podržati javne investicije prije svega kroz povoljno vanjsko zaduživanje. Naime, aranžman sa MMF-om pored kreditnih sredstava ove institucije, ujedno otvara pristup sredstvima drugih međunarodnih finansijskih institucija uglavnom usmjerenih na infrastrukturu. S tim u vezi, te imajući u vidu nisku osnovicu iz prethodnih godina, prognozirano je realni rast javnih radova u 2017. godini od 23%. U isto vrijeme, jačanje izvoza i bolji poslovni ambijent kao posljedica početnih efekata reformskih procesa, te pozitivna poruka investitorima koju šalje postojanje aranžmana sa MMF-om, bi trebali podstaći rast privatnih investicija na realnu stopu od 7,9%. Jačanje investicija bi moglo podstaći dodatno zapošljavanje koje bi potaklo daljnje jačanje privatne potrošnje. S druge strane, očekuje se (aranžmanom uslovljeno) zaustavljanje rasta javne potrošnje sa beznačajnom realnom stopom od 0,5% u cilju smanjenja značaja javnog sektora u ekonomiji. Jačanje domaće tražnje kao posljedica jačanja rasta investicija u 2017. godini bi trebalo biti praćeno jačanjem rasta uvoza na realnu stopu od 4,8%. Ovo bi, uprkos jačanju izvoznog rasta, moglo dovesti do realnog povećanja vanjskotrgovinskog deficita od 3,9%.

Provođenje ekonomskih reformi podržano kreditnim aranžmanima međunarodnih finansijskih kreditora, te dodatno jačanje ekonomskog rasta u okruženju bi trebali obilježiti ekonomska kretanja u periodu 2018-19. godina. Ovo bi trebalo dovesti do daljnjeg jačanja rasta ekonomske aktivnosti u BiH na realnu stopu od 3,8% u 2018., te 4% 2019 godine. Rast u eksternom okruženju bi trebao podstaći veće stope rasta bh izvoza i investicija. Pored toga, privatne investicije bi trebale biti podstaknute daljnjim poboljšanjem poslovnog ambijenta kao posljedica napredka u reformskim procesima što bi ujedno podstaklo i strana ulaganja. U periodu 2018-19. se takođe očekuje intenzivnije korištenje dostupnih kreditnih sredstava međunarodnih kreditora te je s toga prognozirano godišnji rast javnih radova od približno 30% godišnje čime se u 2019 godini zapravo tek dostiže nivo radova iz 2014. godine. Konačno, povoljnije eksterno okruženje i jačanje investicija bi mogli dovesti do jačanja rasta privatne potrošnje na godišnju stopu od 3,5%.

A medium-term fiscal framework was prepared on the basis of macroeconomic projections, and on the basis of projections of revenues from indirect taxes and other tax and non-tax revenues.

**Tabela<sup>95</sup>: Fiskalni okvir opšte vlade u BiH za period 2016-2019 godine**

<b>Fiskalni pokazatelji (% BDP)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Ukupan prihod	40,9	42,3	40,1	38,8	37,5
Ukupna potrošnja	42,0	42,6	40,4	37,9	36,3
<b>Fiskalni bilans</b>	-1,1	-0,3	-0,3	0,9	1,2

<sup>95</sup> Done based on data submitted by entities (FBiH and RS), BD and the state institutions

Izdaci po kamatama	0,8	1,0	0,9	0,9	0,9
<b>Primarni fiskalni bilans</b>	<b>-0,3</b>	<b>0,7</b>	<b>0,6</b>	<b>1,8</b>	<b>2,1</b>

Prema zadnjem programu ekonomskih reformi 2017-2019 u cilju obezbjeđenja fiskalne održivosti vlasti u Bosni i Hercegovini će preduzeti niz mjera vezanih za fiskalnu konsolidaciju koja će postepeno dovesti do smanjenja budžetskog deficita i srednjoročno dovesti do smanjenja nivoa javnog duga.

Fiskalna konsolidacija će biti provedena smanjivanjem javne potrošnje, te povećanjem javnih prihoda. Povećanje javnih prihoda će se postići povećanjem prihoda od poreza, proširivanjem poreske baze, smanjenjem sive ekonomije, smanjenjem poreskih oslobođenja i unapređenjem rada poreskih uprava. Jedna od značajnih koja se odnosi na povećanje poreskih prihoda je povećanje akciza. Ova mjera je sadržana u Reformskoj agendi u Bosni i Hercegovini a predstavlja i strukturnu odrednicu po Stand-by aranžmanu. Ova mjera nije još sprovedena pa se punjenje budžeta radi izmirivanja obaveza vrši povećanja unutrašnjeg duga u entitetima (izdavanjem kratkoročnih i dugoročnih hartija od vrijednosti).

Na rashodovnoj strani glavne mjere se odnose na zamrzavanju plata i restriktivnoj politici zapošljavanja što će dovesti do smanjenja učešća učešća javne potrošnje u GDP-u u srednjoročnom periodu.

U ocjeni dostavljenog Programa ekonomskih reformi Evropska komisija navodi da fiscal policy is impeded by insufficient fiscal space which limits the country's ability to spend on growth-enhancing activities such as public investment and education. The country's access to international financing is limited, while domestic sources are already stretched. This is a major constraint on the country's capacity to finance overdue public investment projects. Public spending remains heavily biased towards consumption and redistribution, notoriously neglecting investment needs. Furthermore, debt roll-over requirements are substantial in some cases, creating additional pressure on public finances and leaving limited room for manoeuvre <sup>96</sup>.

The macro-fiscal framework is on the optimistic side, although achieving the higher growth rate envisaged largely depends on the swift implementation of structural reforms. The fiscal framework fails to rebalance fiscal policy towards a more growth-enhancing spending structure.

The fiscal stance presented for the programme period appears to be based on combining cautious revenue estimates with a freeze of nominal spending. The quality of public finance and budget planning remains weak and the fiscal framework is still poorly integrated and linked to the macroeconomic framework. The compilation and presentation of fiscal data is not in line with the European System of National Accounts (ESA 2010), and the programme does not present a road map for aligning the country's statistical system with EU standards or for submitting a fiscal notification.

U eksternim izvješćima (Svjetska banka-PEFA, SIGMA/OECD, EU) srednjoročno fiskalno planiranje je jedna od najslabijih oblasti u sustavu upravljanja javnim financijama. Proces budžetiranja u Bosni i Hercegovini započinje donošenjem Globalnog okvira fiskalne bilance i politika u BiH (GOFBP) za naredne tri godine koji, prema Zakonu o fiskalnom vijeću u BiH, predstavlja opći okvir za izradu Dokumenta okvirnih proračuna (DOP) i godišnjih proračuna svih razina vlasti. Globalni okvir fiskalnog bilansa i politika u BiH 2018-2020 još nije usvojen.

The most recent PEFA assessment outlines that while each of the main government levels (BiH Institutions, entities, and Brčko District) produces its own three-year outlook, in practice these documents are at times delayed (especially for BiH Institutions and FBiH), do not clearly lay out policy priorities and distinguish between baseline and new expenditure, and are not sufficiently based on strategic socioeconomic documents.

In addition, the MTEFs mostly serve as a pre-draft of the next annual budget, rather than as a true multiannual framework, with estimates for the second and third years. Furthermore, even though all levels also produce public investment programs, the costing and feasibility of the projects included in these plans do not seem to be realistic, are not well integrated with the MTEFs, and do not pay enough attention to the recurrent costs of investment maintenance.

The **PAR strategy** from 2006 is not budgeted; its funding mostly depends on the PAR fund, which Denmark, Sweden and Norway significantly sustain with donations. Considering SIGMA's 2015 estimate that "PAR Strategy and RAP1 do not

<sup>96</sup> EUROPEAN COMMISSION COMMISSION STAFF WORKING DOCUMENT ECONOMIC REFORMPROGRAMME OF BOSNIA AND HERZEGOVINA (2017-2019)-COMMISSION ASSESSMENT

provide information on the financial resources needed to implement the PAR Program" and that "there is generally no pre-established cost-assessment practice for planned program implementation activities of PAR", in the process of preparing a new Strategic Framework for the PAR for the period 2017-2020, a methodology for cost estimate and financing of the Implementation of the Strategic Framework for Public Administration Reform in BiH was prepared, based on which an estimate of the cost of the Action Plan was made, thus correcting one of the shortcomings of the previous strategy. Another disadvantage was related to performance indicators, which are also incorporated in these PAR Strategic Framework.

Likewise, PAR does not figure in annual budgets, as the BiH Institutions' budget is predominantly administrative, providing for payroll and current costs and not conceived on a programme-based setting. The public administration itself already takes up much of the governments' budgets and further investment in its reform is not seen as a requirement nor would it gain support from decision-makers or the public.

The administration is not setting aside funds for the reform apart from the co-financing contribution to the PAR Fund (since 2012) that the CoM provides to undertake. The government of the FBiH and Brčko District are also co-financing the PAR Fund in accordance with their obligations from the Annex III of the Memorandum of Understanding for the establishment of the PAR Fund, while the government of Republika Srpska participates in co-financing with a smaller amount. It was initially agreed that contributions should have been 0.01% of the respective annual budget. Do sada je u PAR Fond uloženo 31,560,122.36 KM, od čega su domaće vlasti uplatile 1.722.000,00 KM.

However, until now, contributions were below such threshold<sup>97</sup>. Investment in PAR comes mainly from donors in the form of technical assistance projects, EUR 53 million were allocated to the sector under IPA I (2007-2013). The CoM and entity governments occasionally contribute with supplies. The provisions of the PAR Strategy and the Fund are generally insufficient to address the key issues.

U oblasti **PFM** Strategija za institucije BiH sadrži procjenu potrebnih donatorskih sredstava i navodi da će veliki broj mjera i aktivnosti biti finansiran iz sredstava Proračuna institucija BiH. U slučajevima kada sredstva za pojedine aktivnosti nisu osigurana na taj način, tražiće se donatorska sredstva iz IPA-e, uključujući i proračunsku podršku, ili drugih donatora. Indikativno se predviđa 32.740.000 KM donatorskog novca.

In order to provide for the implementation of the Strategy for Development of **Statistics** of BiH 2020, it is still necessary to create the suitable economic, social and administrative environment that would enable for the consistent application of all of the strategic development priorities proposed. This environment should also contribute to further development of official statistics as well as the full consistency of the statistical system within the country harmonized with international environment.

The implementation of the strategy is to be funded by regular allocation of funds within budgets of statistical institutions in BiH as well as using donor assistance by implementing different projects in cooperation with international organizations and institutions (EU, Sida, DFID, WB, ISTAT, IMF, UNFPA, etc.).

The Strategy is implemented by relevant statistical institutions in BiH as well as by the Central Bank of Bosnia and Herzegovina". The strategy does not contain an assessment of the resources needed.

### **2.1.5. Performance assessment framework**

PAR Strategy implementation arrangement assumes significant relevance when it comes to monitoring and assessing of the reform process.

Roles and responsibilities prescribed for each stakeholder in the Common Platform ensured participation in the monitoring process. The roles were given to the Supervisory Teams and PAR Coordinators to provide information and data on progress in specific areas and measures. This is a key precondition for the development of the PAR monitoring system and the methodology, developed by the PARCO, and implemented ever since<sup>98</sup>.

---

<sup>97</sup> The Fund received BiH BAM 925,000 (150,000 for 2012 - 150,000 for 2013 – 150,000 for 2014) from the CoM - BAM 340,000 for (170,000 for 2012 and 170,000 for 2013) from the FBiH 60,000 - BAM (for three years) from Brčko District - BAM 75,000 from RS. PARCO received confirmation for the next CoM payment in the amount of BAM 150,000 for 2015 (payment will be released upon adoption of the state budget for 2015) and from FBiH payment for 2014 in the amount of 170,000 BAM (not yet released). In addition Brčko District paid 19,000 BAM in January 2015 as their contribution for 2014. The RS Government issued a conclusion for the second RS payment to the PAR Fund in the amount of BAM 20,000 (not yet realised).OVO TREBAMO AŽURIRATI

<sup>98</sup> PARCO Reports on the Progress in implementation of the Public Administration Reform Strategy's Action Plan 1 and Revised Action Plan 1, available at: <http://parco.gov.ba>

Until 2009, the Progress Reports were prepared on a quarterly basis; from 2010 onward, by the Decision of the Council of Ministers of BiH; the reporting format has changed to semi-annual and annual reporting on progress. The Report is being prepared by the PARCO, based on the inputs collected by its own monitoring, and the data collected through the coordination structure. The Reports are submitted to the Council of Ministers for adoption, while the entity and the District governments are adopting the Report as information, submitted by the PAR coordinators<sup>99</sup>. However, the evaluation of the Strategy implementation, although foreseen in the Strategy (monitoring of results and monitoring of the effects/outcomes), has not been fully implemented yet.

Despite the fact that implementation arrangement provided in the Common Platform structure focuses on monitoring of the PAR implementation, a real strategic framework or a suitable methodology for evaluation haven't been developed. The Yearly Work Reports that PARCO is regularly issuing have certain elements of evaluation, but the full evaluation has not been achieved, which is the subject of criticism coming from different studies and analyses also made by Civil Society Organisations.

As a matter of fact, it has to be mentioned that the whole monitoring system is heavily based on the "internal" sources and so it is rather self-referential and this raises questions about its full objectivity. The weakest part of monitoring system is the lack of performance indicators and, as a consequence, the impact of reforms is not visible (the measurement is based on reporting on results achieved by a certain activity). On top of that, the exclusion of Civil Society Organisations from the possibility of playing their role of "whistle-blowers" over the reform processes raises some concerns.

Occasionally, external evaluations are carried out on demand, such as: the ad hoc evaluation done by the ACIPS CSO studies<sup>100</sup>. A specific project on PAR monitoring is currently funded by Sida together with the Danish Ministry of Foreign Affairs. As other reference sources for assessment and evaluation, the European Commission Progress Reports and specific SIGMA reports on PAR in BiH should also be considered.

The new PAR SF contains performance indicators, and the Action Document prepared and approved under IPA 2015 envisages further development of the monitoring and evaluation system with support from the European Commission.

The adopted Strategy for the reform of Public Finance Management in BiH Institutions 2017-2020 contains impact indicators for monitoring the implementation of the strategy.

### **2.1.6. Public finance management**

All external status reports (PEFA, SIGMA and EU) highlight weaknesses in medium-term fiscal planning and fiscal consolidation reflecting the quality of the ERP's document. It was emphasized that the consolidated structure of revenues and expenditures within the Global Framework of Fiscal Balance and Policies in BiH (GOFBP) as well as the level and structure of public spending are roughly approximated and for illustrative purposes. The GOFBP is not published; it is not comprehensive and does not provide a clear mid-term view of future trends of public finance management and fiscal policy within the macroeconomic framework at BiH level. As already mentioned in the previous section, each level of government is preparing DOB for a three-year period which mainly serves as a draft of the annual budget rather than the actual medium-term fiscal framework. The data submitted under the BiH Economic Reform Program (ERP) are not fully in line with ESA 95 and ESA 2010 standards.

In the Strategy of public finance management reform in BiH institutions 2017-2020, the focus is on developing a unique methodology for consolidating the budgets of all levels of government, data exchange and quality improvement of the ERP. In addition, detailed trainings on the European System of Accounts and its application, on the European Semester, as well as on the BiH readiness for the European semester with recommendations, are envisaged. The partner institutions in these activities will be the entity ministries of finance and the Department of Finance of the Brcko District.

In order to increase and improve the collection of indirect tax revenues, focus is on the establishment of an information exchange system between four tax administrations, amendments and amendments to the tax legislation with the aim of improving tax discipline and tax collection and technical capacity building of UNO.

---

<sup>99</sup> Buha, D., Karisik, A. and Zekovic, M. (2013) "Monitoring and Evaluation System of the PAR in Bosnia and Herzegovina" (pg. 159-178) in "Effective Policy-Making: How to Ensure Desired Changes through Successful Implementation of Policies", ReSPA 7<sup>th</sup> Annual Conference proceedings: Regional School for Public Administration, available at: <http://www.respaweb.eu>

<sup>100</sup> ACIPS (2010) "Quo Vadis, Public Administration?: Evaluation of Progress Achieved in the Implementation of PAR in BiH", available at: <http://www.acips.ba>

The external audit priorities are related to the updating of the methodology after the INTOSAI Congress held on in end of 2016, developing awareness of the Role and Responsibility of VRIs at users and the public, analyzing and considering the possibility of certifying auditors through or within SAIs<sup>101</sup> and developing awareness and understanding of relevant actors on the need for the constitutional establishment of the Audit Office of BiH Institutions.

BiH still does not have unified strategy of public finance management reform but separate strategies of different levels of government. It is expected that a comprehensive state strategy will be prepared after adoption of the PFM Strategy in Republika Srpska by the end of 2017. The PAR Strategic Framework includes the PFM, which outlines the key goals in line with the SIGMA Principles of Public Administration.

The most relevant document assessing PFM in BiH is the PEFA Assessment (May 2014) developed by the World Bank, through the EU funded SAFE (Strengthening the Accountability and the Fiduciary Environment) Trust Fund.

In a nutshell, the Assessment describes PFM systems in BiH as being characterised by a lack of fully adequate internal controls (especially in public procurement); therefore the different PFM systems are considered vulnerable to inefficiency and waste.

Moreover, within the entities (primarily in FBiH), consolidation of data for all general government levels—government, cantons, local self-governance units, and EBFs—is also complex, and data are generally not used to inform policy decisions. In the context of budget scrutiny, better follow-up on external audit findings and recommendations is missing. Furthermore, the coverage/quality of internal audits and of performance audits performed by the SAIs is not comprehensive.

Another important contribution to assess PFM in BiH is represented by the Report of the EC DG Budget fact – finding mission to BiH held in late 2014 on PIFC and External Audit.

The mission confirmed largely the findings of the PEFA assessment and in particular it highlighted that the development of PIFC is still at an early stage.

Recent activities have focused on the establishment of Internal Audit and the drafting of secondary legislation on FMC. However, the major concepts are not yet widely known, accepted and integrated in the internal control system. Currently, there is no functioning coordination mechanism among the four administrative levels within the country, although the legislation requires it, and so the results and speed of development significantly vary in the various levels.

While a revision of the PIFC Policy Papers is overdue, all stakeholders seem to be hesitant to undertake a thorough gap assessment of the current internal control environment in order to build up a system that is compliant with the leading international framework: COSO. PIFC is perceived as a stand-alone technical reform that adds-on to the current system, and is almost entirely linked to financial control of transactions. Risk management remains a theoretical concept and there is a lack of understanding by management of its added value.

In a more specific relation to the PAR, the DG Budget Report found no evidence of coordination between PIFC reform and PAR regarding cross-cutting elements of managerial accountability, delegation of powers and training. There are few operational internal audit units: where the internal audit function is present, auditors are often asked to perform tasks that are not in line with the international internal audit standards. Although the Supreme Audit Institutions (SAI) reports progress on institutional developments, the independence of the SA/s is not anchored in the Constitution and therefore government interferences into the financial independence of the SAI remain a concern.

Unlike other aspects of PFM in the BiH, the Public Procurement Law is unique in being enacted at the level of the BiH. All governments regulate their public procurement matters in compliance with this law; there is no separate procurement law at the level of the entities or DB. The Public Procurement Law regulates the procurement process and defines the roles and responsibilities of different bodies such as the procuring entity, authorized agency, and complaint body. The Law is mostly aligned with the EU *acquis*: in particular, public procurement directives of 2004 were adopted in April and came into force in December 2014. The authorities have committed to adopt new measures to strengthen governance, enhance transparency, and bring procurement practices in BiH in line with those in the EU.

However, concerns in the public procurement process relate to the possibility of assessing performances of each individual government in conducting public procurement in line with the law and regulations, especially when it comes to the principles of competition and transparency. The public has access to bid opportunities and awards. Public Review Body decisions

---

<sup>101</sup> This issue has been resolved through the Law on Public Sector Audit of the RS (Official Gazette RS, 98/06, 20/14

are published at <https://www.ejn.gov.ba/> while contracting authorities are obliged to publish procurement plans on their website, pursuant to Art. 17. (2) of the Public Procurement Law. Particularly, entities seem to use less open competition methods. The high incidence of complaints that come to the independent Procurement Review Board (PRB) and the fact that a large number of these complaints are resolved in favour of the complainant indicates some inefficiency in the system. On top of that, there is a backlog of complaints, because the PRB is understaffed, and therefore most decisions on complaints are issued after the contract is already awarded; thus the compensations that the governments must provide to complainants for whom the PRB rules in favour end up imposing a significant cost on the Treasury that could be avoided.

In order to increase transparency of the public procurement, further alignment with the EU legislation and practice is envisaged, upgrade of the public procurement portal for better monitoring, continuous training of licensed lecturers and public procurement officers. Introduction of electronic procurement system aims to increase competition, shorten the procedure and reduce the scope of public procurement<sup>102</sup>.

### **2.1.7. Macro-economic framework**

The overall macroeconomic framework assumes sustained fiscal consolidation through the implementation of the planned reforms.

There are external and internal risks to the macroeconomic outlook and the reform programme. External risks are related to possible delays in Europe's overall economic recovery. Since the EU countries continue to be BiH's largest trading partner, delays in Europe's recovery would affect BiH's economic outlook through their adverse impact on exports, remittances, and capital flows. External economic developments and the pace of economic recovery in the key export markets are both uncertain and beyond the control of the authorities.

However, internally, political risks are the largest cause for concern. BiH's challenging political environment presents clear risks for implementation of required reforms—including fiscal measures that are needed and that may even have to be further adjusted over time.

Although still below the legal limit for entities, the government debt (domestic and external) is constantly growing during the last few years and in 2016 it reached 41.8% of GDP, according to national data. This is mainly due to an increase in foreign loans, which reached 28.1% of GDP at the end of 2016, but with a favourable average interest rate of 1.4%. At the same time, in 2016 both entities and the Brčko District were issuing short-term treasury bills and long-term government bonds, which are secured relatively favourable conditions due to high demand. Issuance of government securities in the first half of 2014 increased, due to a temporary stagnation of the program with the IMF and increased need for refinancing, which is estimated to increase in 2014 to 4.5% of GDP.

The monetary policy autonomy offered to the central bank is limited, leaving the fiscal and structural policies as main tools for improving the macroeconomic environment.

The IMF approved the last Financial Sector Assessment Program (FSAP) in June 2015. The IMF emphasized that maintaining macroeconomic stability requires a stronger financial sector. BiH is divided into two entities and BD, and according to the Constitution, financial obligations incurs at each entity level. Despite some progress, the collaboration between the numerous oversight institutions is complex, inefficient and time consuming, having potential consequences during periods of pressure.

## **2.2. Overall assessment**

The PAR sector is recognised both by the domestic public and the international donor community as one of the most important sectors that need to be further strengthened and developed both for approximation to the EU as well as for the wellbeing of the citizens of BiH.

Although most of the public actors in BiH are in consent with giving importance to PAR, there is a common perception that the PAR in BiH is not supported by the necessary political commitment. The EC emphasized that insufficient political support for state-of-the-art reform and fragmentation of public services hindered efforts in the direction of institutional and legislative reforms. There is a need for a harmonized approach to policy making and coordination<sup>103</sup>. The recommendation

---

<sup>102</sup> Strategija reforme upravljanja javnim finansijama u institucijama BiH 2017-2020

<sup>103</sup> EC Progress Report for BiH, 2016.

of EC is to create, adopt and start implementing a new state-of-the-art strategic framework for public administration reform, with strong political leadership and guidance; and to adopt a comprehensive public finance management reform program that is in line with the new strategic framework for public administration reform.

As highlighted in general terms by the EU Progress Reports on BiH, the efficiency and functioning of the political institutions at all levels of government need to significantly improve.

In addition, the EC stressed that the lack of comprehensive medium-term planning remains a major disadvantage. The mechanism of coordination of the European integration process has been adopted and its effective implementation is necessary to ensure better planning and monitoring of the European integration process.

A well-defined and functioning structure is responsible for coordination of strategy implementation (PARCO), but, regrettably, the monitoring capacity of PARCO remains weak mostly due to the lack of adequate performance indicators to measure progress in the implementation of objectives set in the PAR strategy. This disadvantage is corrected in the new PAR strategic framework. VMBiH and the Entity and BDBiH governments have supported the continuation of the reform.. Identical information for all the governments (including the Operational Plan for the preparation of the PAR Strategic Framework in BiH) was adopted by the Council of Ministers, FBiH, RS and District governments, and appointed representatives of relevant instuons of all levels of government in working groups for creation of the new PAR SF. Following the recommendation of the European Commission BiH has prepared new PAR Strategic Framework 2017-2022 which is not yet agreed. In the meantime implementation of PAR Strategy from 2006 and RAP1 is continued. It will also be necessary to provide support for the finalization and adoption of the prepared strategy and the Action Plan.

In terms of increased efficiency of the state to deal with policy issues or better service provision there are no qualitative indicators. Low standards of professionalism, transparency and accountability<sup>104</sup>, as well as corruption on all levels of administration<sup>105</sup>, are also mentioned in external reports. These topics are included in new PAR strategy.

The PAR strategy from 2006 is not budgeted; its actions are not visible in the budgets: its funding almost exclusively depends on the PAR Fund that is sustained with foreign donations. The administration is not setting aside funds for the reform apart from the co-financing contribution to the PAR Fund that the CoM and the other governments provided to undertake. The new PAR SF includes an assessment of the resources needed to implement the planned activities, as well as possible sources of funding.

Well organized multidonor coordination in PAR sector is secure through PAR Fund. Fund is a joint financial initiative that includes funding from donors and contributions from the State level, the two Entities and the BD. PARCO supports the PAR Fund's operations, managed by the Joint Management Board.

As for the specific PFM subsector, due to the specificity of BiH, there is no institution with overall budget control competencies and the nonexistence of a comprehensive PFM reform programme is also evident together with weak expenditure control and fiscal discipline<sup>106</sup>.

Institutions at all levels have significant disadvantages in terms of internal control and public procurement, making the systems inefficient and vulnerable to losses. Social contributions and pensions, which make up a significant proportion of public funds, are covered by non-budgetary funds that are not included in the budget process (except in RS) or in budget documents such as mid-term or annual budget forecasts. The inclusion of the pension fund into the treasury system of Republika Srpska since January 2016, in order to stabilize its liquidity, have been produced the expected results.

The absence of fully integrated medium-term planning for capital investment projects within the medium-term and annual budgeting, and the general lack of strategic vision and credible longer-term perspective (beyond an annual perspective) within the budgeting process negatively affects not only the comprehensiveness of the medium-term budgeting process, but also the medium-term growth and development prospects of the country itself.

The development of PIFC is still at an early stage. Recent activities have focused on the establishment of Internal Audit and the drafting of secondary legislation on FMC. However, FMC major concepts are not yet widely known, accepted and integrated in the internal control system. The results and speed of development significantly vary in the four administrative levels within the country. There is no functioning coordination mechanism among, them, although the legislation requires such. All in all, there appears to be a general lack of political will for PIFC implementation. More relevantly for what the

---

<sup>104</sup> EC Progress Report on BiH 2014

<sup>105</sup> EC Progress Report on BiH 2014

<sup>106</sup> EC Progress Report on BiH 2014

sector support may concern, although PFM is integral part of the PAR Strategy, there is no evidence of coordination between PIFC reform and PAR regarding cross-cutting elements of managerial accountability, delegation of powers and training.

Currently, BiH Institutions and entity governments have planned a number of improvements of PFM system, including:

- ✓ Strengthen the capacity of tax administrations for implementation of signed Memorandum of Understanding by the four tax administrations on the exchange of taxpayer information (with a view to facilitating the permanent, unfettered, and automated sharing of taxpayer records);
- ✓ continued expansion of treasury systems in both entities to cover all cantons, local self-governance units, and EBFs;
- ✓ the implementation of the measures envisaged in the Economic Reform Programme (ERP)

On the basis of this overall assessment, when planning IPA assistance to the PAR sector, a number of considerations should be made.

The PAR sector and adequate progress in this sector is also of particular importance for the European integration process and development of necessary capacities of institutions and adoption of required regulations, procedures and standards in line with the EU membership requirements.

It is indeed necessary to establish a system for better management and implementation of the future PAR. Functional analysis of the multilevel institutions that shall also take into account the duplication of competences has to be undertaken. An overarching ICT strategy for PAR (with clear indications), PFM and statistics needs to be supported.

Alongside the strengthening of PAR implementation, the further support to the development of contemporary mid-term budget perspective is certainly recommendable, also in order to provide additional support to accountability and good governance in public finance and support enhancing financial management and control in day-to-day operations at all levels of BiH as well as to support supreme audit institutions. In this context the activities addressed to the improvement of public investment management system and introduction of the medium-term planning at the state-level represents an important step forward, worth to be encouraged.

In line with the full adoption of sector support, the further streamlining of the donor coordination should be intensified.

### **3. RELEVANCE WITH OTHER POLICIES AND STRATEGIES**

Efficient and effective public administration is crucial to fulfil the Copenhagen criteria and has a key role to play in improving governance through more stable institutions and in implementing the anti-corruption agenda. Public administration reform is far-ranging in terms of objectives and aspects to be dealt with. It is a multi-faceted and multi-disciplinary process, which is interrelated with many other sectors linked to the enlargement agenda.

This is also part of the political criteria for EU accession, which require effective functioning of democratic institutions. Civil service legislation is an example, which although it does not belong to any specific EU acquis chapter, is considered as a condition for accession.

The public administration reform in BiH represents the key dimensions of the reform process towards the country's membership of the EU. EC stressed in Enlargement Strategy continued commitment to the principle of "fundamentals first", which include public administration reform. According to EC, strengthening the rule of law and public administration in line with European standards on all levels of government, as well as further improving cooperation between all levels remains a priority. In line with 6 key principles from the Enlargement Strategy SIGMA prepared Public Administration Reform Principles, which are bases for new cycle of reforms in BiH.

So the attention is currently dedicated to fulfilment of obligations which arise from the Stabilisation and Association Agreement<sup>107</sup>, which entered into force on 1 June 2015.

---

<sup>107</sup> Article 8 of the SAA clearly relates the process of accession and administrative reform in Bosnia and Herzegovina

## **Stabilisation and Association agreement (SAA)**

The SAA mainly aims at enhancing the development of an efficient and accountable public administration in BiH, by amending the reform efforts undertaken until now in this area. Cooperation in this area shall mainly focus on institution building, in accordance with the requirements of the European Partnership, and will include aspects such as the development and implementation of transparent and impartial recruitment procedures, human resources management and improving services, ongoing training, the promotion of ethics within the public administration and strengthening the policy making process. When implementing reforms, the attention will be devoted to fiscal sustainability objectives, including aspects of fiscal architecture. Cooperation shall cover all levels of public administration in BiH.

The SAA also envisages the cooperation in the field of audit and financial control<sup>108</sup>, statistics<sup>109</sup> and in the area of information society and media<sup>110</sup>

## **Progress Report 2016 - Democracy and the rule of law**

The Progress Report for BIH 2016 reminds that Bosnia and Herzegovina is at an early stage with the reform of its public administration and that no progress was achieved in the past year. Also, it notices that Insufficient political support for countrywide reforms and the fragmentation of the public service are hampering efforts to carry out institutional and legislative reforms. A harmonised approach to policy development and coordination is still largely lacking.

In 2016 EC emphasized that the policy-making system in Bosnia and Herzegovina is very fragmented, the lack of countrywide medium-term planning remained a major weakness, and the legal framework on public service in Bosnia and Herzegovina is very fragmented, with different laws applying to the civil service at different levels of government. EC also said that the overall organisation of the public administration in Bosnia and Herzegovina is affected by complex constitutional arrangements and there is a need for an increased focus on user-oriented administration.

In the face of the very limited progress made in reforming public administration and improving its capacity to fulfil the requirements of EU integration, EC in previous years considers that the dysfunctions of public administration at, and between, its different levels remain an issue of serious concern.

Bosnia and Herzegovina has not yet achieved sufficient budget transparency. The annual budgets are published and the annual reports on the execution of the budget are prepared by the Ministry of Finance and Treasury. Auditing is done by the Supreme Audit Institution. Similar provisions apply in Entities and Brcko District. The lack of alignment of the contingency plans at the state level and in the entities makes it difficult to access consolidated data.

When it comes to budget oversight, it is needed to better monitor whether actions are being taken in accordance with external audit findings and recommendations. Reporting is insufficient during the year, as well as citizen participation in the budget process. There was no attempt to prepare the budget for citizens at any level of government.

In addition, the Report notices that there has been little progress in the area of financial control and preparations are at an early stage and have yet to be started in the area of the protection of the EU's financial interests. Hence, significant further

---

<sup>108</sup> "Cooperation between the Parties shall focus on priority areas related to the Community acquis in the field of PIFC and external audit. The Parties shall, in particular, cooperate – through elaborating and adopting relevant regulation – with the aim of developing PIFC, including financial management and control and functionally independent internal audit, and independent external audit systems in BiH, in accordance with internationally accepted control and audit standards and methodologies and EU best practices. Cooperation shall also focus on capacity building and training for the institutions with the purpose of developing PIFC as well as external audit (Supreme Audit Institutions) in BiH, which also includes the establishment and strengthening of CHU for FMC and for internal audit systems"

<sup>109</sup> "Cooperation between the Parties shall primarily focus on priority areas related to the Community acquis in the field of statistics. It shall notably be aimed at developing efficient and sustainable statistical systems capable of providing comparable, reliable, objective and accurate data needed to plan and monitor the process of transition and reform in Bosnia and Herzegovina. It should also enable the state and entity Statistical Offices to better meet the needs of their national and international customers (both public administration and private sector). The statistical system should respect the fundamental principles of statistics issued by the UN, the European Statistical Code of Practice and the stipulations of the European Statistical law and develop towards the Community acquis"

<sup>110</sup> Article 102: "Bosnia and Herzegovina will align its policies on the regulation of content aspects of cross-border broadcasting with those of the Community and will harmonise its legislation with the relevant acquis. Bosnia and Herzegovina will pay particular attention to matters relating to the acquisition of intellectual property rights for programmes and broadcast by satellite, terrestrial frequencies and cable".

Article 103: "Co-operation shall primarily focus on priority areas related to the Community acquis regarding the information society. It will mainly support Bosnia and Herzegovina's gradual alignment of its policies and legislation in this sector with those of the Community. The Parties shall also co-operate with a view to further developing the Information Society in Bosnia and Herzegovina. Global objectives will include preparing society as a whole for the digital age, attracting investments and ensuring the interoperability of networks and services".

Article 104 said that co-operation shall primarily focus on priority areas related to the Community acquis in this field.

efforts are needed to implement PIFC at all levels. Progress in implementation of PIFC and International Organisation of Supreme Audit Institutions (INTOSAI) standards would significantly benefit from active Coordination Boards.

The Progress Report for BiH 2016 reminds that preparations in the field of the information society and media remain at an early stage. EC stressed that Bosnia and Herzegovina should in particular “adopt and implement a fee collection model that would ensure the financial stability and political independence of the public broadcasting system, finalise the digital switchover; and secure the political, financial and operational independence of the Communication Regulatory Agency (CRA)”. Regarding electronic communications and information and communications technologies, the electronic communications law is still based on the 1998 EU regulatory framework and there is a need to be further brought into line with the EU acquis. Report also warned on a decisions which disregard the CRA's powers and threatens to further damage its financial independence.

## **South East Europe 2020<sup>111</sup>**

The objectives agreed under the SEE 2020 Strategy are important benchmarks for the reform efforts of Bosnia nad Herzegovina and financial assistance under IPA II will be used by Bosina and Herzegovina to support meeting these benchmarks. The Strategy pursues a holistic pattern of development for the region and seeks to stimulate the key long-term drivers of growth such as innovation, skills and the integration of trade. Like the Europe 2020 Strategy, it is centred on a set of interlinked development pillars.

- ✓ **Integrated Growth:** through the promotion of regional trade and investment linkages and policies that are non-discriminatory, transparent and predictable.
- ✓ **Smart Growth:** by committing to innovate and compete on value-added rather than labour costs where women would not be less paid than men.
- ✓ **Sustainable Growth:** by raising the level of competitiveness in the private sector, development of infrastructure and encouraging greener and more energy-efficient growth.
- ✓ **Inclusive Growth:** by placing greater emphasis on developing skills, creating employment, inclusive participation in the labour market and health and wellbeing both men and women.
- ✓ **Governance for Growth:** by enhancing the capacity of public administration to strengthen the rule of law and reduce corruption, the creation of a businessfriendly environment and delivery of public services necessary for economic development.

Within SEE 2020, the Governance for Growth pillar is considered to be a cross-cutting component and a prerequisite for the achievement of the Strategy's objectives and for the effective implementation of the Strategy's policy measures and instruments across all pillars. There is ample evidence that institutions – particularly those involved in governance – contribute significantly to development and growth. Positive contributions come from inclusiveness, responsiveness, efficiency and fairness (to mention just a few characteristics). The Strategy addresses those institutions that make a direct contribution to costs and investments – and thus to growth; however, a more indirect contribution to growth and welfare, the rule of law, respect for human rights, democratisation and strengthening of the role of public opinion and civil society also need to be kept in mind.

Regional cooperation in this whole area is important in terms of mutual learning and the adoption of best practice, but even more so in terms of long-term stability. Integrated, smart and sustainable growth requires regional institutional harmonisation, regulatory arbitrage, and policy cooperation and coordination. An important focus of the Strategy is the inter-institutional cooperation and coordination for devising policies and disseminating practices at each administrative level through SEE and for improving the coordination between institutions in administrating and issuing administrative decisions. The cooperation and coordination between the different administrative levels should contribute to economic growth.

## **Ministerial Dialogue between the Economics and Finance Ministries of the EU and the WB and Turkey**

Predstavnici država članica EU, zemalja zapadnog Balkana i Turske, Evropske komisije i Evropske centralne banke, kao i predstavnici centralnih banaka zemalja zapadnog Balkana i Turske susreli su se u maju 2017. na godišnjem dijalogu o

---

<sup>111</sup> South East Europe 2020 Strategy, <http://www.rcc.int/files/user/docs/reports/SEE2020-Strategy.pdf>

ekonomskoj politici. Pred institucijama BiH se nalazi zadatak izrade Programa ekonomskih reformi BiH za 2018.-2020. godinu (ERP 2018.-2020.) koji predstavlja poboljšanu verziju Ekonomskog i fiskalnog programa (EFP), a koji su podnosile zemlje potencijalni kandidati za članstvo u EU. ERP sa jedne strane sadrži srednjoročni makroekonomski okvir i okvir fiskalne politike, uključujući i fiskalne mjere, a sa druge strane sadrži sveobuhvatan program strukturalnih reformi u cilju poboljšanja rasta i konkurentnosti zemlje

Bosna i Hercegovina je svoj Program ekonomske reforme za period 2017 - 2019. podnijela 31. februara, 2017. godine. Sljedeći ERP obuhvaća razdoblje od 2018.-2020. godine, i treba biti dostavljen Europskoj komisiji najkasnije do 31.01.2018. godine.

Temeljem iskustva od prethodne godine (izrada ERP-a 2017.- 2019.) kao i intenzivnih aktivnosti Direkcije za ekonomsko planiranje i ostalih strana, unutar dijaloga koji se odvijao na sastancima komiteta Europske unije (EFC, EPC, EMCO) sa zemljama zapadnog Balkana i Turske u maju 2017. godine, kao i „Zajedničkih zaključaka ekonomsko fiskalnog dijaloga između EU i zemalja zapadnog Balkana i Turske, učesnici Dijaloga smatrali su da:

*... je potrebno prilagoditi javne finansije funkciji rasta; (...) da stvori fiskalni prostor za javne investicije tako što će obuzdati izdatke za javnu potrošnju i poboljšati ciljanje socijalne potrošnje. (...) smanjenje dospjelih neplaćenih obaveza javnog sektora...*

U pogledu statistike, ministri su naglasili značaj blagovremenih i iscrpnih statističkih podataka, naročito u oblasti javnih finansija, nacionalnih računa i tržišta rada.

## PART TWO – SECTOR SUPPORT

---

### 4. FINANCIAL ASSISTANCE CONTEXT

#### **4.1 Relevance with the IPA II Indicative Strategy Paper**

Indicative Strategy Paper for BiH 2014-2020 noted that the Public Administration Reform (PAR) is one of the key pillars of the enlargement process and is addressed through six core dimensions which are closely inter-linked: a professional and depoliticised civil service; a good policy planning system with clear policy and legislative development procedures and processes; well-defined accountability arrangements among institutions and between administration and citizens; efficient service delivery (administrative procedures, e-government) to citizens and businesses; a sound public financial management system; and a comprehensive strategic framework that addresses all other core dimensions. Bosnia and Herzegovina has expressed commitment to address PAR in line with the Principles of Public Administration, which the OECD/SIGMA has developed in close cooperation with the European Commission and which define the core dimensions of PAR in detail.

Administrative improvements are one of the key factors for a successful EU integration process for the public administration needs to function upon the principles of professionalism, accountability, political neutrality, efficiency and effectiveness. The country's administrative structures need to be strengthened substantially in order to be able to respond effectively to the requirements of the EU integration process.

The relevance of the PAR Strategy in the EU integration context (after 2006) has been recognized in the process of the IPA II programming and the sector approach.

In the preparation of the Indicative strategy paper for IPA II Planning, the EU has given a significant role to the PAR, identifying it as one of the sectors for support in the period 2014-2020, in the sector of "Democracy and Governance". The document states that Bosnia and Herzegovina's public administration and public finance management system have to improve to prepare country for the adaptation of the challenges of EU integration to ensure a more efficient, effective and accountable administration and improved delivery of services to citizens and businesses. The document stated that the pace of public administration reform remains slow and shows weaknesses in various areas, including policy planning and coordination, human resources management, budget processes, transparency and vertical co-ordination as well as overall lack of administrative capacity of the country in dealing with coordination of EU matters and responsibilities. As regards service delivery to citizens and businesses, the lack of a harmonised and modernised legal administrative framework negatively affects the quality of public services delivery at all administrative levels. The document also recognised that the development and implementation of coherent standards and common administrative practices across the entire public administration body still need to be addressed and focus should be shifted towards a user-oriented administration at all levels, including through the development of e-services, starting from e-signature.

The document also states that the support within the IPA II package until 2020 will be focused on the application of the good governance concept and improvement of the management in the public sector, especially in the areas of strengthening the fiscal and economic management, management of the public finances, provision of public services and combat against corruption.

One of the preconditions for IPA II support is the application of sector approach. Hence, the EU continues to support the preparation and gradual implementation of suitable strategies. In particular, EU assistance aims to create the capacities for strategic planning and the preparation for sector support.

The Indicative strategy paper for BiH underlines that governance and public administration reform are key priorities in the enlargement strategy. Strengthened democratic institutions, an inclusive democratic process, a strong role for the civil society and further progress with electoral, parliamentary and PAR reforms are key factors for the accession process. Furthermore it is stated that *„a new country-wide strategic framework for public administration reform needs to be developed, closely linked to a new country-wide strategy for public finance management“*.

ISP presents as a main risk to the reform of the public sector *“the lack of political will and agreement amongst political leaders to pursue the necessary reforms”*.

To mitigate the risk the Commission and Bosnia and Herzegovina will engage in regular policy and political dialogue through the SAA structures (subcommittees, including the PAR Special Group; SA Committee; SA Council).

The main aim of EU assistance in Democracy and governance sector until 2020 is: to support Bosnia and Herzegovina to implement Principles of Public Administration and to improve its public sector management and this is also the overall objective of this Sector Planning Document.

In broader terms, the expected results envisaged by the Indicative Strategy Paper are the following:

- ✓ The public administration will have improved capacities to ensure a more efficient, effective and accountable delivery of public services to citizens and businesses, including sound administrative procedures and e-government services.
- ✓ Improved capacities for public financial management, including more efficient revenue administration and collection, budget preparation and execution, public debt management, public procurement, public internal financial control and external audit.
- ✓ Parliaments in BiH will have the necessary capacities to support the EU integration process of the country.
- ✓ The statistical system will have the capacities to produce reliable macro-economic, business, social and demographic, financial and agricultural statistics.
- ✓ More accuracy will be achieved in land administration, allowing for better decision making and the development of the property market.
- ✓ The capacity of the country (public administration, civil society, statistical system) to be actively involved in macro-regional strategies, and hence to benefit from their implementation, will improve through the adoption of a strategic framework based on the "Europe 2020" and "South-East Europe 2020" Strategies.
- ✓ The cooperation between civil society organisations and public institutions will improve.
- ✓ The broadcasting and telecommunication sectors will be reinforced.

This Sector Planning Document is conceived coherently and consistently with the Indicative Strategy Paper; hence the expected results are largely reflected in the planning of IPA assistance, as it is described in the following sub-sections.

## **4.2 Lessons learned from past and on-going assistance**

The EC has supported the development of the PAR sector through *EC Support to the Public Administration Reform Coordination Office (PARCO) (2005–2007)*. The Project provided initial assistance in the institution- and capacity-building of PARCO and showed that the key element of success of such projects is the selection and availability of quality and proactive staff in the beneficiary institution. The institution-building project was followed by the IPA 2007 project "*Capacity building of the Office of the Coordinator for Public Administration Reform*" that assisted PARCO in strengthening their capacity for coordination and consultation on the revision of the Action Plan 1 as well as for development policy documents necessary for reform. The August 2011 ROM report for the project received in general a positive assessment. Key element was the participative and consultative approach the project took together with PARCO in the evaluation of the AP1 implementation thus far and the revision of this plan. The document was so closely consulted with all stakeholders that all four governments adopted it in 2011 without hesitation.

The above successful approach could not materialise in the IPA 2011 project entitled '*Support to Coordination and Implementation of Public Administration Reform (PAR) in BiH*'. The Project produced a proposal document for discussion '*PAR2020: The Way Forward*' but the document was not well accepted by all members of the PAR structure and was consequently not put forward for adoption in 2014. One of the main reasons was lack of necessary political will.

The project in preparation named *Support to the Public Administration Reform (IPA 2015)* will support PARCO and all relevant counterparts in strengthening the institutional and organizational framework for managing PAR Strategic framework, and ensure that sector approach are upheld and preconditions for budget support are in place.

U području **statistike**, tri su projekta bila usmjerena na podršku aktivnostima održavanja popisa stanovništva (podrška statističkim institucijama za održavanje popisa); uz podršku Međunarodne monitoring organizacije 2016. godine objavljeni su rezultati popisa. Druga dva projekta dala su podršku za jačanje kapaciteta nacionalnih registara na osnovu kojih bi se računali makroekonomski pokazatelji (IPA 2012 "*Support to the State and Entity Statistical Institutions, phase VI*"), međutim, kroz fazu VI nije postignut dogovor o primjeni metodologije European Statistical Account 2010 za izabrane sektore.

Projekt iz IPA 2015 pružiće dalju podršku u izradi statističkih indikatora (regionalnih pokazatelja) koji su bitni za kohezijske i strukturne fondove (priprema za članstvo u EU). U okviru IPA 2017 predviđena je podrška za poboljšanje sistema nacionalnih računa uvođenjem regionalnih računa; unaprijeđena poslovna statistika i uvedeni kriteriji kvaliteta i izvještavanja o kvalitetu statistike bilansa plaćanja.

Kroz program IPA pružena je podrška **parlamentima** da efikasno obavljaju svoju ulogu u procesu EI, razviju sposobnosti da vrše harmonizaciju zakonodavstva (za neke od ukupno 214 mjera u Akcionom planu Parlamenta BiH).

Projekt u okviru IPA 2016 biće usmjeren na jačanje funkcije političkih i administrativnih struktura za zadatke koji proizilaze iz procesa EU integracija za parlamente u BiH; produbljivanje saradnje između parlamenata u BiH oko EU poslova, ubrzavanje procesa harmonizacije zakonodavstva, te uključivanje kantonalnih skupština u ove procese.

Kroz IPA i IPA II pružena je/prižiće se podrška jačanju tehničkih kapaciteta **IDDEEA** sistema neophodnog za podršku tekućim i planiranim e-uslugama namijenjenih građanima, firmama i civilnom društvu kako bi mogli obavljati svoje poslove s javnom administracijom na transparentan, siguran, pojednostavljen i učinkovit način, uz minimalne troškove.

U oblasti **PFM** podržana je priprema Strategije interne finansijske kontrole (PIFC), kroz više projekata (IPA 2007, 2010, 2011), na osnovu čega je pružena podrška uspostavljanju i jačanju kapaciteta centralnih harmonizacijskih jedinica u okviru ministarstava finansija (državnog i entitetskih) i koordinacijskom odboru za CHJ, zatim podrška jedinicama za internu kontrolu i reviziju u ministarstvima finansija (treninzi za osoblje). Također, pružena je podrška uvođenju modela programskog budžetiranja kroz pilotiranje u 13 institucija na svim nivoima u 2014. godini.

Kroz projekt iz IPA 2015 planirana je revizija PIFC Strategije. Ok je podrška u okviru IPA 2017 planirana kao doprinos unapređenju upravljanja javnim finansijama na svim nivoima vlasti, a podrška će biti usmjerena na jačanje kapaciteta UINO kako bi se stabilizirala mobilizacija neizravnih poreza i povezali prioriteti politika i planiranje budžeta kroz uvođenje i implementaciju programskog budžetiranja.

Some of the EC supported projects related to the PFM are:

- ✓ Unapređenje javne interne finansijske kontrole (PIFC), IPA 2015
- ✓ Strengthening the National Planning Process in BiH (2013 - 2015) - Twinning
- ✓ Strengthening Public Financial Management in BiH (2012 - 2015)
- ✓ Improving capacity of the Indirect Taxation Authority (IPA 2014)
- ✓ Support to the introduction of Public Internal Financial Control (PIFC) in BiH (2010 - 2012)

A Result-oriented Monitoring (ROM) mission assessed the last of the projects listed above and identified two main risks having a high likelihood of materialisation, such as: *“(1) the ability of the administrations to recruit and retain skilled staff, and (2) the lack of cooperation between the three governments, with the Coordination Board not perceived as an authority”*. These risks are still relevant and should be considered when undertaking further activities.

Nakon što je usvojen Zakon o javnim nabavkama (ZJN), u decembru 2015. implementiran je projekt iz IPA 2012 koji je pružio podršku konceptu „trenera za trenere“ (ToT) i razvijanju kapaciteta za efikasnu primjenu ZJN – pripremljeni/unaprijeđeni su obrasci za korištenje JN, trebala je biti pružena i podrška sudijama Suda BiH ali je slabo implementirana iz razloga slabog odaziva sudaca na treninge).

Kroz projekt iz IPA 2016 „Jačanje sustava javnih nabava u BiH“ - faza II, planiran je nastavak jačanja kapaciteta Agencije za javne nabavke, trenera certificiranih za primjenu ZJN (onih koji daju instrukcije, i za korisnike koji primjenjuju ZJN), zatim pružiće se podrška u izradi raznih podzakonskih akata, dokumenata, smjernica, uputstava koji će pomoći primjenu ZJN.

The recent implementation of these projects provides a quite considerable platform for IPA to build on with new support and more tailored assistance.

Support were also given through Multi-country IPA II:

- ✓ IPA višedržavni projekat 2014, Potpora razvoju uprave (SIGMA)
- ✓ IPA višedržavni projekat 2015, Poboljšanje ekonomskog upravljanja i konkurentnosti, Komponenta 3 - Potpora upravljanju javnim financijama.

## 5. PURPOSE OF IPA II SECTOR SUPPORT AND DESCRIPTION OF THE PRIORITIES FOR ASSISTANCE

### 5.1 Description of the sector priorities for assistance

#### *Overall and specific objective*

A well-functioning public administration is a prerequisite for transparent and effective democratic governance. As a foundation of the functioning of the state, it determines a government's ability to provide public services and foster country's competitiveness and growth. It also plays a fundamental role in the European integration process by enabling the implementation of crucial reforms and organising efficient accession dialogue with the European Union (EU). Hence, the EU enlargement criteria recognise and emphasise the need for a country to build a national public administration with the capacity to pursue principles of good administration and effectively transpose and implement the *acquis communautaire*.

The overall sector assessment extensively developed in the first section of this document and summarised in a SWOT matrix, indicates a number of shortcomings and necessity to continue to strengthen the public administration of Bosnia and Herzegovina and ensure that it can cope with the increased responsibility linked to accession. In order to further implement public administration reform, it is necessary to improve the public sector management and strengthen efficiency, effectiveness and accountability in public administration by implementation of principles of good administration which developed by SIGMA on request of the EC. Achieving the necessary standard of public administration requires reforms in many areas of policy and administration. When planned and implemented on a fragmented and ad hoc basis, reforms may not transform the governance system and overall functioning of public administration as expected. In that sense it is important to establish a system for better management and implementation of the PAR in order to achieve better reform results.

The **overall objective** of the IPA II assistance to the sector is stated in the Indicative Strategy Paper, such as to focus IPA II assistance on

*the implementation of Principles of Public Administration and on improving the public sector management, in particular to strengthen public service and improve service delivery, strengthen public financial management and support comprehensive economic reform programme in order to have sound basis for socio-economic and structural reform, strengthen statistical system for producing reliable statistics, improve fight against corruption and integrity management, as well as role of parliamentary assemblies and the civil society in the accession process.*

As extensively treated in the previous section of this Sector Planning Document, the IPA assistance to Governance sector for BiH will focus on three main **priority areas** of public administration reform, such as:

- ✓ Public sector management, efficiency and accountability<sup>112</sup>,
- ✓ Public Finance Management (PFM)
- ✓ Service delivery

SPD will pursue the following **specific objective** of improving the capacities of public administration in Bosnia and Herzegovina:

- ✚ **Strengthening public sector management by improving government coordination and policy planning based on reliable statistics and ensure that institutions are more accountable and Parliaments will have the necessary capacities to support the EU integration process of the country,**
- ✚ **Strengthening public finance management system** including more efficient revenue administration and collection, budget preparation and execution, public debt management, public procurement, public internal financial control and external audit,
- ✚ **Strengthening public administration by ensure efficient, effective and accountable delivery of public services to citizens and businesses based on sound procedures and e-technology.**

Specific objectives are based on Indicative strategy paper for Bosnia and Herzegovina, as well as Principles of public administration and they are connected with PAR strategic documents and PFM framework which are under preparation.

---

<sup>112</sup> which includes some priority interventions in the area of policy coordination including Statistics, accountability, strategic framework and HRM

Specific objectives are cross cutting all tree priority areas and they must be connected to PAR and PFM a consolidated framework.

Ostvarenje ovih specifičnih ciljeva trebalo bi direktno doprinijeti ostvarenju rezultata koji su predviđeni Indikativnim strateškim dokumentom za BiH, a koji se odnose na unapređenje kapaciteta za pružanje usluga, uključujući usluge koje pruža zemljišna administracija. Ispunjenjem specifičnih ciljeva očekuje se također doprinos u dostizanju rezultata koji se odnose na unapređenje kapaciteta za upravljanje javnim finansijama, uključujući sve podsektore, kapaciteta sistema statistike, te parlamenata za podršku procesu EU integracija. Očekivanja su da će ostvarenjem specifičnih ciljeva biti ojačani sektori emitiranja i telekomunikacija, kao i da će kroz dalji razvoja sistema donošenja politika i planiranja biti unaprijeđena i saradnja sa civilnim društvom.

Istovremeno, ispunjenje planiranih ciljeva treba doprinijeti ukupnom cilju – implementaciji Principa javne uprave u Bosni i Hercegovini. Uzimajući u obzir da su PAR strateški dokumenti i PFM okvir koji je u pripremi usmjereni ka uvođenju Principa u javnu upravu BiH, ovaj SPD trebao bi doprinijeti ostvarenju cilja strateških dokumenata u oblasti PAR-a, kao i ostvarenju cilja zemlje sadržanom u Reformskoj agendi, koji se odnosi na uvođenje principa, odnosno ukupnom cilju zemlje u ostvarenju napretka u procesu pristupanja Europskoj uniji.

However, to insert IPA assistance in a realistic and consistent dimension, the actions envisaged in this planning document are calibrated taking into consideration both the more urgent priorities to be tackled and the value for money to optimise allocations.

### **5.1.1 Priority area Public sector management, efficiency and accountability**

In the priority area of Public sector management, efficiency and accountability IPA assistance will mainly be used for further introduction of Principles of public administration in the public administration of Bosnia nad Herzegovina in areas of PAR strategic framework, policy making and coordination, accountability and human resources management.

The specific objective will be achieved through three actions, namely:

**ACTION 1.1** – Further strengthening of the strategic planning system in BiH  
Proposed for IPA Action Programme 2018

**ACTION 1.2** – Further strengthening policy development and coordination as a support of EU integration process  
Proposed for IPA Action Programme 2019

**ACTION 1.3** – Support to improvement of governments accountability and building capacities of civil servants  
Proposed for IPA Action Programme 2020

**Akcija 1.1** podržat će daljnje jačanje sistema strateškog planiranja u BiH. Pripreme za pristupanje i članstvo moraju biti potkrijepljene aranžmanima i kapacitetima za planiranje, razvoj, koordinaciju i provedbu politike. Potrebno je omogućiti dosljedno planiranje politike i koordinaciju vladinih aktivnosti, uključujući postavljanje prioriteta u vezi s pristupanjem i članstvom u Europsku uniju (EU) i stvaranjem materijalnih i dosljednih politika koje su pristupačne, ekonomski učinkovite i finansijski održive. Akcija nastoji da podrži kroz unapređenje regulative i njenu bolju implementaciju, jačanje kapaciteta institucija za pripremu srednjoročnih planova i sektorskih strategija, uključujući i Program ekonomskih reformi, kao i razvoj, odnosno unapređenje sistema monitoringa i izvještavanja. Novim odlukama o strateškom planiranju koje su donesene na državnom nivou i u entitetima značajno je unaprijeđen sistem planiranja u zemlji na svim nivoima, ali su potrebna njegova dalja unapređenja da bi se osigurala koherentnost vladinih politika i unaprijedio ERP u skladu sa preporukama EC. Akcija 1.1. sadrži i komponentu koja bi trebala osigurati konstantni profesionalni razvoj državnih službenika što je jedan od preduvjeta za dalji razvoj javne uprave. U okviru ove komponente planirano je dalje jačanje centralnih institucija za upravljanje ljudskim potencijalima na svim nivoima, te uvođenje platforme za e-kurseve, kao i priprema e-kurseva, kako bi se uticalo na razvoj kapaciteta što većeg broja službenika, te doprinijelo uštedi novca za obuke.

**Akcija 1.2** treba rezultirati uspostavom inkluzivnog procesa izrade politika i zakonodavstva koji se temelji na dokazima, kroz dalji razvoj otvorenog, participativnog procesa, korištenje dokaza, nastavak razvoja RIA. Dobro kreiranje politike znači korištenje raznih alata koji će pomoći u razumijevanju potreba i posljedicama predloženih intervencija u politici i pomoći vladi u odmjerenju relevantnih dokaza o mogućim utjecajima takvih intervencija i savjetovanje s onima koji su time pogođeni. Konsultacije poboljšavaju kvalitetu novih i postojećih politika i pravila te se moraju ugraditi u ključnim fazama

razvoja politike i zakonodavnog procesa, budući da ishodi konsultacija mogu utjecati na konačni oblik politike. U cilju osiguranja harmoniziranog pristupa i bržeg ispunjenja obaveza procesa evropskih integracija, Akcija predviđa i jačanje horizontalne i vertikalne koordinacije u procesu donošenja politika. Ova akcija predviđa i dalji razvoj statističkog sistema u skladu sa obavezama iz Sporazuma o stabilizaciji i pridruživanju, te u cilju osiguranja pouzdanih podataka za sve korisnike, uključujući i vladu koja bi svoje planove trebala bazirati na pouzdanim statistikama. Radi daljeg usklađivanja sistema planiranja za sve procese, pa i proces evropskih integracija, akcija je uključila i jačanje kapaciteta parlamenata/skupština na svim nivoima za izvršavanje njihovih obaveza u procesu evropskih integracija.

U cilju bržeg razvoja kapaciteta javne uprave, jedna komponenta Akcije 1.2 će podržati Ured koordinatora za reformu javne uprave (PARCO) i PAR strukturu u jačanju/unapređenju upravljanja procesom reforme, i pružiti podršku u definiranju reformskih mjera za naredni period.

Moreover, the Actions will contribute in supporting the country's EU integration process by enhancing capacities to deal with EU matters in all those aspects that relate to a more transparent, accountable and service oriented public administration.

**Akcija 1.3** je usmjerena ka jačanju odgovornosti javne uprave. Državne institucije trebaju biti odgovorne što bi garantiralo da javna uprava ispunjava svoje dužnosti na zadovoljavajući način. Cilj ove akcije je da doprinese jačanju odgovornosti javne uprave kroz prethodnu analizu i promjenu zakonodavnog okvira kako bi se osigurala uspostava odgovarajućih mehanizama odgovornosti tijela u skladu sa Principima javne uprave. U okviru Akcije planirana je i aktivnost koja ima za cilj da u isto vrijeme ojača kapacitet institucije Ombudmana za ljudska prava kroz jačanje funkcije monitoring nad pristupom informacijama, te na taj način doprinese boljem funkcioniranju mehanizama za zaštitu prava na pristup informacijama i bolju administraciju.

### **5.1.2. Priority area 2 - Public finance management system**

Korištenje IPA pomoći za prioritarno područje koje se odnosi na upravljanje javnim finansijama usmjerit će se na osiguranje nastavka prethodnih reformi u ovom području. Podrška je usklađena s ciljevima koji su predviđeni u pojedinačnim PFM strategijama države, entiteta i Brčko distrikta BiH, te je potrebno voditi računa da ovi ciljevi budu ugrađeni u cjelodržavni strateški dokument i jasno povezani sa PAR strateškim dokumentom, u skladu sa zahtjevom EC.

With the aim to foster accountability and good governance in public finance and to support enhancing financial management and control in day-to-day operations at all levels, IPA assistance will contribute to continuous development of the Public Financial Management and will further support the country's EU integration process.

In this priority area, the specific objective of improving capacities in terms of efficiency, effectiveness and accountability, will be tackled by the implementation of three actions:

**ACTION 2.1** – Support to strengthening external audit system and tax administration

Proposed for IPA Action Programme 2018

**ACTION 2.2** – Further support to Public Finance Management including strengthening capacities of Indirect taxation Authority

Proposed for IPA Action Programme 2019

**ACTION 2.3** – Further strengthening internal audit, system of treasury and public debt management

Proposed for IPA Action Programme 2020

**Akcija 2.1** usmjerena je ka jačanju porezne uprave i eksterne revizije. Obaveza usklađivanja zakonodavstva u području oporezivanja, uključujući mjere usmjerene na daljnju fiskalnu reformu, proizlazi iz članka 98. Sporazuma o stabilizaciji i pridruživanju između BiH i EU (SSP). Akcija predviđa osiguranje podrške za izradu izmjena i dopuna poreskih propisa, kao i dalje jačanje poreske administracije u cilju poboljšanja naplate poreza. Druga komponenta ove Akcije ima za cilj dalje jačanje eksterne revizije, naročito u segment revizije učinka. Sistem javne finansijske odgovornosti zahtijeva neovisno i profesionalno nadziranje upravljanja javnim sredstvima od strane VRI. VRI treba biti zabrinuto zbog toga što njegov rad utječe na javni sektor jačanjem odgovornosti vlade i javnog sektora općenito. U tom kontekstu trebalo bi imati odgovarajuće procedure za praćenje provedbe preporuka revizije i prilagoditi aktivnosti revizije kako to smatra prikladnim. Akcija predviđa dalje usklađivanje akata revizorskih institucija sa ISSAI okvirom, razvoj sistema za bolje praćenje preporuka finansijske i revizije učinka, te jačanje kapaciteta eksternih revizora, naročito u obavljanju specijaliziranih revizija, poput revizije okoliša ili IT revizije.

Kako bi se uskladili s načelima i standardima EU-a, **Akcija 2.2** će preuzeti daljnje usklađivanje pravnog okvira (primarno i sekundarno zakonodavstvo), kao i postupke s EU pravom u području poreza i carina. Akcija predviđa osiguranje informatičke podrške za Upravu za indirektno oporezivanje u daljem jačanju njenih kapaciteta i usklađivanju sa procedurama EU. Predviđena je nabavka opreme i software-a koja bi trebala omogućiti povezivanje sa TARIC – višejezičnom bazom podataka u kojoj su integrirane sve mjere u vezi sa carinskom tarifom EU, kao i EU bazama o akcizama SEED i EMCS. Baze su namijenjene administraciji, ali i ekonomskim operaterima.

U okviru druge komponente **Akcije 2.2** planirano je uvođenje GFS i ESA knjiga. Cilj je ažurirati kontni plan koji omogućuje izvještavanje prema statistici vladinih finansija u skladu sa GFS Evropskim sistemom nacionalnih i regionalnih računa (ESA). U postupku izrade ERP-a Ministarstvo financija i trezora BiH prikuplja od entiteta, u vidu tabelarnog pregleda, podatke o projekcijama proračuna centralnih vlada i fondova socijalne sigurnosti, a prema dogovoru koriste se podaci iz harmoniziranih tablica koji su prevedeni sa entitetskih kontnih planova u GFS, a zatim sa GFS u ESA 95. MFT ove podatke objedinjuje i priprema tablice za opću vladu BiH. Da bi se dobili uporedivi podaci u okviru BiH i kvalitetniji podaci uporedivi sa ostalim zemljama neophodno je konsolidaciju javnih prihoda i rashoda raditi po istoj metodologiji. U tom pogledu potreban je razvoj jedinstvene metodologije sa izradom uputstva za konsolidaciju koji bi se primjenjivao za izvješći vanje prema Fiskalnom vijeću i Europskoj komisiji. Uz uputstvo potrebno je uraditi „bridge“ tablice prijevoda kontnih planova entiteta, Brčko distrikta i institucija BiH na GFS 2014 i sa GFS 2014 u ESA 2010.

Uzimajući u obzir da je Evropska komisija ukazala na nedostatke u finansijskom izvještavanju BiH, jer podaci koji se dostavljaju nisu u potpunosti u skladu sa ESA 95 odnosno ESA 2010 standardima, kroz **Akciju 2.2** planirane su obuke službenika za izvještavanje o javnom dugu u skladu sa ESA 2010 metodologija za izradu podataka o nacionalnim računima. Dodatno je planirano i proširenje obuhvata trezorskog sistema na korisnike, kod kojih trezorski sistem nije uspostavljen.

**Akcija 2.3** ima za cilj unaprijediti procedure planiranja i izvršenja budžeta. U skladu sa postojećim zakonskim i podzakonskim aktima izvještaji o izvršenju budžeta ne uključuju programske klasifikacije u izvještavanje o izvršenju budžeta. U dijelu izvještaja koji se bavi pitanjem budžetiranja zasnovanog na politikama, između ostalog, navedeno je da godišnji proračunski prijedlog ne uključuje procjene za buduće godine, te da se procjena za buduće razdoblje ne koristi kao sidro za pripremanje proračunskih gornjih granica za narednu godinu. Posebna slabost vezuje se za srednjoročni proračunski okvir u kojem nisu povezane politike i troškovi, niti je ovaj dokument dovoljno povezan sa strateškim ciljevima i politikama i ne usvaja ga Parlamentarna skupština BiH. PEFA ocjena finansijskog izvještavanja je loša između ostalog i zbog loše ocjene računovodstvenih standarda koji se se koriste za pripremanje finansijskih izvještaja i nisu u potpunosti u skladu sa IPSAS standardima.

Akcija 2.3. nastoji da ispravi ove nedostatke. U drugoj komponenti ista akcija usmjerena je prema daljem jačanju kapaciteta i infrastrukture interne revizije. Akcija 2.3 će podržati daljnje usklađivanje pravnog okvira (primarno i sekundarno zakonodavstvo). Centralne harmonizacijske jedinice i Koordinacijski odbor moraju postati svjesniji i operativniji, te stoga njihov kapaciteti moraju biti ojačani i kroz pripremu priručnika i procedura, kao i kroz obuku. Treća komponenta Akcije 2.3 usmjerena je na podršku u pripremi izmjena i dopuna zakona o javnim nabavkama, što će omogućiti njegovo daljnje usklađivanje s pravnom stečevinom EU. Važeći Zakon o javnim nabavkama BiH (ZJN) usvojen je 2014. godine, ali su u međuvremenu usvojene nove direktive EU-a, (Direktiva 2014/24/EZ (koja mijenja direktivu 2004/18/EZ); Direktiva 2014/25/EZ (koja mijenja direktivu 2004/17/EZ)). Obzirom da je važeći ZJN temeljen nadirektivama EU-a iz 2004. godine, neophodna je daljnja harmonizacija sa *acquisem*, kao i obuka službenika Agencije i službenika za javne nabavke u ugovornim organima za primjenu izmijenjenog zakona.

Sve akcije u okviru ovog prioriteta usklađene su i doprinose uvođenju Principa javne uprave u oblasti upravljanja javnim finansijama.

### **5.1.3. Priority area 3 - Services delivery**

One of the main responsibilities of public administration is to handle the affairs of citizens and deliver services effectively and efficiently. SIGMA Principles of public administration focus on service delivery by the public administration, with a special focus on effectiveness, while ensuring the protection of individuals during administrative proceedings. The principles also cover the area of e-services. In this priority area, three actions are planned:

**ACTION 3.1** – Further support to ensuring government's interoperability, improving land administrations services and preparation strategy for further development and functioning of body responsible for regulation in

area of telecommunication and media markets

Proposed for IPA Action Programme 2018

**ACTION 3.2** – Strengthening capacities of CRA for better regulation of audio-visual and telecommunication market and provide better services

Proposed for IPA Action Programme 2019

**ACTION 3.3** – Further support IDDEEA to transform in “OPEN PA body“

Proposed for IPA Action Programme 2020

Osiguranje interoperabilnosti mreža i usluga jedna je od obaveza koju je Bosna i Hercegovina preuzela Sporazumom o stabilizaciji i pridruživanju (član 103), te preduvjet za kvalitetnije, brže i jeftinije pružanje usluga korištenjem savremenih tehnologija. **Akcija 3.1** fokusira se na implementaciju prethodno usvojenog okvira interoperabilnosti na državnom nivou i to kroz izgradnju infrastrukture, osiguranje spremnosti javnih registara, te kreiranje portala interoperabilnosti. Akcija 3.1 trebala bi poboljšati usluge koje zemljišna administracija pruža vladama, javnosti i privatnom sektoru na način da se izvrši snimanje LIDAR tehnologijom, te podaci učine dostupnim svim zainteresiranim stranama. Predviđeno je snimanje LIDAR tehnologijom koja omogućava detaljno snimanje tačaka za uzdizanje terena, veće gustoće pokrivenih tačaka, veće tačnosti visine, sposobnosti prodiranja kroz vegetaciju na tlo, manje vremena za prikupljanje i obradu podataka, vremenske i svjetlosne neovisnosti i neposredne dostupnost podataka u digitalnom obliku. Implementacija ovih aktivnosti doprinijeće stvaranju uvjeta uspostave i provedbe INSPIRE direktive, što je dodatni uvjet da jedinstveni prostorni podaci budu dostupni institucijama na svim nivoima vlasti u Bosni i Hercegovini. Povećanje dostupnosti kvalitetnih prostornih podataka olakšat će donošenje odluka na svim nivoima vlasti i imati veliki utjecaj na društvo u cjelini.

**Akcija 3.2** fokusirana je na podršku regulatoru audio-vizualnog i medijskog i telekomunikacijskog tržišta u BiH, u te obuvata dalju podršku provedbi zakonodavstva u ovoj oblasti. Akti CRA sadrže odredbe koje se tiču zaštite maloljetnika kojima je uvedena i obaveza klasifikacije sadržaja. CRA je u cilju pomoći pružaocima medijskih usluga da shvate mogući uticaj sadržaja sa scenama nasilja na djecu i maloljetnike izradila dokumente koji se bave uticajem televizije na djecu i maloljetnike, ali još ima slučajeva kršenja pravila. Akcija predviđa razvoj software-a za XXX klasifikaciju u skladu sa AVM direktivom Europske unije za zaštitu djece i mladih, te pokretanje kampanje o ovoj problematici. U cilju efektivne primjene regulatornih mjera planirana je uspostava monitoring audio-vizualnih medijskih usluga, kako bi se osigurao nadzor nad poštivanjem postojećih pravila i uslova dozvola, te izdavanje novih dozvola u skladu sa razvojem tehnologije i usluga. Akcija 3.2 uključuje i cjelovito rješavanje pritužbi korisnika, te pripremu i implementaciju tržišne analize 6. U postupku usklađivanja regulacije tržišta s regulatornim okvirom u EU, CRA je donijela Pravilo o analizi tržišta elektroničkih komunikacija čiji je sastavni dio Prilog pod naslovom "Popis relevantnih tržišta", one koje su predmet ex-ante reguliranja. Sastavni dio popisa relevantnih tržišta je tržište terminala za iznajmljenu liniju – veleprodajni nivo, bez obzira na tehnologiju koja se koristi (tržište 6), što je u skladu s Preporukom Europske komisije iz 2007. godine. Zbog nedostatka ljudskih resursa, kao i drugih prepreka, Agencija do sada nije provodila analizu veleprodajnog tržišta iznajmljenih vodova.

**Akcija 3.3** fokusira se na dalje jačanje kapaciteta IDDEEA i njenu transformaciju u Open Government Public Body. Predviđeno je jačanje svijesti o dostupnosti, funkcionalnosti i korištenja IDDEEA e-usluga, razvoj usluga e-participacije, te jačanje kapaciteta zaposlenih u IDDEEA za korištenje i administraciju Open government software i alata. To će doprinijeti daljem razvoju pretpostavi za uvođenje e-usluga u javnoj upravi Bosne i Hercegovine, kao i jačanju otvorenosti uprave.

## ACTION PROGRAMME 2018

<b>Priority area 1</b>	
<i>Action title</i>	<b>ACTION 1.1. – Further strengthening of the strategic planning system in BiH</b>
<i>Specific objective</i>	Planiranje politika je usklađeno i prilagođeno finansijskim okolnostima u kojima se vlada nalazi te omogućava vladi da postiže svoje ciljeve
<i>Expected results</i>	Result 1 Uspostavljena konzistentnost strateških, srednjoročnih i godišnjih programa i planova i njihova usklađenost s budžetskim okvirom Result 2 Osigurana dostupnost e-obuka za uposlene u javnoj upravi
<i>Indicative foreseen activities to fulfil the results</i>	The activities to achieve Result 1: A.1.1.1. Jačanje kapaciteta institucije/a za unaprijeđenje sistema strateškog planiranja (određivanje prioriteta i ciljeva vlada, razvojne i sektorske strategije, metodologije izrade, monitoringa i evaluacije) A.1.1.2. Unapređenje i implementacija regulative srednjoročnog i godišnjeg planiranja, veza sa budžetom i informatizacija procesa A.1.1.3. Jačanje kapaciteta institucije/a odgovornih za izradu i izvještavanje o provedbi Programa ekonomskih reformi 2018-2020  The activities to achieve Result 2: A.1.3.3. Osigurati dalji razvoj e-kurseva na osnovu analiziranih potreba, izvršiti nabavku potrebne IT opreme za e-kurseve i ojačati kapacitete ADS/U BiH, FBiH i RS, i Pododjeljenja za LJR BD BiH A.1.3.4. Promovirati e-kurseve na svim nivoima vlasti u BiH
<i>Implementation arrangements</i>	Realizacija aktivnosti koje doprinose R1 predviđena je kroz po jedan service ugovor i twinning ukupne vrijednosti 2 mil € Aktivnosti A.1.1.1. i A.1.1.2. biće realizirane kroz service contract (indikativni iznos je 1 milion eura) Aktivnost A.1.1.3. biće realizirane kroz twinning (indikativna vrijednost 1 mil €)  Za realizaciju aktivnosti koje doprinose ostvarenju R2 predviđena je kombinacija dva service contracts i jednog supply contract ukupne vrijednosti 1,5 miliona eura i to na sljedeći način: Service contract vrijedan 1 mil € za razvijanje e-kurseva (aktivnost A.1.3.3.) Nabavka potrebne IT opreme (supply contract 250.000 € - aktivnost 1.3.3.) i jačanje kapaciteta BiH, FBiH i RS, ADS/U i Pododjeljenja za LJR BD BiH (service contract 250.000 € - Aktivnost 1.3.3.), dok je za aktivnosti A.1.3.4. - promoviranje kurseva predviđen service contract vrijedan 100.000 €.
<i>Justification for the choice of implementation arrangements</i>	Activities A.1.1.1. and A.1.1.2. will be implement trough service contract  Twinning je predloženi odabir implementacije za Aktivnost A.1.1.3. jer ova pomoć omogućava prenos iskustava iz zemalja EU koje rade na istim poslovima i poboljšat će kapacitet ljudskih resursa u relevantnim institucijama za pripremu i izvještavanje o provedbi ERP-a. Izravni rad s stručnjacima relevantne institucije EU poboljšat će sposobnost praćenja provedbe dokumenta u svim sektorima.  Service contract i supply contract su odabrani modaliteti implementacije za aktivnosti koje doprinose R2 jer intervencija ne predstavlja primjenu pravne stečevine EU (acquis), potreban je veći broj ekspertiza za realizaciju planiranih aktivnosti i to eksperata koji će raditi na razvoju e-kurseva, jačanju kapaciteta centralnih institucija za HRM na svim nivoima, kao i promoviranju e-obuka u institucijama (po sistemu coachinga). Za nabavku potrebne IT opreme predviđen je jedini mogući modalitet - supply contract.

<b>Priority area 2</b>	
<b>Action title</b>	<b>ACTION 2.1 – Support to strengthening external audit system and tax administration</b>
<i>Specific objective</i>	Jačanje kapaciteta za upravljanje javnim finansijama
<i>Expected results</i>	Result 1 Administracija poreskih prihoda i naplate poboljšana Result 2 Kapaciteti VRI u BiH ojačani
<i>Indicative foreseen activities to fulfil the results</i>	The Result 1 will be achieved by: A.2.1.1. Pomoć u izradi izmjene i dopune legislative (zakonskih i podzakonskih akata) A.2.1.2. Nabavka software-a i hardware-a
	The Result 2 will be achieved by: A.2.1.3. IT sistem za upravljanje procesom finansijske revizije i revizije učinka i praćenje implementacije revizorskih preporuka A.2.1. 4 Pomoć u kontinuiranom ažuriranju vodiča i metodologije za finansijsku reviziju i reviziju učinka u skladu sa razvojem ISSAI okvira A.2.1.5. Izvršiti TNA analizu HR kapaciteta A.2.1.6. Promovirati ulogu eksterne revizije javnog sektora i značaj nezavisnih VRI u BiH A.2.1.7. Razvoj kapaciteta za obavljanje specijalizovanih vrsta revizije (IT revizije, revizije okoliša)
<i>Implementation arrangements</i>	<p>Predloženi aranžman implementacije u okviru Akcije 2.1. su tehnička podrška i ugovor o nabavi, a <u>indikativni budžet iznosi u totalu EUR 6,5 miliona</u>. Planirano je da <u>tehnička podrška obuhvati</u> aktivnosti A.2.1.1.; A.2.1.4., A.2.1.5; A.2.1.6. i A.2.1.7; dok bi ugovor o nabavci trebao obuhvatiti aktivnosti A.2.1.2. i A.2.1.3. Uzimajući u obzir da se radi o različitim korisnicima – poreskim administracijama i vrhovnim institucijama za eksternu reviziju, biće potrebno osigurati tehničku asistenciju za dvije komponente i to:</p> <p><b>TA</b> čiji su korisnici poreske uprave entiteta i BD - 1 mil € i TA druga komponenta VRI-je- procijenjena vrijednost TA je 1,5 mil €. Ukupna vrijednost TA u okviru Akcije 2.1. iznosi 2,5 mil €.</p> <p><b>Ugovor o nabavci:</b> Predviđa nabavku i softvera i hardvera za poreske uprave i VRI-je. Prema informacijama Delegacije EU u Sarajevu već se radi ili je završena nabavka hardvera (komputera i ostalo) za uprave u cilju poboljšanja razmjene informacija po potpisanom Memorandumu. Zbog toga je upitna druga aktivnost koja se odnosi na nabavke. Procijenjena vrijednost nabavke softvera i hardvera je 4 mil € (po 2 miliona eura za poreske uprave i VRI-je).</p>
<i>Justification for the choice of implementation arrangements</i>	<p>Tehnička asistencija je odabrana iz sljedećih razloga:</p> <ul style="list-style-type: none"> <li>- intervencija ne predstavlja primjenu pravne stečevine EU (acquis), i</li> <li>- korisničke institucije nemaju iskustva i dovoljno kapaciteta za absorpciju za twinninga</li> <li>- potreban veći broj ekspertiza</li> </ul> <p>Ugovor o nabavci je odabran zbog toga što dio aktivnosti predviđa IT podršku procesima u korisničkim institucijama (komputeri, serveri i softveri uz pretpostavku da postoje gotovi softveri na tržištu .) što će detaljnije biti definirano kroz AD i saradnju IT stručnjaka korisničkih institucija.</p>
<b>Priority area 3</b>	
<b>Action title</b>	<b>ACTION 3.1 – Further support to ensuring government's interoperability, improving land administrations services and preparation strategy for further development and functioning of body responsible for regulation in area of telecommunication and media markets</b>
<i>Specific objective</i>	Doprijeti uspostavi koordiniranog razvoja sistema usluga i stvoriti pretpostavke za pružanje digitalnih usluga kroz osiguranje tehničke spremnosti registara i portala, uvođenja interoperabilnosti, uključujući infrastrukturu prostornih podataka kreiranjem odgovarajućih INSPIRE kompatibilnih servisa za dijeljenje, te pripremiti strategiju razvoja i djelovanja

	institucije nadležne za regulaciju i pružanje usluga u audio-vizualnom medijskom i sektoru telekomunikacija
<i>Expected results</i>	Result 1 Povećanje dostupnost preciznih prostornih podataka visoke rezolucije Result 2 Početak implementacije Okvira interoperabilnosti na svim nivoima Result 3 Pripremljena CRA strategija
<i>Indicative foreseen activities to fulfil the results</i>	The Result 1 will be achieved by: A.3.1.1. Pripremiti i odobriti plan snimanja A.3.1.2. Prikupiti podatke LIDAR tehnologije A.3.1.3. Izrada preciznih modela površi teritorija A.3.1.4. Izvršiti kontrolu kvalitete proizvoda od strane entitetskih institucija u BiH i Distrikta Brčko A.3.1.5. Pohraniti podatke i integrisati ih sa postojećim podacima u entitetskim institucijama i DB A.3.1.6. Unaprijediti infrastrukturu prostornih podataka kreiranjem odgovarajućih INSPIRE kompatibilnih servisa za dijeljenje i upotrebu preciznih podataka zainteresiranim stranama javnog i privatnog sektora A.3.1.7. Podatke učiniti dostupnim svim zainteresiranim stranama putem postojećih portala za prikaz prostornih podataka
	The Result 2 will be achieved by: A.3.1.8. Izgradnja nedostajuće infrastrukture za provođenje interoperabilnosti na nivou BiH, FBiH i RS A.3.1.9. Osiguranje spremnosti javnih registara BiH, FBiH i RS A.3.1.10. Uspostavljanje i modernizacija kataloga usluga javne uprave u BiH A.3.1.11. Kreiranje portala interoperabilnosti VM BiH, Vlade FBiH i Vlade RS
	The Result 3 A.3.1.12. Pripremiti Strategiju CRA 2018-2022.
<i>Implementation arrangements</i>	Za realizaciju Akcije 3.1. predviđena je kombinacija service contract, supply contract i twinnig ukupne vrijednosti 5,1 mil €. Predloženi modaliteti implementacije po pojedinačnim aktivnostima su sljedeći:  Aktivnosti koje doprinose ostvarenju R1 (od A.3.1.1. do A.3.1.5.) trebali biti realizirane kroz service contract u iznosu od 2,2 mil €. Aktivnosti A3.1.6. i A.3.1.7. trebaju biti realizirane kroz supply contract vrijedan 0,3 mil €.  Aktivnosti usmjerene ka postizanju R2 biće realizirane kroz supply and service ugovore u ukupnoj vrijednosti 2,1 mil €, od čega bi service ugovor trebao uključivati 2/3 (1,4 mil eura), a supply contract 1/3 traženog iznosa (0,7 mil €). Oba ugovora se odnose na sve četiri aktivnosti u okviru postavljenog rezultata 2.  Aktivnost A.3.1.12. will be implement trough twinning - 500.000 €
<i>Justification for the choice of implementation arrangements</i>	Uzimajući u obzir da aktivnosti A3.1.1. do A.3.1.5. podrazumijevaju vršenje usluga odgovarajućeg tipa (prikupljanje podataka LIDAR tehnologijom, geodetska terenska mjerenja, obrada prikupljenih podataka u svrhu izrade modela teritorija) koje će odabrani pružatelj izvršiti uz kontrolu kvalitete proizvoda od strane entitetskih institucija u BiH i Distrikta Brčko, predložen je service contract. Za aktivnosti A3.1.6. i A.3.1.7. neophodno je obezbijediti isporuku dobara odgovarajućeg tipa (za unaprijeđenje dostupnih hardverskih i softverskih resursa u nadležnim institucijama) koji će potpomognuti kreiranje odgovarajućih INSPIRE kompatibilnih servisa za dijeljenje i upotrebu preciznih i pozdanih podataka zainteresiranim stranama javnog i privatnog sektora, te je najpodesniji modalitet – supply contract.  Za R2 predložena su dva modaliteta finansiranje – service i supply. Pošto se radi o infrastrukturnim projektima potrebno je osigurati supply contract (ugovor o nabavci) zbog toga što dio aktivnosti predviđa nabavku IT opreme za podršku procesima (računari, serveri, i druga IT oprema kao i odgovarajući softver). Također je potrebno je osigurati i service contract

	<p>(usluge i tehnička asistencija) jer je potrebno obezbijediti tehničku pomoć za realizaciju standarda za razmjenu podataka, te arhitekturu sistema i razvoj aplikacija i softvera.</p> <p>Za ostvarenje Rezultata 3 (A.1.3.12) predložen je twinning, sa državnom institucijom iz neke od zemalja članica EU, koja ima iste ili slične nadležnosti kao regulator medijskog i telekomunikacionog sektora u BiH. Aktivnost predviđa pripremu strategije za naredne tri godine, a uzimajući u obzir potrebu planiranja daljeg usklađivanja zakonodavstva u ovoj oblasti, kao i njegovu primjenu najpodesniji način je kroz direktno saradnju/učenje od službenika koji rade na istim poslovima unutar EU.</p>
--	--

## ACTION PROGRAMME 2019

Priority area 1	
<i>Action title</i>	<b>ACTION 1.2.</b> Further strengthening policy development and coordination as a support of EU integration process
<i>Specific objective</i>	Doprinijeti uspostaviti inkluzivnog procesa izrade politika i zakonodavstva koji se temelji na dokazima i omogućava postizanje utvrđenih ciljeva politike, ojačati ulogu i nadzor parlamenata u procesu evropskih integracija, statistički sistem, te dalju provedbu PAR strateškog okvira i upravljanje PAR procesom
<i>Expected results</i>	<p>Result 1 Unaprijeđen sistem razvoja politika i planiranja kroz otvoren i participativan proces, korištenje dokaza, te nadzor i praćenje nad provođenjem politika na svim nivoima upravne vlasti u BiH (2019 ili 2020).</p> <p>Result 2 Dalje jačanje kapaciteta, saradnje i koordinacije parlamenata u BiH, uključujući kantonalne skupštine pri izvršavanju obaveza u procesu evropskih integracija</p> <p>Result 3 Ojačan statistički sistem i kapaciteti za proizvodnju pouzdanih statistika</p> <p>Result 4 Ojačani kapaciteti PAR strukture za dalju implementaciju PAR strateškog okvira/uvođenje principa dobre uprave u javnoj upravi BiH</p>
<i>Indicative foreseen activities to fulfil the results</i>	<p>The activities to achieve Result 1 will be:</p> <p>A.1.2.1 Implementacija donesenog okvira regulative za izradu i donošenje politika, uključujući adekvatne analize; procjena uticaja-RIA: konsultacije i jačanje kapaciteta uposlenika</p> <p>A.1.2.2. Unapređenje koordinacionih struktura, mehanizama i jačanje kadrovskih kapaciteta u procesu kreiranja politika uključujući horizontalnu i vertikalnu koordinaciju</p> <p>The activities to achieve Result 2 will be:</p> <p>A.1.2.3. Daljnje jačanje vertikalne i horizontalne saradnje i koordinacije parlamenata u BiH u pitanjima EU integracija</p> <p>A.1.2.4. Dalja podrška implementaciji AP kantonalnih skupština</p> <p>A.1.2.5. Dalje jačanje kapaciteta kantonalnih skupština u procesu usklađivanja zakonodavstva</p> <p>A.1.2.6 Obezbjeđenje IT opreme za kantonalne skupštine</p> <p>The activities to achieve Result 3 will be:</p> <p>A.1.2.7 Dalja harmonizacija (odabranih) prioritetnih statističkih domena sa EU standardima</p> <p>A.1.2.8 Razviti savremenu IT infrastrukturu za statistiku</p> <p>A.1.2.9 Uspostava transmisije podataka prema Eurostatu- CBBiH</p> <p>A.1.2.10. Pripreme strateškog dokumenta za razvoj statistike (uključujući i statistike koje proizvodi CBBiH) 2020-2030</p>

	<p>The activities to achieve Result 4 will be:</p> <p>A.1.2.11 Dalja podrška PARCO i uspostavljenom koordinacionom strukturi, sistemu i procesu koordinacije potrebnih za provođenje Strateškog okvira za reformu javne uprave</p> <p>A.1.2.12 Podržati dalje jačanje upravljanja, koordinacije, nadzora, praćenja i finansijske podrške provedbi reforme javne uprave</p> <p>A.1.2.13. Pripremiti metodologiju i podržati srednjoročnu evaluaciju Strateškog okvira za reformu javne uprave</p> <p>A.1.2.14. Pripremiti akcioni plan 2021-2022 i osigurati dalji razvoj</p>
<i>Implementation arrangements</i>	<p>Realizacija Akcije 1.2. planirana je kroz kombinaciju service and supply contracts, as well as twinning, čija je ukupna vrijednost 9,5 miliona eura. U nastavku je dat pregled predloženih modaliteta po aktivnostima, sa indikativnim vrijednostima:</p> <p>Service contract – A.1.2.1. i A.1.2.2. (R1) biće implementirane kroz service ugovor vrijedan 2 mil €.</p> <p>Service contract - za aktivnosti A.1.2.11; A.1.2.12. A.1.2.13. A.1.2.14 (R4). Vrijednost ugovora je 2 mil €</p> <p>Twinning - A.1.2.3. A.1.2.4., A.1.2.5. ukupne vrijednosti 2 mil € (R2). Korisnici Parlamentarna skupština BiH i parlamenti/skupštine na ostalim nivoima.</p> <p>Twinning – A.1.2.7; A.2.1.8; A.2.1.9. i A.2.1.10. (R3) Indikativna ukupna vrijednost je 2.5 mil €. Korisnici – statističke institucije na svim nivoima i Centralna banka BiH.</p> <p>Supply contract - A.1.2.6. (R2) – ukupna vrijednost 1 mil €.</p>
<i>Justification for the choice of implementation arrangements</i>	<p>Service ugovori predloženi su za realizaciju aktivnosti koje doprinose ispunjenju rezultata 1 i 4 ove Akcije. Tehnička podrška najoprimalniji je modalitet za ostvarenje rezultata zbog potrebe da se kroz ugovor osigura veći broj eksperata različite vrste ekspertiza.</p> <p>Za realizaciju nabavke IT opreme za parlamente odabrana je opcija supply contract. Razlog odabira je u tome što aktivnost predviđa IT podršku procesima u kantonalnim skupštinama, što će dalje biti definisano kroz AD i saradnju IT stručnjaka korisničkih institucija.</p> <p>Twinning je predloženi modalitet implementacije aktivnosti koje doprinose ostvarenju rezultata 2 i 3. Twinning omogućava pomoć putem ekspertske podrške stručnjaka iz statističkih institucija zemalja članica EU sa ciljem da se pomogne u izgradnji institucionalnih kapaciteta zemalja koje su u statusu kandidata ili potencijalnog kandidata za ulazak u EU, kako bi se osposobile za preuzimanje i provođenje EU acquisa (pravnih tekovina EU). Twinning model je predložen zbog pozitivnih iskustava i kontinuiteta prethodnih projekata (parlamenti).</p>
<b>Priority area 2</b>	
<b>Naziv Akcije</b>	<b>Action 2.2.</b> Support to Public Finance Management including strengthening capacities of Indirect taxation Authority
<i>Specifični cilj</i>	Jačanje kapaciteta za upravljanje javnim finansijama
<i>Očekivani rezultati</i>	<p>Result 1: Procedure i postupci u oblasti carina i poreza usklašeni sa EU praksom</p> <p>Result 2: Procedure planiranja i izvršenja budžeta unaprijeđene</p>
	<p>The Result 1 will be achieved by:</p> <p>A.2.2.1. Izrada softvera (tarife, akcize, analiza rizika-TARIK, EMCS, SEED)</p> <p>A.2.2.2. Dalje usklađivanje zakonodavstva sa poreskim i carinskim propisima EU</p> <p>A.2.2.3. Unaprijeđenje hardverske platforme</p>

Indikativne predviđene aktivnosti u cilju ostvarenja očekivanih rezultata	The Result 2 will be achieved by: A.2.2.4. Uvođenje GFS i ESA knjige, A.2.2.5. Proširenje obuhvata trezorskog sistema na korisnike koji nisu uspostavili trezorski sistem A.2.2.6. Implementacija modula osnovnih sredstava A.2.2.7. Obuke za izvještavanje o javnom dugu u skladu sa ESA 2010
Modaliteti implementacije	Za realizaciju Akcije 2.2. predviđena je kombinacija jednog twinninga, dva service contracts, te supply contract čija je ukupna vrijednost 9 mil €. Posmatrano po aktivnostima, predloženi su sljedeći ugovori: Usluge A.2.2.1. Korisnik UINO . Vrijednost ugovora 3 mil € Twinning A.2.2.2. Korisnik UINO, procijenjeni vrijednost ugovora 1 mil €. TA A.2.2.4.; A2.2.5; A2.2.6. i A 2.2.7. Korisnici svi nivoi vlasti (ministarstva finansija entiteta, kantona, direkcije za finansije DB,odjeljenja za finansije opština i gradova). Procijenjena vrijednost ugovora 3 mil € Nabavke A2.2.3. Korisnik UINO. Procijenjena vrijednost ugovora 2 mil €
Obrazloženje izbora modaliteta implementacije	<b>Twinning</b> ugovor je odabran zbog toga što se radi o usklađivanju sa EU legislativom. Dodatno, Uprava za indirektno oporezivanje ima pozitivno iskustvo u primjeni twinninga kroz prethodne projekte i izgrađen kapacitet za absorpciju twinninga. <b>Tehnička asisitencija</b> je odabrana iz sljedećih razloga: - intervencija ne predstavlja primjenu pravne stečevine EU (acquis), i - korisničke institucije nemaju iskustva i dovoljno kapaciteta za absorpciju za twinning - potreban veći broj ekspertiza <b>Ugovor o nabavci</b> je odabran zbog toga što dio aktivnosti predviđa IT podršku procesima u UINO (komputeri, serveri i sl) što će detaljnije biti definisano kroz AD i saradnju IT stručnjaka UINO. <b>Ugovor o uslugama</b> je odabran zbog toga što dio aktivnosti predviđa podršku procesima u UINO kroz izradu specifičnih softvera što će detaljnije biti definisano kroz AD.
<b>Priority area 3</b>	
<b>Action title</b>	<b>ACTION 3.2.</b> Strengthening capacities of CRA for better regulation of audio-visual and telecommunication market and provide better services
Specific objective	Unaprijediti i harmonizirati pravni okvir BiH u oblasti audiovizuelnog medijskog sektora i telekomunikacija sa EU regulatornim okvirom
Expected results	Result 1: Podrška regulatoru BiH u oblasti komunikacija s ciljem harmonizacije BiH zakonodavstva s EU regulatornim okvirom za audio-vizuelni medijski sektor i sektor telekomunikacija, uspostavljen politički, finansijski nezavisan regulator
Indicative foreseen activities to fulfil the results	The Result 1 will be achieved by: A.3.2.1. Razvijen softver za klasifikaciju XXX, u skladu s AVM direktivom za zaštitu djece i mladih, i pokrenuta kampanja vezano za ovu problematiku A.3.2.2. Uspostavljen monitoring audio-vizuelnih medijskih usluga A3.2.3. Uspostava sistema cjelovitog rješavanja pritužbi A3.2.4 Implementirana tržišna analiza 6
Implementation arrangements	Predloženi modalitet implementacije aktivnosti u okviru Rezultata 1 je tehnička pomoć Regulatornoj agenciji za komunikacije, vrijedna 1 mil €
Justification for the choice of implementation arrangements	U cilju implementiranja navedenih aktivnosti neophodna je konsultantska pomoć iz zemalja članica EU, sa iskustvom u ovoj oblasti. Uzimajući u obzir da je za postizanje rezultata potrebno realizirati različite vrste aktivnosti, koje traže različite vrste ekspertiza, tehnička pomoć je najoptimalniji način za doseganje rezultata.

## ACTION PROGRAMME 2020

<b>Priority area 1</b>	
<b>Action title</b>	<b>ACTION 1.3.</b> Support to improvement of governments accountability and building capacities of civil servants
<i>Specific objective</i>	Uspostaviti odgovarajuće mehanizme za osiguranje odgovornosti tijela državne uprave
<i>Expected results</i>	R1 Unaprijeđeni mehanizmi za osiguranje odgovornosti javne uprave, te ojačan kapacitet institucije Ombudsmena u svrhu praćenja realizacije i veće implementacije preporuka Ombudsmena
<i>Indicative foreseen activities to fulfil the results</i>	The activities to achieve Result 1 will be: A.1.3.1. Ojačati kapacitet Institucije ombudsmena za praćenje realizacije implementacije preporuka Ombudsmena A.1.3.2. Osigurati uspostavu adekvatnih mehanizama za osiguranje odgovornosti tijela javne uprave, uključujući i zakonsku odgovornost i transparentnost kroz početne analize, unapređenje i primjenu zakonskog okvira u oblasti odgovornosti
<i>Implementation arrangements</i>	Za realizaciju aktivnosti koje doprinose ostvarenju predložen je service contract ukupne vrijednosti 3 mil €. Service contract će se sastojati od dvije komponente I to za aktivnost 1.3.1. ugovor vrijednosti 1 mil €, te za aktivnost 1.3.2. ugovor vrijedan 2 mil €
<i>Justification for the choice of implementation arrangements</i>	Service contract, odnosno tehnička asistencija odabrana je kao modalitet zbog toga što intervencija ne predstavlja primjenu pravne stečevine EU (acquis), a korisničke institucije nemaju iskustva i dovoljno kapaciteta za absorpciju za twinning.
<b>Priority area 2</b>	
<b>Naziv Akcije</b>	<b>Action 2.3.</b> Further strengthening internal audit, system of treasury and public debt management
<i>Specifični cilj</i>	Jačanje kapaciteta za upravljanje javnim finansijama
<i>Očekivani rezultati</i>	Result 1 Procedure planiranja i izvršenja budžeta unaprijeđene Result 2 Kapaciteti i infrastruktura PIFC sistema ojačani Result 3 Sistem javnih nabavki u BiH unaprijeđen
<i>Indikativne predviđene aktivnosti u cilju ostvarenja očekivanih rezultata</i>	The Result 1 will be achieved by: A.2.3.1 Izrada analize potreba za definisanje narednih koraka za praćenje i izvještavanje budžeta u programskom formatu  The Result 2 will be achieved by: A.2.3.2. Provesti obuku novih ljudi u CHJs, A.2.3.3. Pomoć u izradi/doradi zakonskih i podzakonskih akata A.2.3.4. Provesti specifične obuke za Jedinice interne revizije i FUK A.2.3.5. Pomoć u izradi/doradi metodologije PIFC (strategije, priručnici)  The Result 3 will be achieved by: A.2.3.6.. Pomoć u izradi nacrtu Izmjena i dopuna zakona o javnim nabavkama (usaglašavanje sa EU) A.2.3.7.Provesti dodatnu obuku službenika Agencije za javne nabavke i službenika za javne nabavke u ugovornim organima (veza aktivnost 3.1)

<i>Modaliteti implementacije</i>	Akcija 2.3. biće implementirana kroz jedan ugovor o tehničkoj pomoći ukupne vrijednosti 3 mil €. Planirano je da tehnička pomoć obuhvati svih sedam aktivnosti A.2.3.1. – A.2.3.7.) s tim da bi ugovor trebao sadržavati tri komponente za tri grupe korisnika.
<i>Obrazloženje izbora modaliteta implementacije</i>	Za realizaciju R1, R2 i R3 odabrana je tehnička asistencija je odabrana iz sljedećih razloga: - korisničke institucije nemaju iskustva i dovoljno kapaciteta za absorpciju za twinning - potreban veći broj ekspertiza
<b>Priority area 3</b>	
<i>Action title</i>	<b>ACTION 3.3.</b> Further support IDDEEA to transform in „OPEN PA body“
<i>Specific objective</i>	Unaprijediti transparentnost i otvorenost IDDEEA
<i>Expected results</i>	Result 1 IDDEEA transformirana u „OPEN PA body“ (Open governance)
<i>Indicative foreseen activities to fulfil the results</i>	The Result 1 will be achieved by: A.3.3.1. Raise awareness of the availability, functionality and usage of the IDDEEA's e-government services A.3.3.2. Planning, Develop and implement e-participation services and transform IDDEEA to Open Government Public Body A.3.3.3. Enhance IDDEEA internal HR capacity for future usage and administration of OPEN government software and hardware tools A.3.3.4. Ensure software and hardware platform to support e participation solutions and future planned IDDEEA collaboration ICT systems.
<i>Implementation arrangements</i>	Za realizaciju R1 predviđena je kombinacija supply contract i twinning ukupne vrijednosti 2.5 mil € i to: A.3.3.1, A.3.3.2 A.3.3.3. - twinning 1 mil € A.3.3.4 - supply 1.5 mil €
<i>Justification for the choice of implementation arrangements</i>	Twinning share good practices developed within the EU with beneficiary (IDDEEA) public administrations and to foster long-term relationships between administrations of existing and future EU countries.  Supply is only IPA contract type that support purchase software and hardware equipment for implement twinning exit results in daily IDDEEA e-interaction with citizens.

## 5.2 Indicator table

For each of the priorities included above, provide an indicator table with indicators of *immediate results or significant outputs*, including reference to the corresponding CSP indicator(s) that will be addressed in the sector. Only key indicators should be included and there should be only one indicator (or maximum two indicators) for each result.

Indicator	Description	Baseline (year) (2)	Last available (year) (3)	Milestone 2017(4)	Target 2020 (5)	Source of information
CSP indicator (impact/outcome)...(1)						
This column should provide the NAME/TITLE of the indicator; e.g. Number of xxx (it must be an outcome indicator at sector level)	In this column, a very short description (few words only) of the indicator should be provided (if needed).	The value should be indicated (2)	The last available data/value (and year of reference)	The value expected by the first quarter of 2017 (or end 2016) should be indicated	The value expected by 2020 should be indicated	Include here the source of the information required to measure the indicator.

(1) This is the indicator as included in the Indicative Strategy Paper.

(2) The agreed baseline is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets.

(3) The last available data (and reference year)

(4) The milestone year CANNOT be modified: it refers to the mid-term review of IPA II.

(5) The target year CANNOT be modified.

### 5.3 Assumptions, preconditions and risks

#### Main assumptions under this sector are:

- Political and economic stability,
- Bosnia and Herzegovina remains committed to the EU accession process and fulfilment of obligations in line with the EU integration process,
- Clear and continuous political support to reforms in the sector,
- Effective coordination among the beneficiaries and other relevant institutions secured,
- Ensure adequate staff with appropriate skills for preparation of necessary project documentation for actions,
- Counterpart in beneficiary institutions identified, available and cooperates in implementation of planned interventions,
- Availability of sufficient staff, well-trained and motivated for carrying out project activities.

The basic precondition for meeting the goals and achieving the results planned within this SPD is linked to the adoption of national policy in the field of public administration reform and its related country-wide public finance management reform strategy, as well as the readiness of governments in Bosnia and Herzegovina to politically support reforms that are essential for further progress of Bosnia and Herzegovina in the process of European integration. At the level of action, it is necessary to ensure a sufficient degree of coordination and cooperation among the institutions within the sector as well as provide sufficient capacity for further preparation of project documentation for IPA II.

#### Main preconditions under this sector are:

- Adoption of policy documents related to this sector (PAR Strategy and Action Plan, other relevant strategies and strategic plans),
- Successful realization of planned activities and commitment of all involved stakeholders to actively participate in the project.

Preconditions shall demonstrate the maturity and readiness for the implementation of the each individual action, to ensure that the IPA II funds are allocated exclusively for the priorities soundly and formally agreed within the government coherently with the required sector support. Such guarantees are to be provided notably by the adoption of strategies and legislation underlying the proposed sector interventions. Pre-conditions will therefore consist mostly of requirements that respective strategies and pieces of legislation are adopted before the actual approval of IPA II funding.

#### Risks

Risks are exposed in the table below and differentiated according to the likelihood of their occurrence (high, medium or low probability of occurrence).

External conditions	Risk level (Low, Medium, High)	Mitigation measures
Lack of political will to adopt PAR country-wide strategic documents and implement related reforms	H	Continuous monitoring and dialogue with the EC through high level policy dialogue
Lack of political will for a harmonized approach to changes in legislation, strategic documents and other acts being prepared through projects	H	Continuous monitoring and dialogue with the EC through high level policy dialogue, inform IPA Monitoring Committee about obstacles
Lack of coordination and/or cooperation within, and between institutions in sector	M	Continuous supervision and dialogue with the EC and proper managing of projects
Lack of cooperation between institutions on projects	M	Uspostava zajedničkih timova za rad na projektima
Delay of relevant institutions in the timely implementation of activities	M	Odgovarajuće osoblje dostupno tokom implementacije aktivnosti i veći pritisak na sve stakeholders za pridržavanje projektnih rokova
Absorption capacity	M	Focused technical assistance, angažirano osoblje sa iskustvom rada na projektima
Failure to adopt certain laws and bylaws	M	Kontinuiran pritisak na predlagače materijala i vlade o potrebi usvajanja propisa
Lack of commitment from the Government to prepare BiH PFM strategy and relevant plan and pursue implementation of PFM reform strategy	H	Continuous monitoring and dialogue with the EC through high level policy dialogue.

## 6. COMPLEMENTARITY WITH OTHER FINANCIAL ASSISTANCE

Bosna i Hercegovina nema pouzdane podatke o dosadašnjim ulaganjima donatora u sektor Demokratija i upravljanje. Ministarstvo finansija i trezora Bosne i Hercegovine uspostavilo je PIMIS bazu ulaganja donatora, ali uzimajući u obzir opseg IPA II sektora Demokratija i upravljanje nije moguće iz baze dobiti pouzdane pokazatelje o ulaganju u ovoj sektor.

Prema podacima Ureda koordinatora za reformu javne uprave u Fond za reformu javne uprave uloženo je 31.87 miliona KM. Ovaj novac je korišten za finansiranje projekata koji dopriose ispunjenju ciljeva iz PAR strategije. Ključni donator ovog Fonda su: Ambasada Kraljevine Nizozemske u BiH, Švedska Agencija za međunarodni razvoj (Sida), Odjel Ujedinjenog Kraljevstva za međunarodni razvoj i saradnju (DfID), Delegacija Evropske unije u BiH, Ministarstvo vanjskih poslova Norveške i Ministarstvo vanjskih poslova Danske.

As in many other sectors in BiH, the EU is by far the biggest donor in providing assistance to the implementation of the PAR and PFM. However, considerable support is also provided by other donors, mostly EU Member States plus Norway, the US and the majority of relevant IFIs.

It is indeed important to underline how IPA II acts in synergy with other sources of financial assistance in implementing the actions envisaged in this Sector Planning Document.

Based on fact that improving the availability of financial resources is important element for further progress, future activities that will be defined within this sector will be fully consistent with the existing strategic documents and defined objectives by them, related to the strengthening of financial support.

A stronger mechanism for sectorial donor coordination in the field of PAR has been recently established through the PAR Donor Coordination Meetings. The aim of this donor coordination mechanism is to discuss the technical and operational issues, to harmonise donors' activities in order to avoid possible overlapping and duplicating of projects.

The complementarity of IPA II support with other financial assistance to implement the actions designed within this Sector Planning Document necessarily has to respond to such desirable strengthened donor coordination; however, the existence of the PAR Fund indeed does represent a very useful platform for pooling funds and already effectively enact such complementarity.

When it comes to the PFM, the complementarity of IPA II assistance is embedded in a much wider perspective, as the management of public finances touches directly the macroeconomic accountability of BiH. In this respect, in close coordination with other international institutions, including the EU, the EBRD and the World Bank, IMF has been recently discussing future engagement with BiH regarding support for the authorities' economic policies<sup>113</sup>.

## 7. CROSS-CUTTING ISSUES

### ***Equal opportunities and gender mainstreaming***

The actions under this Sector will ensure that all the cross-cutting issues are appropriately incorporated, particularly equal opportunities and gender mainstreaming will be secured throughout the design and implementation process. In line with this all planned activities will respect the principles of equal treatment and opportunities for both, man and woman. Institutions benefiting from the planned activities are equal opportunity employers.

In terms of gender equality, there are trends in BiH which continue to represent areas of concern, such as the unfavourable economic and social status of women and their low level of participation in political and public life.

Available data on the ratio of men to women employed in public administration in BiH shows approximately the same ratio amongst civil servants at the state level as well as in both Republika Srpska and the FBiH; however, an increasing number of men hold higher and more important positions, such as managers of independent administrative bodies, assistant ministers, chief inspectors and other. Gender legal and institutional arrangements in BiH embrace Gender Budgeting as a

---

<sup>113</sup> IMF on Bosnia and Herzegovina: Concluding Statement of the 2015 Article IV Mission

powerful tool for gender mainstreaming within all sectors of society. Gender budgeting refers to an analysis of the effects of actual government revenue and expenditure on women and girls, as opposed to men and boys. It helps governments decide which policies need adjustments and where resources should be allocated in order to treat women and men equally, thereby reducing gender inequality.<sup>114</sup>

In implementing the actions related to this Sector Planning Document, the empowerment of women to exercise their social and economic rights is of paramount importance. The participation and the equal involvement of women and men in public and political life and, more specifically in the public administration is guaranteed and largely respected; however, when it comes to the delivery of services to citizens and businesses, a specific focus will be put in ensuring equal opportunities.

When relevant, gender mainstreaming in the planned actions will be focused in:

- ✓ Equal opportunity for participation of women in political and public life;
- ✓ Harmonizing laws and policies that are being prepared with non-discriminatory legal and policy frameworks;
- ✓ Equal opportunities for women in the economic field;
- ✓ Creation of statistical data broken down by sex;
- ✓ Inclusion of gender-sensitive budgets.

In concrete terms, this will occur by ensuring that the implementation of envisaged actions is in line with two key laws in BiH, such as:

- ✓ the Law on Gender Equality and
- ✓ the Law on the Prohibition of Discrimination.

More precisely, the Law on Gender Equality<sup>115</sup> prohibits discrimination on the grounds of gender and sexual orientation.

The Law prescribes that equal representation of men and women exists when one sex is represented with at least 40 per cent in bodies at all levels of authority in BiH (state, entity, cantonal and municipal levels). This includes legislative, executive and judicial authorities, political parties, legal persons with public authorities and others that work under the control of the state, entities, cantons, cities, and municipalities, as well as appointments to delegations and international organisations or bodies.

### ***Minorities and vulnerable groups***

The actions envisaged in this Sector Planning Document will seek to mainstream addressing the issues related to minorities and vulnerable groups as a key obstacle in the BiH EU integration process. Moreover, the principles of the European Convention on Human Rights are entrenched in the Constitution of BiH, which also guarantees the supremacy of this Convention over national legislation.

As regards international human rights instruments, BiH has ratified all major UN and international human rights conventions. Representatives of all minorities in BiH have a seat in the Council for National Minorities at the state and entity levels and a strategy for Roma (with action plan for addressing Roma issues in the areas of employment, housing and health care) was adopted in 2013 with respective budget for its implementation. The Council for Persons with Disabilities has been established in BiH, which is a permanent advisory and coordination body of the Council of Ministers on issues of rights of persons with disabilities.

However, it has been noticed that BiH, despite having a relatively satisfying legal framework, still has not implemented an efficient system of protection against discrimination and protection of vulnerable groups.

The European Commission in the 2016 Progress Report on BiH, and the UN in their last report of the Universal Periodic Review for Bosnia and Herzegovina (June 2014) have recognized the need for the introduction of a specific public policy that would concentrate on human rights and the prevention and struggle against discrimination.

Roma remain the most vulnerable group, subject to widespread discrimination and to live in extreme exposed conditions regarding safeguarding of health, employment and education rights. Internally Displaced Persons are another vulnerable

---

<sup>114</sup> Gender Country Profile for BiH – Final Report June 2014

<sup>115</sup> The Law on Gender Equality in BiH was adopted in 2003 and amended in 2009, while a consolidated text was published in 2010.

group whose conditions and safeguarding of basic rights still raise concerns, especially when it comes to the ones displaced because of natural hazards (recent floods).

IPA assistance is a key element to support the development and strengthening of adequate capacities as regards minorities and vulnerable groups. Having recognised the lack of activity which hampers efficient protection against discrimination and realisation of equal opportunities, the actions included in this Sector Planning Document will ensure coordinated and proactive approach to the efficient protection against discrimination.

When implementing the envisaged actions, such as the ones mostly related to the public administration, particular care will be paid that the delivery of services to the citizens is done in a way to reach those marginalised spheres of population.

### ***Engagement with civil society***

The 2007 Memorandum of Understanding between the government of BiH and civil society organisations (CSOs) set out the objectives, principles and forms of the cooperation between the government and civil society. Reforma javne uprave, specifično RAP1 uključuje mjere koje se direktno odnose na saradnju vladinog sektora sa civilnim društvom. In line with the Principles of public administration, the new PAR Strategic Framework has programmed measures to ensure inclusive access and public involvement in the creation, implementation and follow-up of strategic plans, policies and regulations, as well as measures aimed at strengthening proactive transparency of public authorities in BiH. It is expected that the implementation of the PAR Strategic Framework will increase the transparency and inclusiveness of the administration in the policy making process and enhanced cooperation with the civil sector.

Bosnia and Herzegovina additionally expressed its commitment to accepting the Open Government Partnership initiative. An Advisory Council of the "Open Government Partnership" initiative was established, consisting of representatives of the BiH Council of Ministers, RS, FBiH and Brcko District BiH, as well as four representatives of civil society organizations. The PARCO and the Ministry of Justice of BiH signed a Memorandum of Cooperation to provide expert and administrative assistance to the Advisory Council. The Council would encourage the transparency and openness of public administration bodies, as well as involving citizens and civil society organizations in shaping public policies in line with the "Open Government Partnership" initiative.

However, the engagement of citizens in the decision-making processes at state level in BiH is regulated but not fully implemented.

IPA II assistance is already providing continuous support to CSOs through the Multi-Country Civil Society Facility that encourages sector based networking and cooperation among civil society in various areas among which the improvement of capacities of CSOs to combat corruption, improve social dialogue, support social partners. Within this framework, IPA II assistance is also provided to governments to capacitate them for more effective inclusion of civil society in the decision-making. In the specific case of BiH, the facility aims at influencing policy, decision-making processes and legislation enacting in the areas critical for EU integration<sup>116</sup>.

When it comes to implement actions envisaged by this Sector Planning Document, the engagement of civil society will be ensured as a complementary activity and be carried out in line with the assistance already provided by IPA II.

With the aim of including CSOs into the decision making, actions envisaged in the Sector Planning Document will pay attention to the improvement of:

- ✓ transparency in funding CSOs from public budgets;
- ✓ cooperation between various levels of government and CSOs;
- ✓ cooperation among CSOs.

In the specific case of public administration reform, during the preparation of project documentation and planning of project activities, attention will be given to the involvement of civil society organizations, especially in activities related to the creation of legal framework, strategic documents and services.

---

<sup>116</sup> This aim refers to the objectives (1-5) and results (1.3, 2.4, 3.1, 4.2, 4.4, and 5.3) of the "Guidelines for EU support to civil society in enlargement countries, 2014-2020"

## ***Environment and climate change***

As such, the actions envisaged in this Sector Planning Document to support the reform of public administration and the management of public finance do not have any direct impact on the environment and climate change.

## **8. SUSTAINABILITY**

The Sector Planning Document envisages a limited amount of actions that, although indicative in their forms of implementation, are deeply rooted in the mainstream of the undergoing reforms of public administration.. In this sense, the sustainability of the actions is interlinked with the sustainability of the overall reforms in question. Planned actions are largely overlapping with the Public Administration Principles, which are included in the PAR Strategic Framework 2017-2022 as well as other strategic documents in the sector, primarily the PFM strategic documents that have been prepared and/or adopted at individual administrative levels for the time being. Comprehensive reform program is still missing and it is necessary to ensure its development and linkage with PAR strategy, to ensure further continuity and sustainability of reform.

By all means, the sustainability of the PAR, including PFM in BiH is an issue which is still open.

In the Section 1 of this document, the overall sector and its specificities have been assessed and it emerges quite clearly that there is a widespread uncertainty on the availability of sound financial provisions to effectively implement the reforms.

In the case of PAR, the PAR Strategy is not budgeted and finds its resources through the PAR Fund which is largely funded by the Donor community. New PAR Strategic document 2017-2022 contains cost estimation for envisages actions as well as some other strategies in the sector. However, it is undisputed that the PAR Fund alone does not guarantee sustainability to the reform and it is necessary to ensure that the public administration reform has continued support until the process of transformation of the administration is completed in line with the requirements of the accession process and strengthening the readiness of administrative structures to carry with the process of taking over and fulfilling the obligations of EU membership.

Taking into account the crucial role played by these reform in the EU integration process and eventually in the future accession negotiations, the willingness of all involved institutions at all levels of government in optimising and profiting of the IPA II assistance and in achieving a consolidated, robust and sustainable management of public administration including public finance management has to be assumed and taken for granted.

During the period of implementation of actions, a comprehensive dialogue between the EU and the principal stakeholders will take place. The dialogue will focus not only on reinforcing the need to develop and implement holistic and integrated sector approach to reform, but also on the allocation of sufficient funding to ensure that the policy gains are sustained and continually evaluated.

Part of the activities planned in this SPD envisages further development of the legal framework in different areas, and its adoption and subsequent implementation can contribute to sustainability, but it is necessary to ensure that such deliveries accepted during project implementation are duly endorsed by governments. In addition, it is envisaged a development of an IT infrastructure that enables fulfillment of the obligations from the accession process and it is necessary during the project implementation phase to ensure the proper arrangements for its future maintenance, in order to ensure the sustainability of these components of the proposed actions.

## 9. SECTOR SUPPORT BUDGET

Programming period 2018-2020

		ESTIMATED COSTS (EUR)	COMMENTS
<b>Priority 1</b>			
Action 1.1.	Result 1	1.000.000,00	For implementation Activities A.1.1.1. A.1.1.2. (one service contract or twinning)
		1.000.000,00	For implementation Activity A.1.1.3. (one twinning)
Action 1.2.	Result 1	2.000.000,00	For implementation Activities A.1.2.1. A.1.2.2. (one service contract)
		2.000.000,00	For implementation Activities A.1.2.3. A.1.2.4. A.1.2.5. (one twinning)
	Result 2	1.000.000,00	For implementation Activity A.1.2.6. (one supply contract)
		2.500.000,00	For implementation Activities A.1.2.7. A.1.2.8. A.1.2.9. A.1.2.10. (one twinning)
	Result 4	2.000.000,00	For implementation Activities A.1.2.11. A.1.2.12. A.1.2.13. A.1.2.14 (one service contract)
Action 1.3.	Result 1	1.000.000,00	For implementation Activity A.1.3.1 (service contract or twinning)
		2.000.000,00	For implementation Activity A.1.3.2. (service contract)
	Result 2	1.500.000,00	For implementation Activities A.1.3.3. (two service contract 1,25 m euro, and supply 250.000 euro)
		100.000,00	For implementation Activities A.1.3.4. (service contract)
<b>Total for priority 1</b>		<b>16.100.000,00</b>	
<b>Priority 2</b>			
Action 2.1.	Result 1	1.000.000,00	For implementation Activity A.2.1.1. (technical assistance/service contract)
		2.000.000,00	For implementation Activity A.2.1.2. (one supply contract)
	Result 2	2.000.000,00	For implementation Activity A.2.1.3. (supply)
		1.500.000,00	For implementation Activities A.2.1.4. A.2.1.5. A.2.1.6. A.2.1.7. (technical assistance)
Action 2.2.	Result 1	3.000.000,00	For implementation Activities A.2.2.1. (Service contract)
		1.000.000,00	For implementation Activity A.2.2.2. (twinning)
		2.000.000,00	For implementation Activity A.2.2.3. (supply contract)
	Result 2	3.000.000,00	For implementation Activities A.2.2.4. A.2.2.5. A.2.2.6. A.2.2.7. (one service contract)
Action 2.3.	Result 1	3.000.000,00	For implementation Activities A.2.3.1. (Service contract)
	Result 2		For implementation Activities A.2.3.2. A.2.3.3. A.2.3.4. A.2.3.5. (service contract)
	Result 3		For implementation Activities A.2.3.6. A.2.3.7 (service contract)
<b>Total for priority 2</b>		<b>18.500.000,00</b>	
<b>Priority 3</b>			
Action 3.1.	Result 1	2.200.000,00	For implementation Activities A.3.1.1. A.3.1.2. A.3.1.3. A.3.1.4. A.3.1.5. (service contract)
		300.000,00	For implementation Activities A.3.1.6. A.3.1.7. (supply contract)

	Result 2	2.100.000,00	For implementation Activities A.3.1.8. A.3.1.9. A.3.1.10. A.3.1.11. (combination service 1,4 million euro, and supply contract 700.000 euro)
	Result 3	500.000,00	For implementation Activity A.3.1.12. (one twinning)
<b>Action 3.2.</b>	Result 1	1.000.000,00	For implementation Activities A.3.2.1. A.3.2.2. A.3.2.3 A.3.2.4 (one service contract)
<b>Action 3.3.</b>	Result 1	1.000.000,00	For implementation Activities A.3.3.1. A.3.3.2. A.3.3.3.. (twinning)
		1.500.000,00	For implementation Activity A.3.3.4 (supply contract)
Total for Priority 3		8.600.000,00	
<b>TOTAL FOR SECTOR</b>		<b>43.200.000,00</b>	

DRAFT

## 10. CHRONOGRAM FOR PROGRAMMING AND IMPLEMENTATION

DEMOCRACY AND GOVERNANCE	2017				2018				2019				2020				2021				2022			
	Q1	Q2	Q3	Q4																				
Priority 1																								
Action 1.1. – R1					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 1.1. – R2					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 1.2. – R1							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 1.2. – R2							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 1.2. – R3							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 1.2. – R4							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 1.3. – R1											P	P	P	C	C	I	I	I	I	I	I	I	I	I
Priority 2																								
Action 2.1. – R1					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 2.1. – R2					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 2.2.. – R1							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 2.2. – R2							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 2.3. – R1										P	P	P	C	C	I	I	I	I	I	I	I	I	I	I
Action 2.3.. – R2										P	P	P	C	C	I	I	I	I	I	I	I	I	I	I
Action 2.3.. – R3										P	P	P	C	C	I	I	I	I	I	I	I	I	I	I
Priority 3																								
Action 3.1. – R1					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 3.1. – R2					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 3.1. – R3					P	P	P	C	C	I	I	I	I	I	I	I	I							
Action 3.2. – R1							P	P	P	C	C	I	I	I	I	I	I	I	I					
Action 3.3. – R1											P	P	P	C	C	I	I	I	I	I	I	I	I	I

P = Programming (i.e. period when the IPA Action Programme is expected to be adopted)

C = Procurement and grant award procedures (i.e. up to Contracting)

I = Implementation period

Note re. Programming: all planned Activities under a given Action may not necessarily become part of the same IPA Action Programme but spread over successive programmes (e.g. 60% of Action 1 to be part of a Country Action Programme in 2014 and the remaining 40% - i.e. Action 1 part 2 - to feed into a Country Action Programme in 2016).

## **LIST OF ANNEXES:**

1. Annex 1: Roadmap for Sector Approach
2. Annex 2: Composition and Members of the Sector Working Group
3. Annex 3: List of Acronyms
4. Annex 4: Public Finance Management - instituti

DRAFT

## **ANNEX 1**

### ***Roadmap for Sector Approach***

## **ANNEX 2**

### ***Composition and members of the Sector Working Group***

This Sector Planning Document has been prepared through an intensive and participatory approach involving a specific Sector Working Group composed of the representatives of relevant institutions as well as through separate additional consultations that were required due to the specific features of this IPA II sector. The composition of the Sector Working Group is as follows:

#### **Participating institutions:**

1. Public Administration Reform Coordinator's Office,
2. Ministry of Finance and Treasury of BiH
3. Ministry of communication and transport of BiH
4. Ministry of civil affairs of BiH
5. Public Procurement Agency of BiH
6. Agency for Statistics of BiH
7. Agency for identification documents, registers and data exchange (IDDEEA)
8. Civil Service Agency of BiH
9. Gender Equality Agency of BiH
10. Agency for the Prevention of Corruption and Coordination of the Fight against Corruption
11. Directorate for Economic Planning of BiH
12. Parliamentary Assembly of BiH
13. Indirect Taxation Authority of BiH
14. Central Bank of BiH
15. Audit Office of the Institutions of BiH
16. Central harmonisation unit of BiH
17. Institution of Human Right Ombudsman of BiH
18. Communications Regulatory Agency of BiH
19. Audit Office of the Institutions of the Federation of BiH
20. FBiH Ministry of Finance
21. Secretariat-General of the Government of Federation of BiH, PAR Coordinator of the Federation of BiH
22. FBiH Statistics Institute
23. FBiH Tax Administration
24. Central harmonization unit of Federation of BiH
25. FBiH Administration for Geodetic and Property Legal Affairs
26. The Supreme Office for the Republika Srpska Public Sector Auditing
27. RS Ministry of Finance
28. Central harmonization unit of Republika Srpska
29. RS Ministry of Public Administration and Local Self-government, PAR Coordinator for RS
30. Institute for Statistics of the Republika Srpska
31. Tax Administration of Republika Srpska
32. Administration for Geodetic and Property Affairs Republike Srpske
33. Office for Audit of Public Administration and Institutions of Brčko District of BiH
34. BD Finance Directorate
35. Government Secretariat of Brčko District, PAR Coordinator for Brčko District
36. Subdivision for cadaster and books of BD BiH

The Council of Ministers of Bosnia and Herzegovina (at the 12<sup>th</sup> session held on June 25, 2015) tasked the sector co-ordinating institutions to establish and coordinate, in accordance with the constitutional competencies, the work of Sector Working Groups for the preparation of Sector Planning Documents for the purpose of IPA II programming, following the plan and instructions of the Directorate for European Integration (DEI). BiH Public Administration Reform Coordinator's Office, in the capacity of sector co-ordinating institution, coordinated the preparation of the Sector Planning Document for Democracy and governance sector and work of the Sector Working Group for its development.

Direkcija za evropske integracija je 22. maja 2017. godine održala sastanak sa ključnim institucijama u svim sektorima, na kojem su utvrđeni rokovi i dalji koraci u pripremi sektorskih planskih dokumenata. Ured koordinatora za reform javne uprave pozvao je u junu institucije da imenuju predstavnike u Sektorsku radnu grupu, a 3. jula održana je obuka za Sektorsku radnu grupu za sektor Demokracija i upravljanje. The Working Group was informed about the process of the SPDs preparation, modalities of consultations and the methodology applied to the programming of IPA in the multi-annual perspective at the workshop. Obuci su prisustvovali predstavnici 27 institucija, njih ukupno 35.

Sector Working Group comprises key relevant institutions which were factually and actively involved in designing, making and development of Sector Planning Documents. Consultations were carried out in the form of interactive workshop and e-mail consultation. Sector Working Group prepared first part of SPD (sector analysis, SWOT and sector approach assessment) by e-mail consultations. One workshop for Sector Working Group held on 28-29 September 2017. During the workshop Sector Working Group, under the coordination of sector co-ordinating institution, guidance of the Directorate for European Integration, and with the help of external experts focused on intervention logic and prepared proposals for interventions to be supported under IPA II (second part of the SPD). The workshop focused on obtaining inputs and on active participation in the process of defining proposals for interventions in the sector for potential IPA II support in the framework of SPD.

Radionici su prisustvovali učesnici iz 34 institucije svih nivoa vlasti, te predstavnici Delegacije Evropske unije u BiH. Na radionici nisu sudjelovali predstavnici Agency for the Prevention of Corruption and Coordination of the Fight against Corruption, FBiH Central harmonization unit and The Supreme Office for the Republika Srpska Public Sector Auditing.

All meetings were organised so that they precisely followed the set agenda, with prior submission of materials and the latest versions of relevant programming documents that were to be discussed, all with the aim of ensuring that the meetings are as focused as possible on the envisaged results. At the same time, they included elements of training since they served as platform for transfer of knowledge and capacity building of participants for the preparation of SPDs and the programming of IPA II. In the course of entire participative planning and preparation of SPD, and as the result of workshop, comments and contributions of participants in SWG were collected and organised for the preparation and improvement of SPD, upon which they were considered and included in the draft. The drafting of SPD required regular exchange of significant contributions of the parties involved in the process. The nominated members of SWG were also asked to conduct consultations, whenever they deemed it necessary, with other institutions – both horizontally and vertically. The Institutions of FBiH, members of the SWG, were particularly asked to conduct necessary consultations with relevant cantonal institutions, on the SPD draft.

Document had finalised in e-mail consultation all relevant counterparts.

Javne konsultacije o Sektorskom planskom dokumentu organizirane su u periodu 1-30. avgusta 2017. godine putem platforme e-konsultacije. Na konsultacije je dat prvi dio Sektorskog planskog dokumenta, a građanima i nevladinim organizacijama dat je period od 30 dana da dostave komentare na document. U ovom period nije dostavljen niti jedan komentar. Konsultacije su obavljene i o drugom dijelu SPD-a u kojem je sadržana intervencijska logika.

## ANNEX 3

### List of Acronyms

ACIPS	Alumni Association of the Centre for Interdisciplinary Postgraduate Studies
AD	Action Document
AP	Action Plan
AVM	Audio-visual Media Services
BD	Brcko District
BFP	Budget Framework Paper
BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBiH	Central bank of Bosnia and Herzegovina
CHU	Central harmonization unit
CoG	Council of Ministers
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Communications regulatory Agency
CSA	Civil Service Agency
CSO	Civil Service Organisation
DEI	Directorate for European Integration
DEP	Directorate for Economic Planning
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EC DG	European Commission Directorate General
EMCS	Excise Movement and Control System
ERP	Economic Reform Program
ESA	European Systems of National and Regional Accounts
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Federation of Bosnia and Herzegovina Institute for Statistics
FMC	Financial management control
GDP	Gross Domestic Product
GFFBP	Global Framework of Fiscal Balance and Policy
GFS	Government Finance Statistics
HR	Human resource
HRM	Human resource Management

ICT	Information and Communication Technology
IDDEA	Agency for identification documents, registers and data exchange
IMF	International Monetary Fund
ISSAI	International Standards of Supreme Audit institutions
ISTAT	Istituto Centrale di Statistica
ISP	Indicative Strategy Paper
LIDAR	Light Detecting And Ranging
M&E	Monitoring and evaluation
MTBF	Medium-term budgetary framework
NERP	National Economic Reform Program
NIPAC	National IPA Coordinator
NSS	National Statistical System
PA	Public Administration
PAR	Public Administration Reform
PARCO	Public Administration Reform Coordinator's Office
PIFC	Public Internal Financial Control
PFM	Public Financial Management
PPA	Public Procurement Agency
PPP	Public Private Partnership
RAP1	Revised Action Plan 1
RS	Republika Srpska
RSIS	Republika Srpska Institute for Statistics
SAA	Stabilization and Association Agreement
SAI	Supreme Audit institution
SEE	South East Europe
SEED	System for Exchange of Excise Data
SF	Strategic Framework
SIGMA	Support for Improvement in Governance and Management
SPD	Sector Planning Document
SWG	Sector Working Group
TARIK	Integrated Community Tariff
TNA	Training needs analysis
UNFPA	United Nation Population Fund
WB	World Bank