SECTOR PLANNING DOCUMENT

BOSNIA AND HERZEGOVINA

Governance

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PART ONE - SECTOR PROFILE

# 1. SECTOR CONTEXT

## 1.1. Description and problem analysis

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[[1]](#footnote-1). 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 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 this Sector Planning Document, the Governance sector encompasses the activities typically performed by governmental institutions such as civil service management, implementation of the public administration reform strategy, public procurement, financial management and statistics, leaving aside local governance and the functions of the wider public sector (state owned enterprises and service provision, such as health or education).

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 atypical approach to the issue of modernization and the reform of 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 EU is recognized through the fact that PAR has been introduced as one of the preconditions for the candidate countries aspiring for the future EU membership[[2]](#footnote-2); public administrations in the candidate countries must demonstrate 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 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[[3]](#footnote-3) 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[[4]](#footnote-4)) 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 been materialized because of missing approval at all indispensable levels. Up to know, timing and deadlines set by the PAR Strategy and Action Plan proved to be rather unrealistic.

The current momentum, and the expiry of the deadlines of the RAP1, has raised the question of continuation of the PAR in BiH. The PARCO has stated this in its 2013 Progress Report, with the recommendation to the CoM and Entity governments to support the preparation and to accept a new PAR Strategic Framework for 2016 – 2020. A concept for the new approach is currently under consultation and discussion at the operational level, among the representatives of CoM and Entity governments in charge of the PAR coordination[[5]](#footnote-5). In this respect, an evaluation of the previous Strategy and Action Plan hasn’t been carried out and the definition of a set of new quality indicators would be needed.

PARCO is also in charge of the management of the Public Administration Reform Fund[[6]](#footnote-6). It is the first institution of BiH which is entrusted with foreign donor funds to manage. The assets of this Fund will serve as a supplement to available budget resources which would finance PAR. At 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[[7]](#footnote-7).

However, the coordination role that PARCO has it is still 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. In relation to this, it has also to be mentioned that insufficient application of the civil service legal framework, including insufficient follow-up on recommendations of the performance audit recommendations, become an issue worth to be noticed.

The most recent assessment of PAR performed by SIGMA in May 2014 highlights two main priorities that BiH should attain in implementing PAR. These are:

1. to set-up a functioning strategic and management framework of PAR which ensures, through overall political steering and monitoring of performance, a prioritised approach to reforms aligned with available financial and human resources;
2. to put in place a professional civil service, in line with EU principles, through the implementation of adopted civil service legislation and adequate human resources management (HRM) tools, and supported by central management capacities with the authority and resources to ensure coherent standards and common practices at all administrative levels.

Furthermore, in line with 6 key issues from Enlargement Strategy 2014-2015 (Strategic framework of public Administration Reform, Policy development and Co-ordination, Public service and HRM, Accountability, Service delivery and PFM), SIGMA prepared “the Principles of Public Administrations”. These Principles also feature a monitoring framework enabling regular analysis of the progress made in their adoption and setting related country benchmarks. SIGMA started baseline measurement in public administration of BiH based on Principles at the end of 2014.

### Public finance management (PFM)

PFM reform plans are set out in the PAR Strategy and in the RAP1.

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 sub-national levels (cantons in the FBiH and local governments country-wide) so as to enable a coherent public policy design and delivery system

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).

In budget reporting, the fact that the charts of account of the four main government levels are not harmonized hampers access to consolidated data. Within the Entities, consolidation of data is also complex and data are generally not used to inform policy decisions. In the context of budget scrutiny, despite recent improvements, better follow-up on external audit findings and recommendations is missing. Furthermore, the coverage/quality of internal audits by the institutions and of performance audits undertaken by the Supreme Audit Institutions is not comprehensive.

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 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 period 2013-2014 with the timely adoption of the BiH institutions and Entity budgets and the global framework for fiscal policy for the period 2014-2016 and 2015-2017.

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 sustainability of Bosnia and Herzegovina, Federation of Bosnia and Herzegovina, Republika Srpska and Brčko District.

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 the 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 the 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[[8]](#footnote-8). 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[[9]](#footnote-9). Pursuant to the Constitution, fiscal policies and medium-term framework are defined in each Entity, while BiH Fiscal Council has fiscal policies coordination function through the *Global Framework of the Fiscal Balance and Policy*. 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 sub-national level, 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) and Brčko District - are developing internal audit capabilities and have independent Supreme Audit Institution.

*State level* – BiH Institutions 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. 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.

*FBiH* - 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[[10]](#footnote-10). Similar to the State level, FBiH is introducing the new instruments that will enable development of medium-term plans at entity and canton level. Currently, a new PIFC strategy for the period 2015-2018 is being drafted and soon to be adopted to update and substitute the old one. The Law on FMC remains to be adopted by the Parliament, while a specific Rulebook on FMC has been prepared to be enacted as secondary legislation following the adoption of the FMC Law.

*Republika Srpska* - A PIFC Strategy paper 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, but draft FMC Law has not yet been processed for adoption. 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, but are waiting for the FMC Law to be adopted.

*Brčko District* - 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. Decision will have to be taken for a competent body to initiate, develop, steer and implement the planned reforms.

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

1. 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;
2. 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.

### Statistics

The development of the statistical system in BIH is a complex process requiring continued dialogue with 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 *Strategy for Development of Statistics of BiH 2020* is determined by its mission, vision, values, statistical domains and goals. Development planned was assessed based on needs of national and international users of statistical data as well as by responsibilities in terms of statistics deriving from the expected accession to the EU. Development planned by this Strategy is necessary and feasible, and its realisation will depend of the provision of needed human and financial resources and the assistance of international institutions.

Sector overall description has been summarised through the 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.

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 and the
* Mapping of Sector Strategies in Western Balkans and Turkey issued on February 2014 by the DG ELARG.
* EC Overview and Country Assessment of te 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

## 1.2. SWOT analysis

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| ***Human resources*** | ***Human resources*** |
| * capacity building is provided[[11]](#footnote-11)
* PARCO structure and staff is well established and acknowledged among all relevant institutions as being in charge of sector coordinator
* some progress in improving civil service legislation concerning public service and human resources management
 | * generally low standards of professionalism, transparency and accountability
* lack of indicators for performance assessment
* lack of capacities for monitoring and evaluation of strategies, programmes and action plans
* lack of continuous training for information officers/civil servants on implementing the Law on Free Access to Information
* presence of corruption in the entire public sector, principally in the areas of service delivery and access to employment
* no improvement in the recruitment procedures[[12]](#footnote-12)
 |
| ***Institutional Framework*** | ***Institutional Framework*** |
| * a network of PAR Coordinators is established to ensure the functioning of a coordination mechanism
* donor coordination is ensured through the meetings of the PAR Fund Joint Management Board
* there is a PAR monitoring system in place
* there is an institutional set-up for strengthening the integrity of civil servants[[13]](#footnote-13)
 | * the reform process lacks the necessary political support[[14]](#footnote-14)
* lack of planning of costs and sources of financing for implementation of the PAR strategy
* lack of clear definition of responsibilities and accountability across government levels
* lack of a harmonised and modernised legal administrative framework[[15]](#footnote-15)
* the monitoring capacity of PARCO remains weak[[16]](#footnote-16)
* 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[[17]](#footnote-17)
* 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*** | ***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[[18]](#footnote-18)
* 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
* 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 paper was adopted in Republika Srpska and a PIFC Strategy 2014-2017 has been adopted in Brčko District
* 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
* there is a Strategy for the statistics that covers the period until 2020
* 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
 | * the pace of PAR remains slowand limited progress has been made in meeting the requirements of EU integration[[19]](#footnote-19)
* 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 and performance audit
* incomplete submission of Integrity Plans from the concerned institutions
* weak capacity of the civil service for legal harmonisation and implementation of the *acquis[[20]](#footnote-20)*
* weak active transparency policy and implementation of the Law on Free Access to Information
* fragmentation of the legislation regulating the civil service at FBiH and Cantonal level[[21]](#footnote-21)
* lack of policy documents: new strategies for majority of the sub-sectors are still to be developed and adopted
* lack of cost estimated sector strategies
* coordination process for budgeting, strategic planning and MTEF (at both vertical and horizontal levels) is not ensured
* each government administration currently has a different budget calendar and a different way of preparing the budget, accounting and reporting, as well as different chart of accounts
* the budget process lacks democratic legitimacy, lack of and adherence to a fixed budget calendar, unsuitable scope and frequency of debt sustainability analyses[[22]](#footnote-22)
* PIFC strategy in FBiH[[23]](#footnote-23) is outdated and the 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
 |
| ***Infrastructures*** | ***Infrastructures*** |
|  | * lack of adequate ICT infrastructure to support the reform processes and e-government policies
 |
| **Opportunities** | **Threats** |
| ***Human Resources*** | ***Human Resources*** |
| * capitalisation of institutional memory and knowledge: the already trained personal should train the trainers or provide mentoring and coaching
* the country’s administrative structures are well aware and informed about the EU accession process
* this sector is experienced in implementing the AP 1/ RAP1
 | * staff turnover at least in the ICT concerned sectors
* lack of motivation
* political discrepancies between the civil servants
* un-harmonised and no-unified approaches in harmonisation of legislation with the acquis between different levels of government
 |
| ***Institutional Framework*** | ***Institutional Framework*** |
| * the objectives of the PAR Strategy are well identified and the Strategy covers all relevant issues[[24]](#footnote-24), that gives the opportunity for realistic action definition
* the implementation of the strategy is supported by the PAR Fund[[25]](#footnote-25) that gives the opportunity to contribute to actions supported by IPA
* the PAR reform has horizontal character and covers/ refers to a number of sectors
* sector coordination represents a platform for introduction of a mechanism to better link other strategies with PAR
* important steps are taken to improve the sustainability of fiscal policy, particularly with a view to strengthening expenditure control and fiscal discipline
* to set up and make functional an independent audit authority for IPA funds in line with DIS requirements that would exclusively audit IPA funded projects and operations
* in line with the partnership principle, the involvement of civil society could represent a way to achieve better publicity and more transparency
 | * lack of political support[[26]](#footnote-26)
* increase of corruption
* budgetary cutbacks
* 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)
* inadequate public access to complete, reliable, and timely information on procurement
 |
| ***Processes*** | ***Processes***  |
| * 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
* public expenditure and financial accountability assessment is underway and could be used as a starting point for preparing a reform programme
* the PFM reform programme could help to address existing weaknesses in the sector[[27]](#footnote-27)
* further streamlining of the donor coordination processes conducted by various institutions are a good momentum to build a more effective use of assistance[[28]](#footnote-28) and bring additional funds
* further strengthening of the statistics provides the opportunity of using more reliable data
 | * untimely adoption of a new PAR Strategy/framework
* managerial accountability may not be accepted or applied across the administrations[[29]](#footnote-29)
* the use of less competitive procurement methods
* legislature's procedures are not respected[[30]](#footnote-30)
* lack of transparency and objectivity in the horizontal allocation among different governments could undermine public review, correct analysis and policy development
* unblocked draft FMC law inRepublika Srpska
 |
| ***Infrastructures*** | ***Infrastructures*** |
| * political and financial support from the donor community
* development of ICT is an element of the PAR strategy
 | * phasing out of donor assistance
 |

# 2. SECTOR APPROACH ASSESSMENT

## 2.1. Assessment criteria

In short, the Governance sector in BiH can be described as being mature for absorbing assistance through sector approach[[31]](#footnote-31).

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 (but still needing for improvement and updating) *strategic framework* in line with the EU accession requirements. Although the sub-sector policies are endorsed by domestic actors (and also by Civil Society Organisations at 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 doesn’t avoid 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. However, 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. Similarly, *MTEF* is still not in place, although preparatory works leading to the setting up of the MTEF are carried out. However, at the current stage, it is not possible to assess at which extent external assistance contributes to the sub-sectors reforms.

Although there are possibilities to monitor the implementation of reforms, there is not a proper *performance assessment framework* in place. However, the whole sector is periodically monitored by International Organisations and meaningful indicators are available and rather reliable.

There is a *PFM* reform programme in place and implemented at all levels, DG Budget and PEFA assessment clearly identified areas where support ought to be considered.

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

There are several strategic documents and other legal acts that cover the reform priorities in the sector.

The most important are:

* Public Administration Reform Strategy (from 2007)
* Revised Action Plan 1 of the Public Administration Reform Strategy in BiH (2011 – 2014)
* Strategy for the Development of the Public Procurement System (2010 – 2015) – adopted
* Strategy and Action Plan for Anti-corruption (2015 – 2019) - adopted
* Statistics Development Strategy for Bosnia and Herzegovina 2020 - draft
* Strategic Development Plan of the SAIs (Supreme Audit Institutions) – until 2012
* Strategic Framework of the SAIs development (2013 – 2020)[[32]](#footnote-32)
* IDDEEA Strategy for the period 2010-2015 - adopted
* Training and Civil Servants Development Strategy (2013 – 2015) - adopted
* Civil Service Agency Anti-Corruption Action Plan (2012 – 2014) – adopted
* Gender Action Plan (2013 – 2017)
* Proposal of the programme and action plan for improvement and development of accounting and auditing professions in the Republika Srpska (2012 – 2014) – adopted
* Development strategy of the Supreme office for the Republic of Srpska public sector auditing (2014 – 2020)
* Strategy for local governance development in the Republika Srpska for the period 2009 – 2015 – adopted
* Strategy for training of the staff of local authorities in the Republika Srpska for the period 2011 – 2015 – adopted

Following the requirements of the European Commission from 2014, the relevant institutions in BiH have prepared the 2015 National Economic Reform Programme (NERP).

The Programme is an enhanced version of the existing Economic and Fiscal Programme (EFP), submitted by potential candidate countries. NERP envisages measures differentiated per Republika Srpska and FBiH.

The preliminary comments provided by the EC stated that part II of the BiH ERP does not cover sectors on a comprehensive country-wide level, but merely compiles the individual contributions of the two entities. This is in clear contradiction of the Guidelines and makes any assessment of proposed reform and progress in those measures for the country as a whole hardly possible.[[33]](#footnote-33)

For Republika Srpska the NERP includes measures related to efficient public administration and local self-governance, profitable public companies, consolidated health care sector, sound financial sector, efficient judicial sector and quality education. As for fiscal consolidation in Republika Srpska, the NERP includes measures relating to cuts in public spending, improvements in collection of public revenues and more efficient work of control bodies.

Similarly, the NERP for FBiH includes measures aimed at maintaining and improving the macroeconomic stability with enhancing the business environment through strengthen fiscal policy. In relation to public administration, NERP measures for FBiH related to the strengthening of PAR strategic framework, public service and human resource development, policy development and coordination, accountability, service delivery and PFM.

### PAR

The PAR Strategy and its Revised Action Plan 1 2011–2014 (RAP1) are the main strategic documents adopted as a 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

In the past period, the PARCO prepared and presented to the governments the bases of development of a new Action Plan, which aims at improving the administration organisation (micro and macro organisations) at all administration levels involved in the reform process. This document, with supporting information and conclusions deriving from the previous period have been adopted by the Council of Ministers of BiH and the Brčko District, but not yet by the Republika Srpska and the FBiH Governments.

### PFM

The BiH Institutions, the FBIH, Republika Srpska and Brčko District are in different stages of development and implementation of PFM. Some of them have in place legal framework; some have it obsolete, some have pending it for enactment. The results and speed of development of FMC in the country significantly varies in the four levels, too.

In late 2014, EC DG Budget made an assessment of the PIFC monitoring and evaluation in BIH resulting that none of the four levels have an up to date PIFC Policy/Strategy Paper to guide PIFC implementation. In the report, the 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 the overall sound financial management. As a matter of fact, currently there are no processes or procedures aiming to ensure efficiency and effectiveness of public expenditure. Moreover, managerial accountability does not appear to be accepted or applied across the administration: DG Budget sees the lack of managerial accountability throughout budget and the proper functioning of internal audit[[34]](#footnote-34).

Although necessary legislative work is slowly progressing, DG Budget conclusive observation suggests BiH to clearly adopt suitable measures to ensure acceptance of managerial accountability and ensure its proper implementation.

While countrywide, PFM is envisaged by the PAR Strategy 2006-2014, its Action Plan 1 2006-2011 and the RAP1 (2011-2014), PFM related existing acts are listed as per the different levels.

*BiH Institutions*

* Global framework of fiscal balance and policies in Bosnia and Herzegovina 2014-2016 – in force
* National Economic Reform Programme 2015 – in force
* Economic and Fiscal Programme 2014-2016 – in force
* Budget Framework Document of BiH Institutions 2014-2016 – in force
* The strategy for the implementation of PIFC in the institutions of BiH 2009-2014 – in force
* Global framework of fiscal balance and policies 2015-2017 – in preparation
* Budget Framework Document of BiH Institutions 2015-2017 – in preparation
* Business Strategy ITA BiH 2012-2016 – in force
* The program of public investment of BiH institutions 2014-2015 – in force
* The program of public investment of BiH institutions 2015-2016 – in preparation
* Strategic Plan of the CBBH 2011-2017 – in force and CBBH annual work-plans
* The Medium-Term Programme of CoM – in preparation
* The Medium-Term Plans of BiH institutions – in preparation

*FBiH*

* Development Strategy of FBiH – PFM 2010-2020 – in force
* The program of public investment of FBiH 2016-2018 – in preparation
* PIFC Strategy of 2010, draft strategy for 2015-2020

*Republika Srpska*

* The proposal of the Program and Action plan to improve the development of accounting and auditing profession 2012-2014 – in force
* Development strategy of the Supreme office for the Republic of Srpska public sector auditing (2014 – 2020)
* The Strategy of development of local government for the period 2009.-2015 – in force
* 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 – in preparation
* The program of public investment 2016-2018 – in preparation

*Brčko District*

* PIFC Strategy

### Statistics

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.

Eventually the “*Common Platform on the Principles and Implementation of the Strategy on PAR Strategy Action Plan*”[[35]](#footnote-35) defines the management structure, roles and responsibility for the implementation and monitoring of the reform.

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[[36]](#footnote-36), 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. There are PAR Coordinators who ensure the overall coordination including in the State, Entities and District. The main coordination body is on a political level (the Board for Economic Development and European Integration) and then there are sub-coordination bodies on working level, such as the 7 supervisory teams for 6 reform areas. However, this Board is not yet fully operational, therefore a true and effective coordination at the political level is still to be developed.

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[[37]](#footnote-37), 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.

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 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 it is largely filled. 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.

### PFM

Budget execution is regulated by the Law on Treasury of the Institutions of BiH[[38]](#footnote-38). 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. Budget Department in the Ministry of Finance and Treasury is fully responsible for budget preparation, and makes it 15 employees: it is composed of Department for Budget Planning of the BiH institutions.

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 to monitor their implementation. The legal framework for budget 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.

*FBiH -* Budget execution in FBiH is regulated by the respective Law on Treasury[[39]](#footnote-39), in compliance with the Law on Budgets in FBiH[[40]](#footnote-40). 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.

Competent authority for the preparation of the budget is Department for Budget and the 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 Council (cantonal/ municipal councils). Sub-entity budgets are consolidated at the entity level for reporting on budget execution.

*Republika Srpska -* Similarly to the FBiH, Republika Srpska has still no legal basis for program budgeting in place. Budget execution is regulated by the Law on Treasury[[41]](#footnote-41), while the Law on Budgetary System[[42]](#footnote-42) was adopted in 2003.

The Budgetary system consists of the following budget:

* Republika Srpska budget;
* Budgets of municipalities and cities;
* financial plans of extra-budgetary funds (Pension and Disability Insurance, 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.

Budget preparation for 61 municipalities and 2 cities is regulated by the Law on Budgetary System and Regulations on the adoption of the budget at the local level. Budget Framework Document also covers local level and extra-budgetary funds. 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 budget entities.

*Brčko District -* Budget execution is regulated by the Law on Treasury of the Brčko District[[43]](#footnote-43) on the basis of the Law on Budget of Brčko District[[44]](#footnote-44).

Directorate of Finance of the Brčko 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;
* Laws on the annual budget execution, which was adopted at the annual, entity level and Brčko District, as well as at the cantonal level in FBiH.

### Statistics

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 same includes a number of activities that provide 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 the obligation to prepare annual implementation work plans and to report at the end of the year of the progress of the implementation.

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.* Procedures of reporting with regard to the implementation of annual plans are stipulated by the state and entity level laws on statistics.

## 2.1.3. Sector and donor coordination

### PAR

This multi-layered structure of the PAR includes several levels of responsibility and roles, as it is shown in the picture below[[45]](#footnote-45):



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. The operational or strategic level includes the PARCO being the State PAR coordinator, together with the Entity and the District PAR Coordinator. However, as stated already, the Board isn’t operational yet and never assumed its role in concrete terms, hence a real political coordination is missing.

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.

The responsibility for donor coordination in Bosnia and Herzegovina is split between the Directorate of European Integration (DEI) for EU donors, and the Ministry of Finance and Treasury (MoFT) for other donors and IFI. Consultations with donors take place also at lower levels of government. The MoFT regularly organises Donor Coordination Forum meetings and publishes annually donor-mapping reports showing the donors active in Bosnia and Herzegovina and setting out their contribution by sector. However, the specific donor coordination for PAR is ensured 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.

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 JMB. 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.

### PFM

Sector strategies with full costing are not formally developed either for BiH as a whole or for the BiH Institutions. Instead, all four levels of government prepare a rolling three-year Public Investment Programme (PIP).

In addition, the BiH MFT Sector for Coordination of International Economic Assistance prepares a consolidated country PIP but also a PIP for BiH Institutions. All PIP proposals and funded investment projects are captured by the Public Investment Management Information System – PIMIS. That system is maintained by the Sector for Coordination of International Economic Assistance. PIMIS is an information management system for the management of public developmental investments that facilitates all entity and state budget users on line access to planning and monitoring of all projects/programmes that are defined in the Strategic framework and the mid-term and annual plans and contribute to the realization of development objectives. PIP database is designed to match public investment proposals with the Development Strategy for BiH once the strategy is endorsed. The Sector for Coordination of International Economic Assistance also maintains a donor-mapping database covering donor-funded projects in BiH.

Each government level has external donations which do not necessarily have to be contracted/authorized through the BiH Institutions for all government levels (although Ministry of Finance and Treasury does keep some data on grants which go to lower government levels); furthermore, only a small portion of all donations go through government budgets. In addition, among the four central government levels, only BiH Institutions budget includes some small donations in budget plans, while Entity Government budgets essentially do not include any donations. Thus, only a very small portion of total external donations (or nothing at all at the Entity level) is planned in government budgets due in part to lack of predictability.

### Statistics

In the Strategy for development of the statistics of BIH the need to strengthening coordination mechanisms and the exchange of data between the Agency for Statistics of BiH and the Entity Statistical Institutes is recognised.

This need of strengthening of coordination is addressed in the strategy itself. Furthermore, some activities such as: establish 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 ate proposed. These set of activities should also contribute to strengtheningthe role of the Statistical Council of BiH.

## 2.1.4. Mid-term budgetary perspectives

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.

### PAR

The PAR strategy is not budgeted; its funding mostly depends on the PAR fund, which Denmark, Sweden and Norway significantly sustain with donations.

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 smaller amount. Investment in PAR comes mainly from donors in the form of technical assistance projects, while 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.

By all means, allocations from BiH Institutions/entities/district budget are connected to the PAR Fund (all the governments are obliged to contribute to the PAR Fund by signing of the Annex III to the Memorandum of Understanding for the establishment of the PAR Fund). It was initially agreed that contribution should have been 0.01% of the respective annual budget. However, until now, contributions were below such threshold[[46]](#footnote-46).

In relation to IPA allocations to the sector[[47]](#footnote-47), approx. 11,23mln Euros were committed from 2007–2010, 8mln Euros approved under IPA 2011 assistance and further 3,5mln under IPA 2012.

### PFM

The Fiscal Council of BiH and the Global Framework of Fiscal Balance and Policies in BiH are supposed to provide the main parameters (macro-fiscal projections, fiscal targets, revenue sharing, and overall fiscal and debt strategy) for preparing the MTEFs (which each of the four main government levels prepares annually).

Budget planning procedures and calendars are broadly similar at all four levels: MTEFs are prepared each year and adopted in early summer, serving as a pre-draft of annual budgets, which are prepared in the fall and adopted by the parliaments by year-end. At all levels, budgets include economic and organisational classifications, while budget requests also include program formats. Only at the State level is program budgeting information, including program performance measures, a part of the budget documentation that accompanies the annual budget law in the adoption procedure (as prescribed by the Law on Financing of BiH Institutions). BiH Institutions, FBiH, Republika Srpska and Brčko District each adopts its own annual budget, and so do lower government levels—cantons, local self-governance units, and EBFs—separately.

Multiyear fiscal forecasts are produced as part of the process leading to the preparation of the MTEF, including forward estimates of expenditure for each budget user (i.e., estimates for the forthcoming budget year and the two following fiscal years). Once approved by the CoM, the budget year estimates establish the budget users’ budget ceilings for the forthcoming budget year. These forward estimates are used to anchor the preparation of the following year’s budget ceilings. No comprehensive debt sustainability analysis has been undertaken by the Government.

### Statistics

In order to provide for the implementation of the Strategy for Development of Statistics of BiH 2020, it is still necessary to create 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 other producers of official statistics at the state and entity level.

## 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[[48]](#footnote-48).

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 bi-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[[49]](#footnote-49). 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 a certain elements of evaluation, but the full evaluation has not been achieved, which is the subjects of criticism coming from different studies and analyses also made by the 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. On top of that, the exclusion of the 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[[50]](#footnote-50). 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.

## 2.1.6. Public finance management

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 PFMs 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. More precisely, in budget reporting, the fact that the charts of account of the four main government levels are not harmonized hampers access to consolidated data.

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 term 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.

As a reason to explain this situation, the DG Budget Report identifies the general lack of political will for establishing the necessary PIFC systems. 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, but not to procurement plans and decisions on complaints. 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.

## 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 program. 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 2013 it reached 46.2% of GDP, according to national data. This is mainly due to an increase in foreign loans, which reached 28.2% of GDP at the end of 2013, but with a favourable average interest rate of 1.44%. At the same time, in 2013 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. In addition, the 2014 spring floods added pressure on public finances.

## 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 the 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 achieving the necessary political support. So far, there hasn’t been significant progress with regard to policy development and coordination and a more adequate planning of actual costs and sources of financing for implementation of the current PAR Strategy is required. The pace of public administration reform, in particular at Cantonal level, remains slow and shows weaknesses in various areas, including policy development, budget processes, human resources management, transparency and vertical coordination.[[51]](#footnote-51)

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

In addition, the role of the Directorate for European Integration to guide the EU integration process and the transposition of the *acquis* at different levels of government has been further weakened due to disagreements within the CoM on the EU coordination mechanism[[52]](#footnote-52).

Moreover, there are quite a number of strategies, policy documents and other acts overarching PAR in BiH, but most of the strategies are either expired of in draft version or pending for adoption.

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; in addition, the reform process lacks the necessary political support and no formal political discussion has yet taken place on the PAR beyond 2014, after the expiry of the current Strategy and Action Plan. However, at the moment of writing, PARCO and PAR coordinators of FBiH, Republika Srpska and Brčko District agreed on further steps in reform process. In this line, information for all the governments has been prepared and will be sent to the Council of Ministers, entity and District governments for adoption.

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[[53]](#footnote-53), as well as corruption on all levels of administration[[54]](#footnote-54), are also mentioned in the 2014 EC Progress Report.

PAR strategy 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

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 comprehensive PFM reform programme is also evident together with weak expenditure control and fiscal discipline[[55]](#footnote-55).

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 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:

* signing of a 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 National Economic Reform Programme (NERP)

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

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 2015-2020. Functional analysis of the multilevel institutions that shall also take into account the duplication of competences has to be undertaken and 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 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 the political criteria for EU accession, which require effective functioning of democratic institutions. Civil service legislation is an example, where 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 country’s membership of the EU. So the attention is currently dedicated to fulfilment of obligations which arise from the Stabilisation and Association Agreement[[56]](#footnote-56), which BiH signed with the EU on June 16, 2008, as well as to fulfilment of other preconditions which stem from the previous European Partnership/EP for BH (PAR was identified as one of the key priorities). Progress in fulfilment of the EP priorities was monitored through the Reform Process Monitoring (RPM), which represented a central channel for political, economic and technical dialogue between the EU and BiH. During the period of the implementation of Action plan for EP, the process coordinated by Directorate for European Integration BiH, priorities in this plan were synchronized with PAR priorities and midterm goals derived from PAR Strategy and AP 1. The importance of the PAR process was recognized and the interlink was made in different strategic development documents of BiH, such as National Mid-Term Development Strategy of BiH (2004-2007) and BiH EU accession strategy, that existed at the time of PAR Strategy preparation.

## 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:

“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“.

## Progress Report 2014 - Democracy and the rule of law

The Progress Report for BIH 2014 reminds that:

“There has been no progress with regard to policy development and coordination. Adequate planning of actual costs and sources of financing for implementation of the current PAR strategy is required.”

Also, it notices that:

“The country’s administrative structures need to be strengthened substantially to be able to respond effectively to the requirements of the EU accession process. As regards accountability and service delivery, the lack of a harmonised and modernised legal administrative framework negatively affects the quality of public services delivery at all administrative levels”.

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

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 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.

## European partnership

The European partnership indicates mid-term and long-term priorities related to the PAR.

A the short term, the key issue is to

Implement the 2006 strategy for public administration reform and ensure that State-level ministries and institutions are adequately financed, operational and properly equipped, especially in terms of premises and staff

More specifically, this has to be achieved through the following actions:

Provide the Public Administration Coordinator's Office with the human and material resources necessary to carry out its work.

Further improve recruitment procedures based on objective and merit-based criteria, ensuring transparency and prompt appointment of sufficiently qualified civil servants.

Harmonise the civil service laws in order to build an accountable, efficient civil service, based on professional career development criteria.

Complete the merger of the State and Entity ombudsmen and ensure that the State-level office has the resources necessary to function properly

In the midterm range, European partnership priority for PAR is to:

Implement the public administration reform and ensure its sustainability. Increase the capacity for progressive legal harmonisation and implementation of the acquis.

European partnership identifies the key short-term priority of implementation of the Strategy for PFM in BiH as being an economic criterion:

Strengthening macro-economic stability by ensuring fiscal stability and the use of instruments of prudent policy in order to preserve financial stability in the light of the rapid development of financial intermediation. Medium-term priorities, inter alia, include increasing the capacity for progressive harmonization of legislation and implementation of the acquis" and "improving the quality of public finances by reducing public expenditure relative to GDP, restructuring costs in relation to the categories that contribute to the development and strengthening of capacity for planning economic policy.

## South East Europe 2020[[57]](#footnote-57)

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.
* **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.
* **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.

The headline target of the Governance for Growth pillar is to improve the average score of the region’s countries on the World Bank Worldwide Governance Indicators (WGI) from 2.33 to 2.9. These indicators are based on six dimensions of governance, not all of which are covered by the SEE 2020 Strategy. The target represents a robust quantitative indicator for the Governance for Growth pillar and hence, while its limitations are recognised, it has been considered a reasonable way of quantifying overall progress in this area.

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.

There are three main dimensions to good governance considered by the Strategy: *Effective Governance* (including local governments), *Anti-corruption* and *Justice*.

Key Strategy actions in *Effective Public Services* (Dimension N) are:

* Rely on e-governance at the local, national and regional levels to ensure efficiency and an absence of bias (modernisation)
* Introduce a procedure for continuous improvement of the competence of public officials (professionalisation)
* Improve the quality of public services
* Upgrade policy and regulatory capacities
* Review the relations between various levels of government to ensure full respect of the principle of subsidiarity

Key Strategy actions in *Anticorruption* (Dimension O) are:

* Introduce simple, clear, enduring and transparent rules of access to public services
* Increase public awareness through regular reports and by supporting independent agencies
* Rely on competitive procedures and avoid direct deals, especially in public procurement
* Introduce regular evaluations of all government programmes and projects and independent auditing
* Build capacity of law enforcement agencies and judiciary and improve their regional cooperation and data exchange (including mutual legal assistance in corruption cases)

Key Strategy actions in *Justice* (Dimension P) are:

* Introduce a comprehensive and enduring system of education and increased competence in the judiciary
* Introduce forms of judicial cooperation covering free access to information, cross-border enforcement and cross-border proceedings in bankruptcy and takeover and mergers
* Introduce regulation that supports alternative dispute resolution and their complementarity with the judicial system

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

In May 2015, the Representatives of the EU Member States, the Western Balkans and Turkey, the Commission and the European Central Bank, as well as representatives of the central banks of the Western Balkans and Turkey met for the annual economic policy dialogue and welcomed the submission of the 2015 Economic Reform Programmes (ERPs) of the Western Balkans and Turkey. For the Western Balkans, these programmes consist of two distinct parts:

* *Part I* outlines the medium-term macroeconomic and fiscal framework as well as concrete macro-structural reforms to support the policy framework and are thus an enhanced version of the previous Pre-Accession Economic Programmes submitted by candidate countries.
* *Part II*, covers structural reforms of a sectorial nature (such as transport, energy, education, etc.) to enhance competitiveness and long-term growth. The programmes cover the period from 2015-2017.

Bosnia and Herzegovina submitted its 2015 Economic Reform Programme, covering the period 2015-2017, on 13 February 2015.

In light of the Commission assessment, Participants consider that

ensuring fiscal sustainability and increasing growth-enhancing capital spending remain major challenges. (…) The timely implementation of much-needed, growth-supporting structural reforms would require strong political support.

As regards statistics, Ministers underline the importance of reliable and up-to-date data and therefore welcome the 2015 Progress Report on the Action Plan on Economic, Monetary and Financial Statistics in the Western Balkans and Turkey.

PART TWO – SECTOR SUPPORT

# 4. FINANCIAL ASSISTANCE CONTEXT

## 4.1 Relevance with the IPA II Indicative Strategy Paper

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 –formerly known as Country Strategy Paper (CSP)[[58]](#footnote-58) - for IPA II Planning, the EU has given the significant role to the PAR, identifying as one of the sectors under support in the period 2014-2017, in the area of Governance. The document, which has been adopted by the end of 2014, states that the support within the IPA II package 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.

In the Indicative strategy paper for BIH, 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 are key factors for the accession process. Furthermore it is stated that

“A new, comprehensive PAR strategy is needed, covering also the functioning of EU integration structures within the various levels of government to strengthen the administrative capacity of the country in dealing with EU matters and responsibilities.”

Also 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 EC and BiH started in 2011 the High Level Dialogue on the Accession Process.

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

* The public administration has improved capacities to ensure a more efficient, effective and accountable delivery of services to citizens and businesses, including sound administrative procedures and e-government services.
* The capacity of the country (public administration, civil society, statistical system) to be actively involved in, hence to benefit from the implementation of macro-regional strategies, will improve.

In the aspect of PFM the expected results are:

* Improved capacities for PFM, including more efficient revenue administration and collection, budget preparation and execution, public debt management, public procurement, public internal financial control and external audit.
* Systematic follow-ups to external audits prepared by independent audit institutions.

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 by focusing and targeting PARCO. Assistance was provided through:

* Support to the Public Administration Reform Coordination Office (PARCO) (2005 – 2007)
* Capacity building of the Office of the Coordinator for Public Administration Reform (PARCO) (2011)

The aim of this assistance is to ensure that PARCO is fully regarded by all parties as an independent institution responsible and competent for PAR issues in BiH.

Although, there are concerns over the status and future sustainability of the PARCO, the common understanding and agreement by various stakeholders is to further strengthen the Office in institutional, legal, authority and financial terms.

The EC has supported the development of the PFM related strategies through:

* Strengthening the National Planning Process in BiH (2013 - 2015) - Twinning
* Strengthening Public Financial Management in BiH (2012 - 2015).
* Support to the introduction of Public Internal Financial Control (PIFC) in BiH (2010 - 2012)

A Result-oriented Monitoring (ROM) mission applied to 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.

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

# 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

The overall sector assessment, extensively developed in the first Section of this document and summarised in a SWOT matrix, indicates that it is indeed necessary to establish a system for better management and implementation of the PAR in the period 2015-2020 and alongside this process, PFM and statistics needs to be supported in order to provide better accountability and good governance in public finance.

Consequently, the **overall objective** of the IPA II assistance to the whole sector is wholly coincident with the one stated in the Indicative Strategy Paper, such as to focus IPA II assistance on

the implementation of principles of good governance and on improving the public sector management, in particular to strengthen economic governance, public financial management, public service delivery and administration reform, as well as on the fight against corruption and in strengthening of the statistical system.

More specifically, in order to achieve a sound basis for socio-economic and structural reforms, SPD will pursue the following **specific objective** of improving the capacities of public administration in terms of:

* *efficiency* (improvement in the delivery of the services to citizens),
* *effectiveness* (consistent institutional and regulatory framework) and
* *accountability* (transparency in the administration of public services and resources).

The specific objective gains its measurability on the basis of the fact that the implementation of both PAR and PFM have a consolidated framework that, either directly (form the side of the respective managers) or indirectly (via periodic assessments and reports) have set precise targets by 2020. It must be taken in mind that the achievability of these targets is still questionable, at least within the time frame set in the plans. 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.

As extensively treated in the previous Section of this Sector Planning Document, the IPA assistance to Governance sector for BiH will have two main **priority areas**, such as:

* the ***Reform of Public Administration*** (PAR)[[59]](#footnote-59),
* the ***Management of Public Finance*** (PFM).

This specific objective is cross cutting the two priority areas, where improved capacities for PAR and PFM will be supplemented with systematic external independent audits, reliable statistics, relevant legislation preventing, detecting and repressing corruption and structured partnership with civil society.

SPD is focusing on PAR, PFM and (at a minor extent) Statistics. Although there is a need for expanding IPA assistance on the immediate needs encompassed by the overall public reform (such as: HR management, modernisation of public administration, ICT in public administration, etc.) the strategic approach is to optimise available resources and concentrate on few meaningful actions, leading the way to ancillary contributions, complementarity with other Donors funded operations and further spill-over effects.

## 5.1.1 Priority Area PAR

In the priority area of Public Administration Reform, the use of IPA assistance will mainly be addressed to strengthen the coordinating institutions, namely PARCO in setting up the institutional framework to implement and manage the whole reform. This priority also includes IPA support envisaged to the development and strengthening of Statistics, as a substantial component of the public administration reform. Additionally, IPA support will foster the capacities of data and information treatment to further enhance the introduction of e-Government system.

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

* ***ACTION 1.1*** - Support to Public Administration and Statistics
Proposed for IPA Action Programme 2015
* ***ACTION 1.2*** - Strengthening of capacities and Information System of IDDEEA
Proposed for IPA Action Programme 2016
* ***ACTION 1.3*** - Further support to implementation of PAR Strategic Framework including service delivery
Proposed for IPA Action Programme 2017

The **Action 1.1** will support the Public Administration Reform Coordinator’s Office (PARCO) and other relevant institutions (such as the Institutes of Statistics operating in BiH) in setting up the institutional framework and in managing the Public Administration Reform Strategic Framework 2016-2020 (PAR SF).

As a continuation of IPA support to PAR, **Action 1.3** will focus on the more efficient delivery of public services so to eventually provide concrete evidences on the improvement of public administration in BiH, including further support to Statistics. Possibly, this support will be released via the signature of a Sector Reform Contract (sector budget support), provided that the necessary conditions are in place.

Overall, the two Actions will enhance the capacities of the beneficiaries in managing and implementing the reform of the public administration. Although the assistance will be concentrated to PARCO (and -to a more limited extent- to the Institutes of Statistics), the entire public administration of BiH will benefit from the implementation of PAR SF 2016-2020.

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.

In this line, **Action 1.2** envisages the strengthening of information system (care of the Agency for Identification Documents, Registers and Data Exchange - IDDEEA) to provide services electronically through implementation of E-Services (G2G, G2B and G2C) that are compatible with current and planned information systems of IDDEEA. By the improvement of capacities and upgrade of IDDEEA information systems (IS), efficiency of public administration on all state levels is strengthened consistently with the principles of PAR strategy in terms of modernisation and E-Government. Extension in the use of E-Services for personal documents by source authorities in BiH will increase availability of E-Government services for citizens and business community. In this line, support to electoral system of BiH will be improved by enhancement of functionality of applications and electronic registers for the needs of the Central Election Commission.

An important additional value of the Action consists in the reduction of corruption and frauds, as automated and centralized controls minimise the human factors in the process of electronic data collection. This will foster confidence of citizens and businesses on the impartial and correct use of information. As a matter of fact, the provision of better services to citizens and businesses via the adoption of E-Government tools and systems (with a view to the open data oriented government) enables all citizens, enterprises and organisations to carry out their business with government transparently, safely, more easily, more quickly and at lower cost.

### The following summary tables highlight the main information on the Actions’ results and implementation arrangements as far as the first priority (PAR) is concerned.

**IPA Action Programme 2015**

|  |  |
| --- | --- |
| *Action title* | **ACTION 1.1. - Support to Public Administration and Statistics** |
| *Specific objective* | The Action will support setting up the institutional framework and organizational structure to manage the implementation of PAR strategic framework based on flexible model of support, including designing of an operational framework for its implementation, ensuring a preconditions for the budget support and implement the solutions |
| *Expected results* | 1. Institutional framework, management and organizational structure to implement the PAR Strategic Framework set up and improved
2. Developed and strengthened capacity to manage, coordinate and monitor the implementation of the PAR Strategic Framework
3. Strengthened coordination of Statistical Institutes and alignment with EU standards in data collection and exchange with focuses on national account, business statistics and agriculture census
 |
| *Indicative foreseen activities to fulfil the results* | The assistance required is largely addressed to the strengthening of institutional capacities.Hence, the activities will consist in the provision of technical assistance and consultancy. |
| The activities to achieve Result 1 (**Activity 1**) will be:* develop organisational structures, systems and processes of coordination required for implementation of the PAR Strategic Framework
* support transformation and change within the management, coordination, supervising and implementing PAR structure
* monitoring and revision of documents relevant for implementation of the PAR strategic framework as well as piloting the approach to its implementation
* securing the preconditions for the budget support
 |
| The activities to achieve Result 2 (**Activity 1**) will consist in:* performingTNA/CNA to strengthen capacities of the PAR and implementing a consistent capacity building programme
* analysing the requirements and preparing specifications of instruments and IT support modalities for managing the PAR Strategic Framework
* designing and delivering visibility activities for the promotion of the PAR Strategic Framework
 |
| Assistance to Statistics will relate to Result 3 (**Activity 2**) and will be provided through:* support on development of National accounts with a specific focus on regional accounts,
* support on development of business statistics with specific focus on
	+ further development of Statistics business registry;
	+ STS – Service statistics CPPI;
	+ structured business statistics – usage of administrative sources for Annex I to IV of the new regulation,
* support on balance of payments and international investment position statistics for harmonization with EU statistical requirements and practices (needed BoP components and geographical distribution).
 |
| *Implementation arrangements* | Within a single service contract, a PAR facility will be deployed and exhausted in accordance with specific and ad hoc needs of the beneficiary institution(s) in a way to develop a system of programming assistance in accordance with the sector approach that will ensure a more efficient and more operational model for the PAR funding.The facility will be implemented by means of different typologies of activities (researches, supply, designing of technical specifications, studies and analyses, etc.) that will be considered more suitable and decided in relation to the concerned target and the specific activity, including the provision of support in securing the preconditions for Sector Reform Contracts (sector budget support).Assistance to Statistics will be delivered by means of a Twinning that ideally provides continuity to the assistance previously provided through the same instrument. |
| *Justification for the choice of implementation arrangements* | Given the wide range of possible needs required to implement and manage the PAR strategic framework, a flexible model of support to the implementation of PAR strategy can allow provision of ad-hoc assistance so to suitably and better respond to the specific needs in a given stage of advancement. Such implementing arrangement is at the level of expectations in terms of adaptability and quick response to the situation in progress.Twinning is the most suitable (and preferred) modality to follow-up previous assistance provided to Statistics (Twinning funded by IPA 2012 National Programme). |

**IPA Action Programme 2016**

|  |  |
| --- | --- |
| *Action title* | **ACTION 1.2 - Strengthening of capacities and Information System of IDDEEA** |
| *Specific objective* | The Action aims at making government more accountable, transparent and effective and to improve content and delivery of e-services to citizens and businesses in line with the EU integration requirements |
| *Expected results* | 1. Strengthening of IDDEEA through increased IT utilization in public administration in accordance with EU Directives and Standards for security features[[60]](#footnote-60)
2. Improve the effectiveness of IDDEEA, through providing the possibility to review and collect information and enable appropriate usage of e-services
 |
| *Indicative foreseen activities to fulfil the results* | The Result 1 (**Activity 1**) will be achieved by:* providing continual support to IDDEEA in strengthening capacity and security of information systems in line with EU standards and best practices, namely by
	+ delivering e-services required for providing statistical data from the registers of IDDEEA (Open Data Project)
	+ supporting the electoral system by developing suitable applications to connect polling stations
	+ enhancing current e-Services for personal documents
	+ assessing, analysing and implementing solutions for improvement of the IDDEEA information systems through implementation of E-Services G2G,G2B and G2C provided to all competent authorities
 |
| The Result 2 (**Activity 2**) will be achieved by:* supporting competent authorities in adjusting their systems and procedures with the IDDEEA, in order to provide services electronically
* introducing secure room for placement of IDDEEA IT service racks and communication nodes
* supply locations for issuing personal documents with “E-Service kiosks” for the purpose of providing e-services to citizens
* consolidation and further development of IDDEEA IT systems and SDH [[61]](#footnote-61)network
 |
| *Implementation arrangements* | The activities related to Result 1 will be implemented by means of one service contract aimed at providing know-how on the better use of data.The activities related to Result 2 will be implemented by means of a supply contract |
| *Justification for the choice of implementation arrangements* | The service contract is the suitable vehicle for the required technical assistance as it ensures versatility of services and dynamism in delivery.The supply contract will also have to provide installation and maintenance  |

**IPA Action Programme 2017**

|  |  |
| --- | --- |
| *Action title* | **ACTION 1.3 - Further support to implementation of PAR Strategic Framework including service delivery** |
| *Specific objective* | The Action will support fine tuning and completion of the institutional framework and organizational structure to manage the implementation of PAR strategic framework (including further support to statistics, if needed), possibly based on the management of a Sector Reform Contract (sector budget support) - SRC |
| *Expected results* | 1. Institutional framework, management and organizational structure to implement the PAR Strategic Framework functional and fully operational
 |
| *Indicative foreseen activities to fulfil the results* | The Action will* support the organisational structures in place as well as the systems and processes of coordination required for implementation of the PAR Strategic Framework
* support sound management, coordination, supervision, monitoring and implementation of the PAR
* possible updating of statistic system and improving macroeconomic statistics produced by statistical institutes and the Central Bank (if relevant to the specific framework of the SRC as it will be negotiated with the EC)
 |
| *Implementation arrangements* | The proposed implementation arrangement consists in one Sector Reform Contract (sector budget support) including services required for its monitoring and assessment of those performance indicators taken as conditionality for releasing the envisaged tranches |
| *Justification for the choice of implementation arrangements* | The importance and complexity of the sector reform justifies the provision of assistance through a Sector Reform Contract provided that the preconditions will be in place.Being its continuation, it is implicit that there is a direct connection with the outcomes of Action 1, and the possibility to pave the way to SRC within the framework of its implementation. |

## 5.1.2 Priority Area PFM

The use of IPA assistance for the priority area related to the Public Finance Management will focus on ensuring the continuation of the ongoing reform and will be based on the previous assistance provided by the EC in this field.

With the aim to foster accountability and good governance in public finance and support enhancing financial management and control in day-to-day operations at all levels, IPA assistance will contribute to concluding the reform of the Public Financial Management and further supporting 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 two Actions:

* ***ACTION 2.1*** – Improvement of Public Finance Management
Proposed for IPA Action Programme 2015
* ***ACTION 2.2*** – Further support to Public Finance Management
Proposed for IPA Action Programme 2016

In order to comply with internationally recognised principles and standards, **Action 2.1** will take on board further enhancement, update and harmonisation of the legal framework (primary and secondary legislation) as well as policies and PIFC strategies down to the level of cantons and local governments. Moreover, Central Harmonisation Units and Coordination Board have to become more aware and operational and therefore their capacities have to be strengthened both via the preparation of manuals and procedures as well as through meaningful pilot actions.

The process of fine-tuning and making PFM operational in a complex structure such as the one of BiH, where the number of public organisations across different government levels (central, cantonal, municipal, public enterprises, and extra-budgetary funds) is considerably high, requires that the process is constantly accompanied and supported. In this framework, **Action 2.2** will provide support to specific items of the overall process alongside the implementation of PFM with a focus on modernisation and decentralisation. More precisely, IPA support will be destined to issues related to the introduction of strategic planning in the programme based budgeting and in the improvement of various pivotal systems such as: public procurement, national accounts (State, Entities and Municipalities) and taxation.

### The following summary tables highlight the main information on the Actions’ results and implementation arrangements as far as the second priority (PFM) is concerned.

**IPA Action Programme 2015**

|  |  |
| --- | --- |
| *Action title* | **ACTION 2.1 Improvement of Public Financial Management** |
| *Specific objective* | The Action provides support to major accountability and good governance in public finance through the enhancement of financial management and control in day-to-day operations at all levels of administration |
| *Expected results* | 1. Legal framework, internal control standards, manuals and written procedures for development of internal control tools and measures further enhanced in line with EU standards and practices (including implementation and monitoring)
2. Central Harmonisation Units (CHU) and Coordination Board fully operational, awareness on financial management controls optimised and external quality control of IA developed
3. Capacities to implement the FMC and PIFC enhanced all over the BiH structure
4. The process of reporting and the preparation of the Annual consolidated report on IA and in the sphere of FMC updated and improved
 |
| *Indicative foreseen activities to fulfil the results* | Activities to achieve Result 1 will:* upgrade the legal framework and policies
* enhance and monitor the implementation of legal framework and policies
 |
| The Result 2 will be achieved by means of:* capacity building of the CHUs and Coordination Body
* awareness raising activities
 |
| Activities to achieve Result 3 will:* develop and deliver trainings on FMC and IA
* perform pilot audits
* develop Need Assessment for IT solutions in the area of FMC and IA
 |
| Activities to implement Result 4 are:* Design IT solutions for updating and improving the process of reporting and the preparation of the Annual consolidated report on IA and in the sphere of FMC
* Implementation of the proposed IT solutions
 |
| *Implementation arrangements* | The Action will be implemented by means of one service contract for the provision of advice, consulting and training on the development of the activities envisaged |
| *Justification for the choice of implementation arrangements* | The service contract is at the moment preferable to the Twinning instrument because the current stage of implementation of the PFM is still based on standardised procedures for which no specific Member State experience provides added value. A service contract might be better suited towards delivery and can be a more flexible way to achieve the expected results. |

**IPA Action Programme 2016**

|  |  |
| --- | --- |
| *Action title* | **ACTION 2.2 - Further support to Public Financial Management** |
| *Specific objective* | Alongside the fine tuning of PFM (harmonisation of legislations and financial control), the Action aims at developing additional activities conducive to a sound administration of public financial resources at all levels of administration (strategic planning, modernisation and decentralisation) in coordination with Ministries of Finance |
| *Expected results* | 1. Strengthened capacities and improving mechanisms and practices in PFM
2. Enhanced adoption of and connections between strategic planning and programme based budgeting
3. Modernised and decentralised system for public finance
4. Further enhancement of the system for indirect taxation in BiH
 |
| *Indicative foreseen activities to fulfil the results* | Activities to implement Result 1 (**Activity 1**) are:* application and harmonisation with international accounting standards for the public sector
* capacity building in public finance (procedures and training courses on planning, control, budget etc.)
* improvement of public procurement system (electronic public procurement system)
 |
| Result 2 (**Activity 2**) will be implemented by means of:* improvement of the budget system, including program budgeting at all levels of government till municipalities
* programme budgeting: introduction of extra-budgetary funds into the budget preparation in 10 steps and inclusion in treasury system
 |
| Activities to implement Result 3 (**Activity 1**) will consist of:* modernisation and decentralisation of treasury information system to the level of municipalities
* modernisation (design of IT system) of tax institutions operations, enhancement of business processes, enhancement of service quality towards legal, private persons and citizens and improvement of institutional cooperation

Result 4 (**Activity 3**) is going to envisage the following:* Harmonization and implementation of relevant legislative framework, practices and procedures in line with EU standards
* Building of capacities for the implementation of relevant legislation
* Further development of specific IT applications
 |
| *Implementation arrangements* | The Action will be implemented through four contracts:1. one service contract that should implement Activities related to Results 1 and 3
2. one twinning light that should implement Activities related to Result 2
3. one Twinning covering the activities to implement Result 4
 |
| *Justification for the choice of implementation arrangements* | The proposed combination service and supply contract responds to the requirements of the respective results in terms of dynamism (quick-response) and flexibility (adaptability to the changing circumstances). When it comes to provide assistance on the improvement of strategic planning in programme based budgeting as well as in enhancing the system for indirect taxation, the inputs provided by Twinned Administrations from EU Member State might better respond to the needs of the beneficiary in acquiring already tested best practices. |

## 5.2 Indicator table

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **Description** | **Baseline2010** (2) | **Last available 2013** (3) | **Milestone 2017**(4) | **Target2020**(5) | **Source of information** |
| *CSP indicator (impact/outcome)….(1)* |  |  |  |  |  |  |
| Governance and PAR  | Progress made in reaching the political criteria |  |  |  |  | EC |
| Composite indicator |  | 64 | 77 |  | WB |
| *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.*  |
| Number of introduced e-Services increased number of citizens using e-services | Progress in achieving more efficient, effective and accountable delivery of services to citizens and business community | 0 e services developed to citizens and business community(2010) | 3 e services developed to citizens and business community(2014) | + 66%(comparing to 2014) | + 200%(comparing to 2014) | EU Progress report for BiH  |
| implementation e-Service nPIS started(2010) | 2 e-Services by FTA (nPIS and EJS)Number of users (10.238) | +20%(comparing to 2014) | +40%(comparing to 2014) | FTA Register for external users |
| New methodologies drafted and adoptedData transmission to Eurostat and ECB | Statistical compliance |  |  |  |  | Eurostat |
| Percentage of negative audit reports on a yearly basis | Increasing the collection of budget tax revenues in order to reduce outstanding tax liabilities |  |  | For the period (2015-2017) to 30% increase | For the period (2017-2020) to 50% increase |  |
| Increase of public tax revenues (indirect and direct) | Revenue collected by ITA (Indirect Taxation Authority)-Value Added Tax, excise duty, import/export duties, payroll | 4.802,9 million bam (2010) | 5.069 million bam (2014) | + 9%(comparing to 2014) | No foreseen growth rate | Macroeconomic Analysis Unit, GB of ITA |
| Total collection of public revenues, direct taxes and contributions by FTA | 3.851.656.965 BAM(2010) | 3.795.241.319 BAM(2014) | + 5%(comparing to 2014) | + 10%(comparing to 2014) | FTA annual reports |
| Increased number of electronic applications, the number of successful applications processed, less resources required for execution, lower cost | Improving the quality of tax administration services through an increased usage of e services in FTA, ITA and other tax administrations | 0% of taxpayers (2010) | 0,5% of taxpayers (2014) | 40% of taxpayers |  | Annual reports of ITA BiH Progress report |
| 565.676 by FTA nPIS external usersFTA did not have EJS in 2010 | 605.334 by FTA nPIS external users17.644 by FTA EJS external users | + 5% (comparing to 2014) | + 10% (comparing to 2014) | FTA IT System |
| Increase tax compliance with the reduced number of misdemeanours | Percentage of reduction of negative reports on the total of audited public administrations and institutions |  |  | For the period (2015-2017) 5% reduction | For the period (2017-2020) 2% reduction |  |
| Establishment of partner relations between FTA and taxpayers through modernization of business processes contributes to increase in tax compliance and reduction of minor offence warrants | 4785 minor offence warrants by FTA (2010) | 3703 minor offence warrants by FTA (2014) | - 10% (comparing to 2014) | - 20% (comparing to 2014) | FTA annual reports |
| Progress made towards implementation of SIGMA two key requirements of “Strategic Framework of PAR” layer  | Progress in achieving those two key requirements measured by 3 qualitative indicators by SIGMA methodology (scale 1 to 5) | 3,33(2014) | 3,33(2014) | 4,00 | 5,00 | SIGMA reports on “The Principles of Public Administration”  |
| Decrease of corruption reports | Progress in combating corruption in regard to diminished number of received submissions containing indications of a corruptive conduct | 116 received submissions (2013) | 75 received submissions (2014) | Expected diminished number of received submissions that containing indication of corruptive conduct | Expected diminished number of received submissions that containing indication of corruptive conduct | Annual report of APIK |

(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

*Assumptions*

The assumptions related with proposed objectives and results are generally associated with the national policy level and include continued political support to reforms in the sector and the commitment of the Government to their fulfilment in line with the EU integration process. On the level of the actions and related activities proposed in this Sector Planning Document, the assumptions are linked with the commitment and smooth coordination among all the sector institutions and objective assessment of their capacities for the implementation of planned interventions.

*Preconditions*

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** | **LOW RISK** | **MEDIUM RISK** | **HIGH RISK** |
| Lack of political will to implement PAR and related reforms  |  | **√** |  |
| Delay of relevant institutions in the timely implementation of activities |  |  | **√** |
| Failure to adopt certain laws and bylaws |  | **√** |  |
| Late determination of annual budget |  |  | **√** |
| The requirements of third parties (IMF etc.) | **√** |  |  |
| The lack of budget resources |  |  |  |
| Missing legal framework is a precondition for SRC | **√** |  |  |

# 6. COMPLEMENTARITY WITH OTHER FINANCIAL ASSISTANCE

Similarly as it happens to 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.

In subsections 2.1.3 (*Sector and Donor coordination*) and 4.2 (*Lesson learned from past and ongoing assistance*) it was possible to briefly describe the main contributions on the implementation of PAR and PFM provided by the donor community in BiH, including the EU. However, there is a need to establish a stronger mechanism for sectorial donor coordination in the field of PAR, preferably under the auspices of the Delegation of EU in BiH. The aim of this donor coordination mechanism is to discuss the technical and operational issues, and to harmonise the numerous vertical and horizontal interventions which at the moment seem to be rather episodic, fragmented or uncoordinated.

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[[62]](#footnote-62).

# 7. CROSS-CUTTING ISSUES

## Equal opportunities and gender mainstreaming

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 held higher and more important positions, such as managers of independent administrative bodies, assistant ministers, chief inspectors and other. Another type of activity of gender mechanisms widely present among public sector is related to the increase of capacity of the staff employed in different governmental institutions[[63]](#footnote-63).

Gender legal and institutional arrangements in BiH embrace Gender Budgeting as a 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.[[64]](#footnote-64)

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;
* non-discriminatory legal and policy frameworks;
* equal opportunities for women in the economic field.

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](http://www.arsbih.gov.ba/en/legal-framework/law-on-gender-equality-in-bih) and
* the [Law on the Prohibition of Discrimination](http://www.mhrr.gov.ba/PDF/LjudskaPrava/ZakonOZabraniDiskriminacijaNacrt.pdf).

More precisely, the Law on Gender Equality[[65]](#footnote-65) 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 seat on 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) had been adopted in 2013 with respective budget for its implementation.

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 2014 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 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. IDPs are encompassed in another vulnerable 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).

To support the development and strengthening of adequate capacities in this respect, the key element is the IPA assistance. 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 would ensure coordinated and proactive approach to the efficient protection against discrimination in order to meet the pre-accession and post-accession requirements.

When implementing the envisaged actions, such as the ones mostly related to the public administration, particular care will be paid in a way that the delivery of services to the citizens is done in a way to reach those marginalised spheres of population and it is designed and engineered without undermining this important purpose.

## Engagement with civil society

The 2007 Memorandum of Understanding between the Government of BIH and the CSOs set out the objectives, principles and forms of the cooperation with civil society. In more specific terms, the PAR AP1 includes measures that are directly addressing the cooperation with civil society.

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

The IPA II assistance is already providing continual support to CSOs through the Multi-Beneficiary 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[[66]](#footnote-66).

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 on 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, the attention given to engage civil society will be of utmost importance and will be addressed in supporting an overall environment that is conducive to civil society development as being effective and accountable independent sphere of policy making.

## 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 the 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 and PFM. In this sense, the sustainability of the actions is interlinked with the sustainability of the overall reforms in question.

By all means, the sustainability of the PAR and 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. It is undisputed that the PAR Fund alone doesn’t ensure sustainability to the reform. When it comes to PFM, the ongoing reform as such is indeed sustainable, although a comprehensive reform programme is still missing; however, the insufficient institutional capacity for having a sound PFM in place is the factor that may impact negatively on the sustainability of the process.

It is possible and desirable that IPA II assistance in financing the actions planned in this document would eventually corroborate and strengthen the implementation of these reforms and hence contributing factually in their sustainability.

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 both public administration and finance has to be assumed and taken for granted.

# 9. SECTOR SUPPORT BUDGET

**Programming period 2015-2017**

|  |  |  |
| --- | --- | --- |
|  | **ESTIMATED COSTS (EUR)** | **COMMENTS** |
| **Priority 1 - PAR** |  |  |
| Action 1.1. – Activity 1 | **2.000.000,00€** | Implemented by one Service Contractstructured as one PAR facility **(IPA Action Programme 2015)** |
| Action 1.1. – Activity 2 | **1.000.000,00€** | Implemented by one Twinning Contract **(IPA Action Programme 2015)** |
| Action 1.2. – Activity 1 | **900.000,00€** | Implemented by one Service Contract **(IPA Action Programme 2016)** |
| Action 1.2. – Activity 2 | **2.500.000,00€** | Implemented by one Supply Contract **(IPA Action Programme 2016)** |
| Action 1.3. – Activity 1 | **10.000.000,00€** | Possibly implemented by means of a Sector Reform Contract **(IPA Action Programme 2017)** |
| **Total for Priority 1** | **16.400.000,00€** |  |
| **Priority 2 - PFM** |  |  |
| Action 2.1. – Activity 1 | **2.000.000,00€** | Implemented by one Service Contract **(IPA Action Programme 2015)** |
| Action 2.2. – Activity 1 | **1.750.000,00€** | Implemented by one Service Contract **(IPA Action Programme 2016)** |
| Action 2.2. – Activity 2 | **250.000,00€** | Implemented by one Twinning light Contract **(IPA Action Programme 2016)** |
| Action 2.2. – Activity 3 | **600.000,00€** | Implemented by one Twinning Contract **(IPA Action Programme 2016)** |
| **Total for Priority 2** | **4.600.000,00€** |  |
| **TOTAL FOR SECTOR** | **21.000.000,00€** |  |

# 10. CHRONOGRAM FOR PROGRAMMING AND IMPLEMENTATION

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***DEMOCRACY ANDGOVERNANCE*** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| **PRIORITY 1** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 1.1. – Activity 1 |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 1.1. – Activity 2 |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 1.2. – Activity 1 |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |
| Action 1.2. – Activity 2 |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 1.3. – Activity 1 |  |  |  |  |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |
| **PRIORITY 2** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 2.1. – Activity 1 |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 2.2. – Activity 1 |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |
| Action 2.2. – Activity 2 |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **I** | **I** | **I** | **I** | **I** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Action 2.2. – Activity 3 |  |  |  |  |  |  |  |  | **P** | **P** | **P** | **P** | **C** | **C** | **C** | **C** | **C** | **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 of Sector Working Groups established for the preparation of this SPD**

# Annex 1

## Roadmap for Sector Approach

**SECTOR APPROACH ROADMAP**

**Sector: Governance**

**MAIN CRITERIA**

| **CRITERIA** | **BASELINE** |  | **2015** | **2016** | **2017** | **2018** | **2019** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sector policy and strategy** | * Not sufficient political support for PAR
* 61% of the RAP 1 activities fulfilled
* PAR SF[[67]](#footnote-67) not adopted
* decentralised system in place in BiH, need for overall harmonisation in view of a more effective and efficient service delivery and finance management in line with the EU integration requirements
* Strategy for Development of Statistics of BiH 2020 existing
 | **STEPS** | * encourage political support for PAR in BiH
 |
| * Continuation of fulfilment of the PAR activities (RAP 1)
* Preparation of the new PAR SF 2016-2020
 | * Continuation of fulfilment of the PAR activities (RAP 1)
* Preparation of AP for the new PAR SF
* Publication of PAR SF 2016-2020
* Publication of AP for PAR SF
* Start of Implement activities for PAR SF and action plan
* Launch contracts under IPA AD 2015 Support to the PAR and statistics
 | * Continuation of fulfilment of the PAR activities (RAP 1)
* Contract under IPA AD 2015 Support to the PAR and statistics is awarded
* Launch contract under IPA AD 2016 Strengthening of capacities and Information System of IDDEEA
 | * Continuation of fulfilment of the PAR activities (RAP 1)
* Further implementation of PAR SF
* Contract under IPA AD 2015 Support to the PAR and statistics is ongoing
* Contract under IPA AD 2016 Strengthening of capacities and Information System of IDDEEA is awarded
 | * Contract under IPA AD 2015 Support to the PAR and statistics is finalised
* Contract under IPA AD 2016 Strengthening of capacities and Information System of IDDEEA ongoing
 |
| **TARGETS** | * Adoption of PAR SF 2016-2020
* 63% of the PAR (RAP 1)implemented
 | * Communication strategies for PAR SF and for the AP adopted
* Adoption of AP for PAR SF
* Implementation of PAR SF started
* Contracts under IPA AD 2015 Support to the PAR and statistics launched
 | * Communication strategies under implementation
* PAR SF is under implementation
* Contracts under IPA AD 2015 Support to the PAR and statistics is started
* IPA AD 2016 contracts Strengthening of capacities and Information System of IDDEEA is launched
 | * Communication strategies under implementation
* PAR SF is under implementation
* Some of the activities under IPA AD 2015 Support to the PAR and statistics completed
* Start contracts under IPA AD 2016 Strengthening of capacities and Information System of IDDEEA
 | * increased visibility and promotion of PAR interventions
* PAR SF is under implementation
* activities under IPA AD 2015 Support to the PAR and statistics completed
* activities under IPA AD 2016 Strengthening of capacities and Information System of IDDEEA ongoing
 |
| **Institutional setting and capacity** | * PARCO is responsible for coordination of strategy implementation (PARCO)
 | **STEPS** | * capacity of PARCO preserved
 | * Contract under IPA AD 2015 Support to the PAR is awarded
* Ongoing activities under IPA AD 2015 Support to the PAR
* Start the preparation of Institutional framework, management and organisational structure to implement the PAR Strategic Framework
 | * Start developing and strengthening capacity to manage, coordinate and monitor the implementation of the PAR SF
* Support PARCO in addressing ad hoc needs within the PAR Sector
 | * Initiation of fine tuning and completion of the institutional SF and organizational structure to manage the implementation of PAR strategic framework Contracts under AD IPA 2017 Further support to implementation of PAR Strategic Framework including service delivery
 |
|  | * Launch contract under IPA AD 2015 Support to the PAR
 |
| **TARGETS** | * capacity of PARCO remained on satisfactory level
 | * Ongoing activities under IPA AD 2015 Support to the PAR and statistics is started
* Prepared Institutional framework, management and organisational structure to implement the PAR Strategic Framework
* Capacity to manage, coordinate and monitor the implementation of the PAR SF strengthened
 | * PARCO is addressing ad hoc needs within the PAR Sector
* IPA AD 2017 Contracts launched
 |
| * Regular capacity building activities performed
 | * Contract under IPA AD 2015 launched
 | * Contract under IPA AD 2015 Support to the PAR and statistics is started
 |
| **Sector and donor coordination** | * Existing PAR coordination tough PAR Fund that is operational and sustained with foreign donations
 | **STEPS** | * further streamlining of the donor coordination processes
 | * sustain consistent donor support
 |
| **TARGETS** | * Improved donor communication
 | * coordination mechanisms are operational
 | * coordination mechanisms incorporate all key stakeholders (state and non-state)
 | * consistent donor support
 | * consistent donor support
 |
| **Sector budget** | * PAR strategy is not budgeted; its actions are not visible in the budgets Summary based on analysis in Part I of the Sector planning document
 | **STEPS** | * Preparations for introducing analysis of sector budget
 | * Prepared sector policy budget
 |
| **TARGETS** | * Start of introducing sector budget
 | * sector policy costing in place
 |
| **Sector monitoring system** | * PARCO is in charge for monitoring of PAR but its monitoring capacity needs further strengthening,
* performance indicators need to be developed
 | **STEPS** | * maintain capacity of PARCO
* Perform regular capacity building activities
 | * Launch contract under IPA AD 2015 Support to the PAR and statistics
 | * Contract under IPA AD 2015 Support to the PAR and statistics is awarded
* Start the preparation of Institutional framework, management and organisational structure to implement the PAR Strategic Framework
 | * Start developing and strengthening capacity to manage, and coordinate the implementation of the PAR SF
 | * Support PARCO in addressing ad hoc needs within the PAR Sector
* Initiation of fine tuning and completion of the institutional framework and organizational structure to manage the implementation of PAR strategic framework Contracts under AD IPA 2017
 |
| **TARGETS** | * PARCO capacity maintained
 | * Contract under IPA AD 2015 Support to the PAR and statistics is awarded
 | * Contract under IPA AD 2015 Support to the PAR and statistics is started
 | * Prepared Institutional framework, management and organisational structure to implement the PAR Strategic Framework
* Capacity to monitor the implementation of the PAR SF strengthened
* IPA AD 2017 Contracts launched
 |

**ADDITIONAL CRITERIA**

| **CRITERIA** | **BASELINE** |  | **2015** | **2016** | **2017** | **2018** | **2019** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **[[68]](#footnote-68)Public finance management (incl. budget transparency)** | * lack of fully adequate internal controls (especially in public procurement) make the PFM systems in BiH still remarkably vulnerable to inefficiency and waste
* fiscal system in BiH is highly decentralized. A Fiscal Council was created in 2008, to coordinate fiscal policies in BiH in order to ensure macroeconomic stability and fiscal sustainability of Bosnia and Herzegovina, Federation of Bosnia and Herzegovina, Republika Srpska and Brčko District.
 | **STEPS** | * BiH Institutions and Entity governments have planned a number of improvements of PFM system
 | * BiH Institutions and Entity governments have planned a number of improvements of PFM system
* Launch contracts under 2015
 | * Award contract under IPA 2AD 015
* Start activities from IPA AD 2015
* Launch contracts under 2016[[69]](#footnote-69)
 | * Activities under IPA AD 2015[[70]](#footnote-70) ongoing
* Contract under IPA AD 2016 awarded
* Activities form IPA AD 2016 started
 | * Activities under IPA AD 2015[[71]](#footnote-71) finalised
* Activities form IPA AD 2016 finalising
 |
| **TARGETS** | * signing of a 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 National Economic Reform Programme ongoing
* activities under IPA AD 2015 ongoing and Contracts under IPA AD 2016[[72]](#footnote-72) launched
 | * Number of activities under IPA AD 2015 concluded
* activities under IPA AD 2016 started
 | * Number of activities under IPA AD 2016 concluded
 |
| **Macro-economic context** | * the Government debt (domestic and external) is constantly growing during the last few years and in 2013 it reached 46.2% of GDP, according to national data
 | **STEPS** | * The government undertakes measures to improve the macroeconomic policy
 |
| **TARGETS** | * Related World Bank and/or IMF studies confirm the government is pursuing stability oriented macro-economic policies
 |

# 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 that encompasses representatives from all stakeholders’ institutions, donors and civil society organisations.

The composition of this group follows

**Institutions invited for consultation**

1. Office of the Public Administration Reform Coordinator of BiH
2. Ministry of Finance and Treasury of BiH
3. Public Procurement Agency of BiH
4. Statistics Agency of BiH
5. Agency for identification documents, registers and data exchange (IDDEEA)
6. Civil Service Agency of BiH
7. Gender Equality Agency of BiH
8. Agency for the Prevention of Corruption and Coordination of the Fight against Corruption
9. Directorate for Economic Planning of BiH
10. Indirect Taxation Authority of BiH
11. Central Bank of BiH
12. Audit Office of the Institutions of BiH
13. Audit Office for the Institutions of the Federation of BiH
14. Ministry of Finance of the Federation of BiH
15. Secretariat-General of the Federal Government, PAR Coordinator of the Federation of BiH
16. Institute for Statistics of the Federation of BiH
17. Tax Administration of the Federation of BiH
18. The Supreme Office for the Republika Srpska Public Sector Auditing
19. RS Ministry of Finance
20. RS Ministry of Public Administration and Local Self-government, PAR Coordinator for RS
21. Institute for Statistics of the Republika Srpska
22. Tax Administration of Republika Srpska
23. Office for Audit of Public Administration and Institutions in Brčko District of BiH
24. Finance Directorate of Brčko District
25. Secretariat of the Government of Brčko District, PAR Coordinator for Brčko District
26. Central harmonisation Unit
27. Ministry of Communication and transport of BiH
28. The Institution of Human Rights Ombudsman/Ombudsmen of BiH

**Civil society (selected after public call)**

1. CPI - Public Interest Advocacy Centre
2. Transparency International BiH
3. CCI – Centres for Civil Initiatives

**Other donors / international organisations (expressed interest)**

1. Swedish Embassy / SIDA
2. GIZ
3. Czech Embassy
4. Council of Europe
5. UNDP
6. Embassy of Switzerland
7. UNICEF
8. USAID
9. IOM
10. UN Women
11. OSCE
12. British Embassy
13. Embassy of the Kingdom of the Netherlands

The consultations for the preparation of the Sector Planning Document started with two kick-off events organised in December 2014 and February 2015. The events informed all relevant stakeholders on the modalities of consultations and methodology for IPA programming in a multiannual perspective. The events were addressed to the wider spectrum of potential stakeholders in the policy areas of Governance and Rule of Law.

With the approval of the CoM (3rd session, held on April 15th 2015), the relevant line ministries’ coordinating institutions were put in charge to establish and coordinate, in accordance with the constitutional competencies, the work of the Sector Working Groups (SWGs) for the preparation of the Sector Planning Documents (SPDs) for programming IPA II in accordance with the plan and instructions of the Directorate for European Integration (DEI).

SWGs consist of a restricted pool of relevant institutions factually and actively involved in the identification, designing and development of SPDs and of its related Actions. The SWGs comprised representatives from both civil society and Donor community. Representatives from civil society were chosen after public calls through which DEI received applications from interested bodies or individuals. Donors were accepted upon their expression of interest in taking part to the works.

DEI assisted the SWGs with the preparation of guidelines outlining the necessary terms and code of conduct to make operations more effective and result oriented and to better organise inputs in a way to obtain useful integrations and improvements of the planning documents. These guidelines efficiently streamlined the participatory process and the various sets of comments that were taken into consideration to allow systematic consultations.

For the sake of effectiveness, consultations were undertaken also through interactive workshops during which the SPDs were directly designed by the SWGs under the punctual guidance of DEI and the facilitation of external experts.

SWGs were actively involves in two workshops held in April and May 2015. The working sessions were organised following a precise agenda supplemented with materials and updated versions of relevant programming documents to be discussed, so to make these working events as much result oriented as possible. Representatives of civil society and of the donor community participated to the workshops.

Throughout the whole period of participatory planning and as a consequence of each workshop, comments and integrations from SWGs to the drafts of SPDs were collected, organised and included in the drafts. In line with the pragmatic approach given to the workshops, the drafting of programming documents needed for regular exchanges with significant contributions from the parties involved.

1. Constitution of Bosnia and Herzegovina (Annex 4 of the Framework Peace Agreement in BiH) [↑](#footnote-ref-1)
2. 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 [↑](#footnote-ref-2)
3. “PAR Strategy in Bosnia and Herzegovina“ (2007), available at: http://parco.gov.ba [↑](#footnote-ref-3)
4. 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 [↑](#footnote-ref-4)
5. One of possible concepts is outlined in the draft document “*PAR 2020:* *the way forward*” [↑](#footnote-ref-5)
6. A fund mostly financed by the international community to support BIH in the PAR reform process [↑](#footnote-ref-6)
7. SIGMA 2014 Assessment of PAR in BiH [↑](#footnote-ref-7)
8. Law on Fiscal Council, Official Gazette, No. 63/08 [↑](#footnote-ref-8)
9. Bosnia and Herzegovina - Public expenditure and financial accountability assessment (PEFA), http://documents.worldbank.org/ [↑](#footnote-ref-9)
10. EC Progress report for BIH 2014 [↑](#footnote-ref-10)
11. The Civil servants agency of The FBiH , Civil Servant’s 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). [↑](#footnote-ref-11)
12. 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. [↑](#footnote-ref-12)
13. Agency for fight against corruption set at the State level (Agency for the Prevention of Corruption and Coordination of the Fight against Corruption) [↑](#footnote-ref-13)
14. 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 [↑](#footnote-ref-14)
15. This has negative effects on the quality of public services delivery at all administrative levels [↑](#footnote-ref-15)
16. This is due to the lack of adequate performance indicators to measure progress in the implementation of objectives set in the PAR strategy [↑](#footnote-ref-16)
17. 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. [↑](#footnote-ref-17)
18. It includes, among others, implementation progress reports and overview of projects supported by PAR Fund including their evaluation [↑](#footnote-ref-18)
19. 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 [↑](#footnote-ref-19)
20. It can also be said for commitments arising from the Interim Agreement and the Stabilisation and Association Agreement [↑](#footnote-ref-20)
21. This causes negative effect on the functionality of the civil service system. [↑](#footnote-ref-21)
22. 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 [↑](#footnote-ref-22)
23. PIFC Strategy 2015-2018 is envisaged to be adopted by April 2015 [↑](#footnote-ref-23)
24. 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. [↑](#footnote-ref-24)
25. The main donors of the Fund were: UK, the Netherlands, and Sida. At present the donors are Sida, Denmark and Norway. [↑](#footnote-ref-25)
26. There is a need to promote the achievements and impacts of the PAR especially among the decision makings 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. [↑](#footnote-ref-26)
27. 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 [↑](#footnote-ref-27)
28. Donor coordination forum by Ministry of Finance and PAR Fund donors meetings [↑](#footnote-ref-28)
29. DG Budget sees the lack of managerial accountability throughout budget and the proper functioning of internal audit

.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. [↑](#footnote-ref-29)
30. 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.) [↑](#footnote-ref-30)
31. Mapping of Sector Strategies in Western Balkans and Turkey issued on February 2014 by the DG ELARG [↑](#footnote-ref-31)
32. According to which all levels and their Supreme Audit Institutions should develop their own development strategy [↑](#footnote-ref-32)
33. Letter received from European Commission No. Areas (2015)926508 dated 3/3/2015 [↑](#footnote-ref-33)
34. 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 - [↑](#footnote-ref-34)
35. 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 [↑](#footnote-ref-35)
36. PARCO (2006) “Action Plan 1 of the Public Administration Reform Strategy in BiH”, available at: http://parco.gov.ba [↑](#footnote-ref-36)
37. PARCO (2007) “Memorandum of Understanding on Establishment of the Public Administration Reform Fund“, available at: http://parco.gov.ba [↑](#footnote-ref-37)
38. Official Gazette of BiH, no. 27/00 [↑](#footnote-ref-38)
39. Official Gazette of the FBiH, no. 19/03 [↑](#footnote-ref-39)
40. Official Gazette of the FBiH, no. 19/06 [↑](#footnote-ref-40)
41. Official Gazette of the RS, no. 16/05 [↑](#footnote-ref-41)
42. Official Gazette of the RS, no. 54/08, 126/08 and 92/09 [↑](#footnote-ref-42)
43. Official Gazette of the Brčko District, no. 19/07, 2/08 [↑](#footnote-ref-43)
44. Official Gazette of the Brčko District, no. 17/08 [↑](#footnote-ref-44)
45. PARCO – Management of the PAR process [↑](#footnote-ref-45)
46. 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). [↑](#footnote-ref-46)
47. IPA contributions information is presented based on IPA 2011 revised list of projects under IPA National Programme. For IPA 2007 – 2010 it is Consultant calculation based on a table with IPA projects received from EU DELEGATION (Committed funds). IPA 2012 based on information from the web site http://ec.europa.eu/enlargement/instruments/funding-by-country/bosnia-herzegovina/index\_en.htm (Approved funds). Contribution to individual sectors under IPA 2013 is not yet known. [↑](#footnote-ref-47)
48. 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 [↑](#footnote-ref-48)
49. 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 7th Annual Conference proceedings: Regional School for Public Administration, available at: http://www.respaweb.eu [↑](#footnote-ref-49)
50. ACIPS (2010) “Quo Vadis, Public Administration?: Evaluation of Progress Achieved in the Implementation of PAR in BiH“, available at: http://www.acips.ba [↑](#footnote-ref-50)
51. EC Progress Report on BiH 2014 [↑](#footnote-ref-51)
52. EC Progress Report on BiH 2014 [↑](#footnote-ref-52)
53. EC Progress Report on BIH 2014 [↑](#footnote-ref-53)
54. EC Progress Report on BIH 2014 [↑](#footnote-ref-54)
55. EC Progress Report on BIH 2014 [↑](#footnote-ref-55)
56. Article 8 of the SAA clearly relates the process of accession and administrative reform in Bosnia and Herzegovina [↑](#footnote-ref-56)
57. South East Europe 2020 Strategy, http://www.rcc.int/files/user/docs/reports/SEE2020-Strategy.pdf [↑](#footnote-ref-57)
58. European Commission (2014) “Country Strategy Paper for Bosnia and Herzegovina (2014-2017)“ (draft) [↑](#footnote-ref-58)
59. which also includes interventions in the Statistics [↑](#footnote-ref-59)
60. EU Services Directives 2006/123/EC and 2003/98/EC [↑](#footnote-ref-60)
61. Acronym for Synchronous Digital Hierarchy [↑](#footnote-ref-61)
62. IMF on Bosnia and Herzegovina: Concluding Statement of the 2015 Article IV Mission [↑](#footnote-ref-62)
63. The Gender Centre of Republika Srpska has cooperated with the Civil Service Agency of Republika Srpska in creation of equal opportunities modules and implementation of training in public administration, whereas the Gender Centre of the FBiH, in cooperation with the Civil Service Agency of the FBiH, has initiated amendments to the bylaws in order to expand programmes of testing general knowledge and conducting professional exam for civil servants in the Civil Service of FBiH with basics in domestic and international legal frameworks in the field of gender equality. [↑](#footnote-ref-63)
64. Gender Country Profile for BiH – Final Report June 2014 [↑](#footnote-ref-64)
65. The Law on Gender Equality in BiH was adopted in 2003 and amended in 2009, while a consolidated text was published in 2010. [↑](#footnote-ref-65)
66. 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*” [↑](#footnote-ref-66)
67. Strategic Framework, abbreviation SF [↑](#footnote-ref-67)
68. The activities regarding this PFM are elaborated in SPD Governance and are a part of the respective ADs within this sector [↑](#footnote-ref-68)
69. Ibid [↑](#footnote-ref-69)
70. Ibid [↑](#footnote-ref-70)
71. Ibid [↑](#footnote-ref-71)
72. Ibid [↑](#footnote-ref-72)