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**The Impact of the Introduction  
of Programme Budgeting on  
Transparency and Accountability  
In the Public Sector of  
Bosnia and Herzegovina**

**Policy Study**

**- Final Version -**

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## LIST OF ACRONYMS

BiH	Bosnia and Herzegovina
COFOG	Classification of the Functions of the Government
DFID	UK Department for International Development
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
GFS	Government Finance Statistics
IGTF	Inter-Governmental Task Force
IMF	International Monetary Fund
MoF	Ministry of Finance
MTDS	Medium-Term Development Strategy
OHR	Office of the High Representative
PAR	Public Administration Reform
PARCO	Public Administration Reform Coordinator Office
PIC	Peace Implementation Council
PPB	Program and Planning/Programming Budgeting
RS	Republika Srpska
SAA	Stabilisation and Association Agreement
UN	United Nations

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## INTRODUCTION

It is now four years ago that the representatives of Governments in Bosnia and Herzegovina have committed to the Peace Implementation Council, representing fifty-five countries and international organisations<sup>1</sup>, to undertake a comprehensive public administration reform, which would create a modern and efficient administration and would function based on principles of efficiency, transparency and accountability. At that occasion, the BiH Governments committed to:

- Make public administration cost-effective and well-organized (i.e. improve organisation);
- Ensure that the tax payers' money is spent economically and transparently (i.e. improve funding);
- Ensure that the civil service is professional and representative of the citizens it serves (i.e. improve staff);
- Make public administration work in accordance with EU best-practices (i.e. improve procedures);
- Ensure quality-driven and citizen-friendly public services (i.e. improve quality of services provided)<sup>2</sup>.

As all relevant authorities have acknowledged the importance of the public administration reform (PAR) and have made it a pre-condition for various other structural reforms, one could ask what results have been achieved over the last four years in terms of meeting these goals.

Rather than replicating already existing studies and arriving at the same conclusions, this research intends to pull together the previous work, while focusing on how public finance reform could be used as an instrument to meet the pledges.

This study is guided by the overall hypothesis that programme budgeting can be useful in introducing a more transparent, efficient and effective use of public funds in BiH. The

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<sup>1</sup> Office of the High Representative (2007)

<sup>2</sup> Our Reform Agenda - An Agenda For Reform Agreed Between the Government of BiH and the International Community (July, 2002)

hypothesis was tested through a set of interviews and consultations with relevant counterparts and the use of pilot agencies that would volunteer to introduce programme budgeting. The main focus of this study is FBiH, although RS and the State level will be reviewed as well.

The expected outcome of this study is raised awareness of the window of opportunity for change that exists at the moment, and the formulation of recommendations for further implementation of the reform.

In order to explain how public finance reform (and in particular, the introduction of programme budgeting) could help solve some of the problems that exist in public administration in BiH, the following questions will be answered: (1) What is the Problem with Public Administration in BiH, (2) What Policy Options Exist in BiH When It Comes to Public Finance, and (3) How Can BiH Improve Transparency and Accountability of its Public Sector.

**PROBLEM DESCRIPTION: *What is the Problem with Public Administration in BiH?***

Problems of BiH public administration were known long time before 2003, and countless studies, analyses, projects, task forces and action plans have resulted here from, but little real action. Public administration still consumes a high portion of the budget. The remaining inefficient public revenues are not being spent transparently. Citizens are highly dissatisfied with the quality of services they receive for their money and often encounter a psychological barrier when having to request services from the authorities. What is it then the Government<sup>3</sup> has been doing for four years to improve public administration?

One of the key problems BiH public administration has been facing since the war is the complex Government structure. The Constitution detailed in the Dayton Peace Agreement envisaged all levels of Government having responsibility for public administration reform at their own level, with higher levels having no formal power or mechanism to influence reforms at lower levels<sup>4</sup>. In the absence of a coordinating body, BiH Governments have decided to form an Inter-Governmental Task Force (IGTF), which was responsible for drafting, adopting and implementing a comprehensive PAR strategy. The results of this initiative were rather modest, as the IGTF failed to develop a detailed analysis of administration's present state and to provide a precise definition of the desired goals of the reform<sup>5</sup>. Recognising the slow progress, the European Commission decided to reinforce the need for a PAR action plan and improved administrative procedures, policy-making and coordination capacities through the first European Partnership for BiH (approved in June

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<sup>3</sup> References to „Government” in this study usually refer to all governments in BiH, unless otherwise specified.

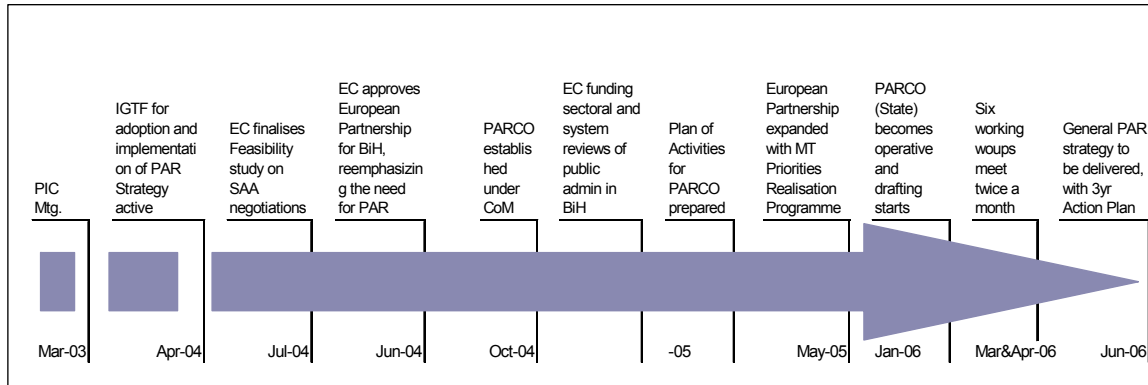
<sup>4</sup> OECD Administrative Reform Capacities (n.d.)

<sup>5</sup> BiH PAR Strategy (2006), p. 16

2004). An agreement with the State, the Entities and the Brčko District Government followed, obliging them to carry out a set of detailed reviews of the present state and the reform needs of public administration. In parallel to this, the Council of Ministers established the Office of the PAR Coordinator (PARCO), and the first PAR Coordinator was appointed.

The Progress Reports of the European Commission, monitoring the general situation in BiH, noted improvements in general and sectoral administrative capacity, but also noted concerns. Their 2005 Report referred back to the 2003 Feasibility Study on the Stabilization and Association Agreement (SAA) Negotiations, which demanded that a comprehensive reform strategy involving all levels of the Government should be adopted and implemented. The renewed, 2005 European Partnership set a new deadline for the strategy - September 2005. It identified the functioning of the PAR Coordinator Office as a short-term priority, while the implementation of a comprehensive PAR action plan was assessed a medium-term priority. In other words, fostering changes by implementing the PAR agenda should have become a key task for the following three years.

The detailed functional reviews from 2004 represented the starting point for developing the PAR Strategy. After the PARCO became operative in January 2006, they started drafting the first Strategy. Both Entities and Brčko District appointed their PAR Coordinators and expert members for six working groups, covering all areas of horizontal capacity. Building on the agreed priorities and policy goals, PARCO finalised the Strategy in June 2006, with specific activities, measures, deadlines and responsible institutions feeding in the first Implementation Action Plan. Diagram 1, which follows on the next page, helps illustrate this rather complex and lengthy process.

**Diagram 1: Timeline of PAR Efforts in BiH Up To 2006**

After this whole effort, one could ask how successful this exercise has been in achieving its goals. Has public administration become any more cost-effective? How effective is institutional control over management of public funds? Is there evidence of raised professional conduct? Do citizens have access to information on public policies and administrative decisions, and do citizens and municipalities have adequate and predictable funding?

Rather than making the overly ambitious attempt to analyse all aspects of public administration reform, this study focuses on explaining how public finance reform (and in particular the correct introduction of programme budgeting) could help solve some of these problems.

### **(i) What Is the Background of the Public Administration Reform in BiH**

Bosnia and Herzegovina began its transition to a market economy later than other countries in its region and under exceptionally difficult circumstances following the war terminated by the Dayton Peace Agreement. The post-war reconstruction, which was supported by significant amounts of international aid, is coming to an end and aid-



dependence is being replaced by investment-led growth<sup>6</sup>. Progress has been made in a number of areas, including improved business environment, regulatory reforms in key infrastructure sectors, and the development of a sound banking sector. As a result, the country is getting away from the “push” by the Peace Implementation Council to a “pull” of the European Union, and is trying to position itself in the region.

All Governments in Bosnia and Herzegovina are contributing to fulfilling the conditions required for the start of the SAA process (albeit not to an equal extent), with the internal political situation continuing to be a significant impediment to real progress. In the Dayton Peace Agreement, the country was divided into a central State government and two separate, substantially autonomous Entities - the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS). The Federation itself is subdivided into ten cantons, which also have a high degree of autonomy, and both Entities are further divided in nearly 150 local self-government units (municipalities). Furthermore, the country has one administrative unit that does not belong to either Entity – Brčko District - and each of the fourteen Governments and almost 150 local governance units have their own rights and constitutions, making any coordination or streamlining extremely difficult.

This abundance of Government layers results in a very difficult fiscal position. Government expenditures to GDP are more than 5 percent higher than in countries with similar income per capita and 4 percent higher than the average of other countries in the region<sup>7</sup>. Meanwhile, the outcomes of the Governments tend to be substantially poorer, which is why international financial institutions represented in BiH (headed by IMF and the World Bank) regard the reduction of government expenditures and improvement of

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<sup>6</sup> EBRD Strategy Overview (n.d.)

<sup>7</sup> The World Bank - PEIR (2006)

the delivery of public services as imperatives. This represents a challenge, especially in the light of the current State-building efforts in the country, and requires very ambitious and wide-ranging reforms that require a clear vision and political courage.

## **(ii) What Are the Challenges Which Public Administration Reform in BiH Is Facing**

Generally speaking, the challenges of public administration in BiH can be divided in six groups: (1) Strengthening the quality of public administration, (2) Reducing the cost of the public administration, (3) Making trade-offs to reduce employment, (4) Improving championship, (5) Agreeing on a common PAR agenda, and (6) Withstanding fiscal pressures.

As already mentioned, the cost of public administration recorded in Bosnia and Herzegovina is greater than almost all other countries in the region<sup>8</sup>, while services provided by institutions do not show sufficient quality. This reflects relatively high wage rates, especially with lower-grade and lower-qualified employees who are working at higher levels of Government<sup>9</sup>. Given the excessive employment in sectors such as police, defence, judiciary and education, and the duplication of functions resulting from the complex structure of BiH, the size of the core public administration (represented by the remaining sectors) is very small and does not satisfy citizens' needs.

The main financial burden of public administration is driven by the costs of lower-skilled posts. Reductions in their pay costs could have a significant impact on the overall wage bill. As State level employees have higher wages than those at Entity or Canton levels, it could

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<sup>8</sup> Measured by wage bill to total budget.

<sup>9</sup> The World Bank - PEIR (2006)

be worth considering reducing their wage levels further (for 2006, it was planned that the total wage bill would be decreased by 10 percent). At the same time, it must be taken into account that the current State-building exercise motivates employees to shift from lower levels of Government to the State to earn higher salaries, crowding out the expertise at lower levels and creating an additional burden to the State wage bill. In order to maintain fiscal stability, any further shift of responsibilities to the State should require a transfer of funds and a close down of equivalent institutions at the lower levels. Also, the Governments should consider downsizing those functions that are less essential to the core functions of the Government and focus more on efficiency. A subsequent loss of jobs and increase of unemployed labour force could and should be dealt with through means-tested social programmes rather than costly “employment schemes” like public administration.

Any serious attempts to achieve cost reductions would have to include reductions in the previously-mentioned excessively sized sectors (defence, public order, the judiciary and education), which, taken together, account for about three-quarters of the overall wage bill<sup>10</sup>. Setting realistic saving targets and creating performance incentives must be considered if improvement in the quality of public services is to be achieved.

As already mentioned, the Dayton Peace Accord sets the responsibility for public administration with the Government of each level. Given the lack of formal mechanisms for cooperation and the absence of mechanisms which would permit higher levels of Government to steer reforms at lower levels, implementation of a common PAR approach has proven almost impossible. The current discussions on how to improve the Constitution

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<sup>10</sup> Ibid

and simplify the Government and administrative structures in BiH are hoped to result in an improved and functioning architecture. This should allow effective reform. For the time being though, different levels of Government are working rather independently on their PAR and are showing different levels of progress. This has certainly contributed to a lack of alignment of different donors active in this area. Also, different agencies involved in PAR (Centres of Government, Ministries of Finance, Ministries of Justice and Civil Service Agencies) can easily have different agendas, which is why effective coordination is the key if overlaps, duplication and gaps are to be avoided.

While trying to reduce the cost of administration, it should not be forgotten that the reform itself requires funding too. Wage bill reductions alone are unlikely to result in levels of saving that could finance the public administration reform.

### **(iii) How Does Public Finance Relate to PAR**

Taken very broadly, public finance deals with financial aspects of the public sector and facilitates its functioning from the financial point of view (public sector meaning the general government and all public sub-sectors and corporations that are under governmental ownership and/or control<sup>11</sup>). When viewed from a more procedural point of view, public finance is focusing on the taxing and spending activities of the Government and the influence on the allocation of resources and the distribution of income<sup>12</sup>.

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<sup>11</sup> IMF Manual on Fiscal Transparency (2001)

<sup>12</sup> Harvey S. Rosen (2005)

The role of public finance economists is to analyse policies and to develop guidelines for government activities. In their latter role, economists are often influenced by their attitude toward the role of the government in the society<sup>13</sup>. Traditionally, economists have used fiscal statistics to analyse the public sector (e.g. the size of the public sector, or contribution of the sector to aggregate demand, investment or savings) and to analyse the impact of fiscal policies on the economy (i.e. the use of resources, the monetary conditions and national indebtedness, the tax burden, tariff protections and the social safety net etc.). Finally, analysts have become increasingly interested in assessing the effectiveness of spending on poverty alleviation, sustainability of fiscal policies, net debt and wealth, and contingent claims against the Government, including the obligations for social security pensions<sup>14</sup>.

For BiH, public finance represents an area that is closely linked to EU requirements, which is especially true for its sectors the annual and medium-term budget processes, the efficiency and effectiveness of budget management, treasury system operations, the accounting framework, and the principles, standards and methods of public internal financial control. The progress achieved so far in this area was not delivered in a strategic and comprehensive way and there is still the need for the promotion of an open, efficient, effective and accountable public administration. In other words, it is crucial that efforts in the public finance area are consolidated and widened, that efficient financial management systems are introduced and that the control environment within which the administration operates is strengthened if BiH is to align its public administration with that of more advanced economies.

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<sup>13</sup> Rosen (2005)

<sup>14</sup> IMF GFS Manual (2001)

#### **(iv) Budgeting at the Core of Public Finance**

According to OECD's Best Practices for Budget Transparency<sup>15</sup>, which is one of the leading reference works in the field of budgeting, the budget can be seen as the government's key policy document. The best practice recommends that the budget is comprehensive (i.e. that it includes all government revenues and expenditures and that a detailed commentary is provided on each service programme) in order to facilitate the assessment of trade-offs between different policy options. Where possible and meaningful, the budget should also include non-financial performance data and performance targets for each government programme. This information should be provided for the medium term (planning revenues and expenditures for the next fiscal and two subsequent years at minimum). Along these lines, annual budget should be reconciled with forecasts contained in earlier documents which dealt with the same period, with all significant deviations explained. Finally, OECD is recommended that apart from the administrative classification (i.e. separation of costs by budget users), expenditures are presented also by economic and functional categories - the differences between these approaches will be discussed later in the text.

Overall, BiH budgets are regulated along the lines suggested by OECD. The Law on Budgets in the Federation of BiH defines the budget as *“an act that sets the plan of financial activities of budget users and includes projections of the amount of revenues and receipts and expenditures and expenses of the Federation of Bosnia and Herzegovina, cantons, cities and municipalities for the period of one fiscal year”*<sup>16</sup>, with

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<sup>15</sup> OECD (2001)

<sup>16</sup> Law on Budgets in FBiH (2006), FBiH Official Gazette 19/06

*“budget management and development being based on the Budget Framework Document, which covers at least the current fiscal year and two following fiscal years”.*

Similarly, the State budget law, Law on Financing of BiH Institutions<sup>17</sup>, defines the budget as an act *“that provides a plan of financial activities of budget users, which includes projected revenues and planned expenditures for a period of one fiscal year”* and that *“budget management and budget preparation should be based on a Budget Framework Paper covering at a minimum the fiscal year and two following fiscal years”.*

The laws governing Republika Srpska and the Brčko District have similar provisions, with both Entity laws regulating also the budgets of subordinate levels of government. Hence, it can be said that, at least formally, the laws on the budget preparation are in line with the international best practice. But why is it then that the public administration in BiH is still not efficient, accountable and transparent? One of the key reasons is the way information within the budget is planned, presented and discussed.

#### **(v) Different Ways of Presenting Budget Information**

There are three common ways to plan and present budget information - in accordance with administrative, economic and functional classifications. Whichever method is chosen, the information should be presented in a way that facilitates policy analysis and promotes accountability, and data should be reported on a gross basis, while distinguishing between revenues, expenditures and financing<sup>18</sup>.

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<sup>17</sup> BiH Official Gazette 61/04

<sup>18</sup> IMF Manual on Fiscal Transparency (2001)

The two main criteria that must be taken into account when deciding about the most appropriate method are the maximum fiscal transparency and the wide acceptance of the classification system, which should facilitate economic monitoring of the budget impact and international comparison of budget statements respectively<sup>19</sup>.

Most countries regard classification by economic categories (or so-called line-items) as the most important method. It has the advantage that it allows for a high degree of spending control and for an assessment of the aggregate impact of Government activities. However, economic categories relate to inputs only. In other words, the budget presents the types of expenses that relate to the costs of “production” which the Government undertakes (e.g. employee expenses, cost of goods and services, capital outlays etc.), while fully disregarding the outcomes that are achieved through these funds. In order to relate economic categories to outcomes, one must cross-classify the expenditures with functional categories, e.g. the UN Classification of Government’s framework<sup>20</sup> -COFOG<sup>21</sup>. Unlike economic classification, functional classification provides information about the purpose for which an expense was incurred, i.e. what the Government was aiming to achieve by providing a particular service. The main advantage of the functional classification is that it allows for analysis of trends and for international comparisons. However, the selection of its functions is not unique, leaving room for possible misinterpretation.

Neither the economic nor the functional classification allows for effective internal control though, and classification by administrative (organisational) categories is the only method

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<sup>19</sup> IMF Manual on Fiscal Transparency (2001)

<sup>20</sup> Such cross-classification allows reviewing economic types of costs by different functions of the government (public order and safety, health, education, housing etc.).

<sup>21</sup> IMF Government Finance Statistics (GFS) Manual (2001)



presenting information in such way<sup>22</sup>. Hence, for any internal control purposes (which BiH is obliged to introduce if it intends to join the European Union), economic and functional classification must be further disaggregated by individual spending agencies and/or programs.

Bosnia and Herzegovina utilises all three methods discussed above<sup>23</sup>. Both economic and functional classification are obligatory in both entities, with economic classification being disaggregated at the administrative (i.e. budget user spending unit) level as well, while State-level Institutions are expected to prepare their budgets according to a “*standard budget classification*”<sup>24</sup>, although the law is not providing any further guidance on this. In practice, all levels prepare their budgets according to economic classification (at the aggregated and also the administrative level), and, where possible, also split by Government sectors. Since 2006, attempts are being made to break down the administrative classification further into programme level, which will be discussed in greater detail later.

Going a step back though, how must the budget be planned and prepared in order to allow to be presented in accordance with the international best practice?

#### **(vi) Different Ways of Planning and Preparing the Budget**

Although there are countless possible ways to plan and prepare the budget, most of them usually fall in the following three categories: (1) Incremental Budgeting, (2) Zero-Based Budgeting and (3) Performance Budgeting<sup>25</sup>.

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<sup>22</sup> Within this method, expenditures are recorded at the level of the spending organisational unit.

<sup>23</sup> Despite the fact that laws are not sufficiently precise in regulating this subject matter.

<sup>24</sup> Law on Financing of BiH Institutions (2004), BiH Official Gazette 61/04.

<sup>25</sup> Dan Elsass, *Primer on Basic Approaches to Country Budgeting* (2003).

The first method, incremental budgeting, assumes that each line-item in the budget gets changed by a flat percentage, according to the expected growth of the economy. Each budget user is guaranteed its prior year's base allocation and an amount of the increment to be applied in the current year and in the last two decades of the past century, many countries had allowed their budgets to grow based on some macroeconomic indicators (e.g. the prior year's inflation rate, property prices growth rate etc.). Although this method is very efficient in terms of time and expertise required for budget preparation, public funds do not get allocated very efficiently, which reduces the value of this approach significantly.

Unlike incremental budgeting, zero-based budgeting, the expenditures for each line-item or program are examined each year anew, regardless of prior funding. The budget is prepared by dividing all operations into decision units, which are then ranked according to their importance in reaching organisational goals and objectives. The main disadvantage of this method is that it is very demanding in terms of time and information and may be feasible for only some activities and only on periodic basis. It is the most useful method though if the goal is reduction of overall spending.

Performance (output or outcome-based) budgeting focuses on efficiency. It provides answers to questions like what a work unit does, how frequently it does it and at what cost. The easiest way to prepare performance-based budgets is according to programmes. Each programme is measured against benchmarks (i.e. performance indicators) over a period of time in order to find out how successful the budget user was in achieving its programme objectives. This method provides relevant information for legislative

consideration and the basis for evaluation by administrators - the outcomes and indicators help budget users and decision-makers understand the rationale of each programme and relate them directly to overall priorities of the government. However, gathering outcome indicators and making comparisons with programmes in similar agencies requires considerable staff time and to be fully effective, requires also objective and independent evaluation (e.g. internal audits). As budget users often lack reliable standard cost information, this method is most useful for routine and discretely measurable activities.

Next to programme budgeting, there are two other significant variations of performance budgeting - program and planning/programming budgeting (PPB) and outcome-focused budgeting. PPB (also known as modified programme budgeting) bases expenditures first on programs and then on objects (organisational units), unlike regular program budgeting that bases expenditures on programs only. The main advantages of PPB are its focus on long-term planning and its ability to supplement traditional budgets. However, in practice, government priorities are ambitious and difficult to reach, goals and elected officials change, PPB requires a high level of analytical ability and staff time and is difficult to administer as expenditures may cross organisational units.

Outcome-focused budgeting links resource allocation to outcomes. It is closely linked to the planning processes and works well in organizations that are mission-driven. Budget users that are using this method tend to become more effective and more efficient, more innovative, more flexible and have higher work morale. All three methods outlined above are described in greater detail in Appendix A.

Therefore, performance budgeting represents the golden middle between the costly-but-accurate zero-based budgeting and the less expensive but often ineffective incremental

budgeting method. Its programme focus incorporates also performance measures, establishes a direct link to programme goals, and provides justifications both in terms of citizen needs and government policies, while presenting information in a clear and widely-recognised line-item way.

### **(vii) Progress Up to Date with Introducing Programme Budgeting in BiH**

Generally speaking, financial management is still perceived as a purely administrative function in Bosnia and Herzegovina and is limited to daily management of available funds. As a result, public budgets are not regarded as a tool that can support senior management in setting priorities and making informed policy choices. Work plans which public institutions developed resembled more a wish list than a link between strategic objectives and available resources<sup>26</sup>.

Along these lines, budget users often submit their requests for budget allocation without reference to funds available and without providing adequate justification. Instead of receiving requests that link financial information to strategic objectives of the institutions, Ministries of Finance (representing their Government) receive requests based purely on inputs and detailed only in the salaries section (which underpins the wage bill based on legislation and the number of staff). No reference is made as to what the budget user is trying to achieve in terms of meeting the Government and citizen priorities, and no reference is made to the current financial situation and the mid-term implications.

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<sup>26</sup> EC/PARCO System Review – Chapter on Public Finance (2005)

Bosnia and Herzegovina needs to overcome this phase of line-item, economic classification-based budget planning. If the presentation of public finance management is to mature, it is essential that senior management starts playing an active role by shifting the focus away from inputs and toward outcomes, by starting to set operational goals for their institutions which are based on Government policies, and by starting to measure performance of programmes for which the resources were spent.

Given that the precondition for any practice in BiH is legislation, all Ministries of Finance have decided to include programme budgeting as a provision in their organic budget law.

The Law on Budgets in FBiH<sup>27</sup> says that *“budget expenditures (...) ought to be based on planned operations, functions and programmes within the budget and the financial plans of budget users”*. The same seems to imply though that the programmes should be developed only for development (i.e. capital investment), special-purpose programmes of budget users and do not apply for all budget user activities. Finally, this law says that *“next to the general and the special part, the budget must contain a plan of development programmes”*. Similarly, the Law on Financing of BiH Institutions<sup>28</sup> demands that as an annex to the budget, the Ministry of Finance and Treasury prepares a *“summary of projected capital expenditures for the fiscal year to which the budget that is adopted applies, with more detailed information on programs that are expected to last more than one Fiscal Year”*.

The Law on the Budget System of RS refers to programmes only in the context of budget execution, while there is no reference of it during the budget planning stage.

Given these provisions are not very precise in providing guidance to budget users as to how to prepare their budget requests based on programmes covering all their activities,

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<sup>27</sup> Law on Budgets in FBiH (2006), FBiH Official Gazette 19/06

<sup>28</sup> BiH Official Gazette 61/04

Ministries of Finance are now entering the second round of budget legislation amendments (with technical support of the international community), which aims to make the annual and mid-term budget preparation sections of the laws more coherent and harmonised.

The first steps toward introducing programme budget elements at the budget user level Ministers of Finance<sup>29</sup> have made in 2005, when they selected two pilot budget users each<sup>30</sup> to prepare initial programme budget documentation. The type of information that was collected was (1) general information about the budget user (name of budget user, mission statement and strategic goals) and (2) information about each individual programme (programme name, goals, legal basis, programme manager, cost estimates for the medium-term, cost basis, measures of performance and specific programme activities). By preparing these documents, pilot budget users have proven a sound level of capacity and capability to prepare this documentation, both in terms of technical skills and staff time.

One year later, in 2006, this step was taken further by widening the group of institutions that are preparing programme documentation to all budget users, while the reporting format was changed to include slightly more sophisticated information (see Appendix B). As part of this effort, meetings with twenty largest budget users<sup>31</sup> in FBiH were suggested<sup>32</sup> in order to test their capacity to respond to this requirement. Ten budget users felt capable of preparing the information autonomously, while ten budget users have received hands-on assistance which enabled them to submit the relevant information to

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<sup>29</sup> With support of the DFID-funded Strengthening Public Expenditure Management Project.

<sup>30</sup> At FBiH level, the pilot ministries were Ministry of Labour and Social Protection and Ministry of Agriculture, Water Management and Forestry. At RS level, those were Ministry of Science and Technology and the Secretariat for Sports and Youth.

<sup>31</sup> For the purpose of this exercise, all budget users with the planned 2006 budget of more than KM 20 Mln were regarded as large budget users.

<sup>32</sup> These meetings were held in September 2006, in cooperation with DFID Strengthening Public Expenditure Management Project. Prior to that, a workshop for the relevant Ministry of Finance staff was held, in order to prepare them for the analysis and processing of budget user programme documents.

the FBiH Ministry of Finance (a list of these meetings can be found in Appendix C). Unfortunately, the capacity within Ministries of Finance required to process this information and use it for decision-making purposes is still limited, and the benefit of the information provided is still rather unclear. However, Ministries of Finance and their budget users are receiving significant amount of training in this respect, and there are plans to send programme budget information to the Government and the Parliament in the form of an annex to the budget, while this is still not a legal obligation<sup>33</sup>.

### **(viii) Acceptance of Programme Budgeting in BiH**

Following the analysis summarised in previous sections, which confirmed that programme budgeting is the budget planning method which BiH should try to adopt and given some steps have already been made toward introducing this method, the question remains how likely is it that the continuation of this reform will find support? In order to answer this question, the viewpoints of four different parties involved in this process have been reviewed.

From the perspective of the PAR authorities, sound budget procedures and internal controls play an extremely important role in bringing BiH closer to the EU. That is why the 2006 PAR Strategy includes in its action plan the following four short-term priorities:

- Inclusion of the management level of institutions in the preparation of the BFP and the annual budget;
- Introduction of programme-based budgeting in BiH public administration;
- Timely inclusion of the Parliament in the budget process; and

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<sup>33</sup> Ministries of Finance at all levels are planning to include this provision in the amendments to organic budget laws that are being drafted currently.

- Introduction of expanded reporting towards the Parliament and the public.

Once these four steps have been implemented, PAR authorities reckon there will be a stronger link between the policy decision-making and the budget preparation process leading to a higher degree of efficiency and effectiveness of public management in BiH<sup>34</sup>. As the implementation of these steps would eventually lead to internal control systems, the capacity in Ministries of Finance, budget users and fiscal authorities could improve notably.

From the perspective of the Ministries of Finance, the introduction of programme budgeting seems as a useful reporting tool, which can help them propose informed budget allocations<sup>35</sup>. Given that Ministries of Finance are operating under significant capacity limitations (both in terms of staff numbers and their skills and practices), MoFs can still not reap the full benefits from tables submitted by budget users. However, there is no alternative body that would make budget allocation decisions. Budget staff often play too many roles to specialise in budget analysis for a particular sector or budget user. However programme budget tables can certainly help add information to the decision-making process. At this time performance monitoring practice is far from desirable, as neither MoF nor budget users have mechanisms to monitor outputs and outcomes of programmes and activities they are undertaking.

The acceptance of the requirement to produce programme budget tables among budget users is mixed. From the technical point of view, all budget users have been trained in producing the simplified programme budget tables and should have acquired the knowledge needed to complete the tables. However, not all budget users are taking the opportunity to request their budget share in this way, and especially to justify their

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<sup>34</sup> PAR Strategy (2006)

<sup>35</sup> The discussion of the feasibility of the introduction of full-scale programme budgeting was held with Ministries of Finance at all levels in the second half of 2006.



actions. Non-transparent practices in “informally discussing” budget allocations can still be observed at many places, and the emphasis on personal relationships remains.

Despite the fact that for the 2007 budget cycle it was planned that programme budget documentation would be sent along with the budget to the Government and the Parliament, the formation of new governments following the general elections in 2006 was very time-consuming and new structures and budgets were not in place for six months in some cases. As new ministers and members of the parliaments are being elected, briefings are being organised for them, at which the relevance of medium-term planning and programme budgeting is presented and discussed<sup>36</sup>. The first indications show that decision-makers are welcoming this additional budget information. It will, hopefully, help them form decisions about individual allocations and the aggregated budget in a more transparent way.

The broader public, the last interest group discussed here, is also expected to benefit from this type of information, given it aims at providing more qualified and more educated budget scrutiny and decision-making. However, in order to be useful and relevant, programme budgets must be based on sensible performance indicators that can be measured and, where necessary, adjusted over time once their outcomes are known. According to Osborne and Gaebler<sup>37</sup>, results can be achieved only if one measures the success, and only with demonstrated results one can win public support.

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<sup>36</sup> These briefings are taking place under the auspices of the DFID Strengthening Public Expenditure Management Project.

<sup>37</sup> Osborne and Gaebler (1993)

**POLICY OPTIONS: *What Policy Options Exist in BiH When It Comes to Public Finance?***

Based on the previous section, which have highlighted the need for modernised public finance management in BiH and suggested the introduction of programme budgeting as the most suitable way of achieving this goal, this section aims to present possible ways of implementing programme budgeting and recommends the optimal choice for BiH.

**(i) Evaluation of Policy Options for Implementing Programme Budgeting**

In essence, Bosnia and Herzegovina is facing three options with programme budgeting at the moment: (1) Stop applying programme budgeting, (2) Apply a simplistic form of programme budgeting, and (3) Apply comprehensive programme budgeting (a graphical illustration of these choices and their sub-options is given in Appendix D).

If the authorities decided to stop the introduction of programme budgeting in BiH, public finance in this country would remain at the same level as during the previous two decades. By selecting this option, BiH would neglect the lessons learned and the progress made in economies that have embraced this method, while the level of cost-effectiveness, control over public funds, the professional conduct, access to information and predictability of funding would remain at the same, relatively low level. By doing it, BiH would also ignore the skills people have acquired during the socialist era, when priority and goal setting and controls and performance management were utilised in most state-owned enterprises. By selecting this option, BiH would waste the existing capacity, would miss a global trend that has proven successful elsewhere, and would gain nothing

in return. This would be the least costly and the least resistance-causing method for the authorities, and also the method that would allow them to continue favourising selected groups of people. It would be the option of the least benefit for the broader public though.

Unlike the first option, where there is no legal requirement of programme budgeting or there is one but it is not being enforced, the second option would be to introduce programme budgeting, although not to a full extent. This would be the case if some institutions decided to plan their budgets according to their programmes, even if there was no legal requirement. In the absence of the legal requirement though, programme information would not be passed on to the Government, the Parliament or the broader public.

This is the stage at which BiH is currently situated - in the first year of programme budget preparation, only few budget users that were regarded as relevant enough and to be prepared to become more transparent and accountable participated in this effort, in exchange for a higher chance to get their desired allocation if well-justified. Evidence showed that producing the tables and making the first steps toward strategic thinking was not too time-consuming or too complicated, which is why Ministries of Finance (pushed by SAA, PAR and various international donor loans and grants) decided to widen this group to all budget users.

This reform demanded substantial experience and funds, which the domestic authorities could not raise alone, and which were provided by the international community. Budget users as well as Ministries of Finance are still facing substantial capacity problems (both in terms of skills and staffing numbers) but, as the perceived importance of medium-term planning and programme budgeting increases, so will every institution try to find staff time required to prepare and process this information.

The third option, in which programme information would include all the above-mentioned but would also be used to monitor performance and efficiency of budget users over time and to influence management decisions, is the ultimate option BiH should try to pursue. However, such reform would require substantial additional resources and given the fiscal pressures BiH is currently undergoing, it is questionable if it will be able to continue with the reform once the donor support has decreased in future.

**CONCLUSION AND RECOMMENDATIONS: *How Can BiH Improve Transparency and Accountability of its Public Sector?***

Given the need for BiH to start (1) improving its organisation, (2) improving funding, (3) improving skills and capacity, (4) improving procedures and (5) improve the quality of services public institutions are providing to citizens, going into a public finance reform or not a real choice for Bosnia and Herzegovina.

Four years have been spent contemplating what public administration should or should not look like and much valuable time and other resources have been spent (with extremely high opportunity cost), while nothing substantial was achieved. The situation changed though in 2004, when the international community organised a PAR review of six different areas, including public finance. The reviews were very useful in finding out what the current situation looks like but also what steps to plan for the future. Two years later, the first PAR strategy was drafted with an action plan that identified a stronger link between policy decision-making and budget preparation, and a higher degree of efficiency and effectiveness of public management in BiH as short-term priorities that had to be implemented within less than three years.

Based on past international experience of over sixty years and based on the way it is defined, programme budgeting could be a useful method in achieving the above written if correctly implemented. Correct implementation assumes a coverage that is as broad as possible, the Government having priorities which budget users can relate to, budget users having clear strategic and operational objectives on which they base their programmes,

and staff of Ministries of Finance and budget users having the skills to summarise all this information in an understandable, widely-agreed format. Preparing the information alone, as it is the case at the moment, without the Government, the Assembly and the broader public reviewing this information and using it to determine budget allocations has a relatively low impact though. In order to be relevant, the information must also be reviewed by decision-making authorities but also, if possible, by internal and external control bodies who would monitor performance and decide on future allocations based on performance.

The first, pilot attempts in the Federation of BiH and also all other levels of Government in BiH are showing that, with international expertise, money and pressure, the introduction of programme budgeting would be a feasible exercise. However, given the amounts of international assistance are going down and BiH should increasingly take responsibility for its actions, it is questionable whether BiH will be able to go beyond this stage and will see correctly implemented full-scale programme budgeting in near future, especially in the period of the next two years.

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## APPENDIX A – SUMMARY OF DIFFERENT BUDGETING METHODS

Budgeting Method	Main Advantages	Main Disadvantages
<u>Incremental Budgeting</u>	<ul style="list-style-type: none"> <li>▪ The agency is guaranteed at least its prior year's base allocation;</li> <li>▪ Shares all advantages of line-item budgeting;</li> <li>▪ Reduces the work on budget request preparation by increasing all line-items by a flat percentage.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Appropriation is not based on real or justified needs of the agency;</li> <li>▪ Taxpayers' money may be spent on funding unimportant or poorly performing programmes;</li> <li>▪ Appropriation increases may be based on factors that have no direct influence on public expenditures.</li> </ul>
<u>Zero-Based Budgeting</u>	<ul style="list-style-type: none"> <li>▪ Each year, the allocation is reconsidered anew;</li> <li>▪ Lapsing or inefficient programmes cease funding;</li> <li>▪ Most useful method if overall spending is to be reduced.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires great deal of staff time for planning and paperwork;</li> <li>▪ May only be appropriate for some activities and on a periodic basis.</li> </ul>
<u>Line-Item Budgeting</u>	<ul style="list-style-type: none"> <li>▪ High degree of control - funds may be used only for line-items specified and are limited to amounts approved;</li> <li>▪ Provides useful information on how much money is spent and for what purpose,</li> <li>▪ Level of detail determines the level of flexibility;</li> <li>▪ Simple, easy to prepare and widely recognised;</li> <li>▪ When budgeting by organizational unit, consistent with lines of authorities and responsibilities;</li> <li>▪ Allows for accumulation of expenditures at the functional level and data can be used for trend analysis or historical analysis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Has limitations when appropriation is made on expenditure unit level;</li> <li>▪ Limits the ability to manage operations effectively;</li> <li>▪ May cause administrative burden as well as a hindrance to the consideration of ongoing policy issues;</li> <li>▪ Presents little useful information about functions and activities;</li> <li>▪ Ignores long-term strategic goals by focusing on short-term allocation of resources;</li> <li>▪ Encourages the <i>use-it-or-lose-it</i> mentality toward spending;</li> <li>▪ Provides little information about the mission, objectives and outcomes of programs.</li> </ul>
<u>Performance Budgeting</u>	<ul style="list-style-type: none"> <li>▪ Provides more relevant information for legislative consideration and evaluation of administrators than line-item budgeting;</li> <li>▪ Organizes the budget into quantitative cost estimates and accomplishments of programs and program activities.</li> <li>▪ Outcomes and indicators provide common accepted goals for major programs;</li> <li>▪ Successful programs build stakeholder support;</li> <li>▪ Very useful for activities which are routine in nature and measurable discretely.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires considerable staff time to gather outcome indicators and make comparisons with other programs in similar agencies.</li> <li>▪ The government must establish an objective and independent program evaluation component;</li> <li>▪ Agencies often lack reliable standard cost information.</li> </ul>

<p><u>Program and Planning/Programming Budgeting</u></p>	<ul style="list-style-type: none"> <li>▪ Focus on long-range planning;</li> <li>▪ May be used to supplement and support traditional budgets, increasing their informational value.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consensus on fundamental government objectives difficult to reach;</li> <li>▪ Goals and elected officials change, disabling the long-term focus of PPB;</li> <li>▪ Assumes adequate program and cost data and high level of analytical ability;</li> <li>▪ Development of long-term cost and benefit projections as well as program alternatives difficult and expensive;</li> <li>▪ Difficult to administer since expenditures may cross organizational units.</li> </ul>
<p><u>Outcome-Focused Budgeting</u></p>	<ul style="list-style-type: none"> <li>▪ Highly consistent with evaluation objectives;</li> <li>▪ Links resource allocation to outcomes;</li> <li>▪ Has a close link to planning processes</li> <li>▪ Shows extremely good results in organizations that are mission-driven.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disregards all considerations (including social/ employment ones) other than outcomes;</li> <li>▪ Relies heavily on outcomes which are often ill-defined (i.e. assumes that certain actions lead to outcomes when it is not the case or assumes that certain outcomes would lead to reaching a goal also when it is not the case).</li> </ul>
<p><u>Programme Budgeting</u></p>	<ul style="list-style-type: none"> <li>▪ Useful for linking ends to means;</li> <li>▪ Emphasises on policy implications;</li> <li>▪ Allows for consideration of the budget as a whole and of competing claims of different agencies.</li> <li>▪ Easier for the government and the public to assess allocations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expects from the central government clear priorities;</li> <li>▪ Requires agency staff to determine missions, goals and objectives for their programmes and functions, which can be extremely time-consuming;</li> <li>▪ Often involves complicated book-keeping.</li> </ul>

**APPENDIX B – PROGRAMME BUDGET TABLES FOR FBiH BUDGET USERS**

TABLE 7: NEW HIGH-PRIORITY SPENDING PROPOSALS				
<b>PROGRAM No. 1</b>				
<b>Name of program:</b>		<i>(specify existing or new program for additional financing)</i>		
<b>Operative objective(s):</b>		<i>(specify operational objectives for this program)</i>		
<b>Description and explanation of program:</b>		<i>(Provide brief description of proposal, for example, which additional services will be provided or produced, who will be the main beneficiaries, etc.)</i>		
<b>Legal authority:</b>		<i>(list existing or proposed legislation, for example, Law, Decision of Government, etc)</i>		
<b>Performance objectives</b>		<b>Estimate</b>	<b>Projection</b>	
		<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Output</b> <i>(list target of the output being produced or delivered with additional resources from the proposal)</i>				
<b>Outcome</b> <i>(list target of the outcome being achieved by this proposal)</i>				
<b>Efficiency</b> <i>(target of the efficiency of proposal, i.e. Cost per output)</i>				
<b>Account</b>		<b>Estimate</b>	<b>Projection</b>	
		<b>2007</b>	<b>2008</b>	<b>2009</b>
611000 612000	For wages and advances of employees plus contributions	KM 0,00	KM 0,00	KM 0,00
613000	For expenditures for goods and services	KM 0,00	KM 0,00	KM 0,00
614000	For current grants	KM 0,00	KM 0,00	KM 0,00
615000 616000 812000 822000 823000	For capital expenditures	KM 0,00	KM 0,00	KM 0,00
<b>(1) Total Budget Resources for New Policy</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
<b>(2) Own revenues or donations</b> <i>(specify source)</i>		KM 0,00	KM 0,00	KM 0,00
<b>(1-2) Additional resources requested for new policy</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Item of reference: Number of new employees <i>(full time equivalent)</i>		0	0	0
<b>Total additional resources for all new proposals</b>		<b>Estimate</b>	<b>Projection</b>	
		<b>2007</b>	<b>2008</b>	<b>2009</b>
For wages and advances of employees plus contributions		KM 0,00	KM 0,00	KM 0,00
For expenditures for goods and services		KM 0,00	KM 0,00	KM 0,00
For current grants		KM 0,00	KM 0,00	KM 0,00
For capital expenditures		KM 0,00	KM 0,00	KM 0,00
<b>(1) Total additional expenditures for all proposals</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
<b>(2) Total own revenues or donations</b>		KM 0,00	KM 0,00	KM 0,00
<b>(1-2) Total requested budget resources for all proposals</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Item for reference: Number of new employees		0	0	0

TABLE 8: PROGRAMME SAVINGS OPTIONS

<b>SAVINGS OPTION No. 1</b>						
<b>Name of program:</b>		<i>(specify existing or new program in which savings are identified)</i>				
<b>Operational objective(s):</b>		<i>(specify operational objectives of the program)</i>				
Account	Proposed savings	Execution	Plan	Estimate	Projection	
		2005	2006	2007	2008	2009
611000 612000	Wages and advances of employees plus contributions	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
613000	Expenditures for goods and services	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
614000	Current grants	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
615000 616000 812000 822000 823000	Capital expenditures	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1) Total approved expenditures for the program</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
<b>(2) Own revenues or donations (specify source)</b>		KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1-2) Total approved budget resources for the program</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Item of reference: Number of planned employees full time equivalent)		0	0	0	0	0
<b>Description of savings option:</b>		<i>Describe the nature of the savings. Which functions and activities will no longer be performed? What is the basis of the savings e.g. low priority, continuing poor performance, efficiency improvements?</i>				
<b>Impact of savings option:</b>		<i>What is the impact of the saving on the end user or beneficiary of the service or program?</i>				
<b>Basis of savings estimate:</b>		<i>(How have the savings been calculated? Specify the methodology and calculations from the developing the costs of this proposal)</i>				
Account	Estimate of possible savings	Execution	Plan	Estimate	Projections	
		2005	2006	2007	2008	2009
611000 612000	Decrease in wages and advances of employees plus contributions	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
613000	Decrease of expenditures for goods and services	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
614000	Decrease in current grants	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
615000 616000 812000 822000 823000	Decrease in capital expenditures	KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>Total savings for program</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Item of reference: Decreased number of workplaces (full time equivalent)		0	0	0	0	0
<b>Total possible savings for all programs</b>		Execution	Plan	Estimate	Projections	
		2005	2006	2007	2008	2009
Total decrease in wages and advances of employees plus contributions		KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
Total decrease of expenditures for goods and services		KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
Total decrease in current grants		KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
Total decrease in capital expenditures		KM 0,00	KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>Total proposed savings</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Item of reference: Decreased number of workplaces		0	0	0	0	0

<b>TABLE 9: BUDGET USER REQUESTS PROGRAM SUMMARY</b>					
<b>Strategic objective(s) of the Budget User:</b>		<i>(specify strategic objectives that Budget User strives to accomplish)</i>			
<b>PROGRAM No. 1</b>					
<b>Name of program:</b>		<i>(specify every program your institution will implement in period 2006-09)</i>			
<b>Operational objective(s):</b>		<i>(specify operational objectives for the program)</i>			
<b>Manager of the program:</b>		<i>(name of person responsible for the program)</i>			
<b>Activities:</b>		<i>(specify planned activities that should contribute to program objectives)</i>			
<b>Performance objectives</b>		<b>Estimate</b>	<b>Projections</b>		
		<b>2007</b>	<b>2008</b>	<b>2009</b>	
<b>Output</b> <i>(list target of the output being produced or delivered with additional resources from the proposal)</i>					
<b>Outcome</b> <i>(list target of the outcome being achieved by this proposal)</i>					
<b>Efficiency</b> <i>(target of the efficiency of proposal, i.e. Cost per output)</i>					
<b>Account</b>	<b>Total resources for the program</b> (approved allocation minus savings)	<b>Plan</b>	<b>Estimate</b>	<b>Projections</b>	
		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
611000 612000	Wages and advances of employees plus contributions	KM 0,00	KM 0,00	KM 0,00	KM 0,00
613000	Expenditures for goods and services	KM 0,00	KM 0,00	KM 0,00	KM 0,00
614000	Current grants	KM 0,00	KM 0,00	KM 0,00	KM 0,00
615000 616000 812000 822000 823000	Capital expenditures	KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1) Total expenditures for program</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
<b>(2) Own sources or donations</b> <i>(specify source)</i>		KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1-2) Budget user requests for program</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Reference item: Number of employees per program <i>(full time equivalent)</i>		0	0	0	0
<b>Total expenditures for all programs</b>		<b>Plan</b>	<b>Estimate</b>	<b>Projections</b>	
		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total wages and advances of employees plus contributions		KM 0,00	KM 0,00	KM 0,00	KM 0,00
Expenditures for goods and services		KM 0,00	KM 0,00	KM 0,00	KM 0,00
Current grants		KM 0,00	KM 0,00	KM 0,00	KM 0,00
Capital expenditures		KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1) Total expenditures for all programs</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
<b>(2) Own sources or donations</b> <i>(specify source)</i>		KM 0,00	KM 0,00	KM 0,00	KM 0,00
<b>(1-2) Budget user requests for all programs</b>		<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>	<b>KM 0,00</b>
Reference item: Number of employees per program <i>(full time equivalent)</i>		0	0	0	0

## APPENDIX C – LIST OF MEETINGS HELD TO DISCUSS PROGRAMME DOCUMENTATION

Institution	Representative	Type of Training	Date
Programme Budget Training for FBiH Ministry of Finance	E. Silajdžić, M. Kožo, A. Čatović	Hands-on training	Aug 23, 2006
Programme Budget Training for Canton Ministries of Finance	M. Sučić, N. Delibašić, J. Ursa, S. Šarac, A. Salihagić, B. Čošković, P. Marković, J. Damjanović,	Presentation and Workshop	Oct 18, 2006
<b>Federation Budget User Meetings</b>			
FBiH Ministry of War Veteran Issues	N. Spahalić, N. Goletić, S. Ahmedpahić, S. Lipović	Reporting session	Sep 5, 2006
FBiH Ministry of Finance	F. Drinčić	Meeting	Sep 11, 2006
FBiH Ministry of Labour and Social Policy	Dž. Kelić, V. Marjanović	Hands-on training	Sep 12, 2006
FBiH Ministry of Agriculture, Water Management and Forestry	E. Šabaredžović etc.	Reporting session	Sept 4, 2006
FBiH Ministry of Transport and Communication	Tables completed. No assistance required.		-
FBiH Tax Administration	A. Prasko, I. Previšević	Meeting	Sep 12, 2006
FBiH Ministry of Justice & Prisons	A. Jasika	Hands-on training	Sep 13, 2006
FBiH Police Administration	Tables completed. No assistance required.		-
FBiH Ministry of Health	Tables completed. No assistance required.		Sep 14, 2006
FBiH Ministry of Refugees and Internally Displaced Persons	Tables completed. No assistance required.		-
FBiH Government Secretariat	A. Gašević	Reporting session	Sep 11, 2006
FBiH Ministry of Energy, Industry and Mining	N. Delić, M. Čuljak	Meeting	Sep 4, 2006
FBiH Supreme Court's Police	V. Edin, H. Živojević	Reporting session	Sep 7, 2006
Joint Services Agency for FBiH Institutions	F. Džindo, B. Kozadra, S. Žigalj	Hands-on training	Sep 13, 2006
FBiH Ministry of Culture and Sports	Tables completed. No assistance required.		-
FBiH Ministry of Internal Affairs	V. Zovko	Reporting session	Sep 5, 2006
FBiH Ministry of Tourism and Environment Protection	M. Bjelica, Š. Šehagić	Hands-on training	Sep 1, 2006
FBiH Ministry of Spatial Planning	Mrs. Bisera, Š. Šehagić	Hands-on training	Sep 12, 2006
FBiH Ministry of Justice	A. Jasika	Hands-on training	Sep 13, 2006

**APPENDIX D – OUTCOME MATRIX – POSSIBLE WAYS OF INTRODUCING PROGRAMME BUDGETING AS A TOOL FOR INCREASING TRANSPARENCY AND ACCOUNTABILITY IN THE PUBLIC SECTOR**

Policy goals and constraints	Evaluation Criteria	Policy Options		
		No programme budgeting	Limited p. budgeting	Full-blown p. budgeting
EFFECTIVENESS (Increased transparency and accountability in the public sector)	Transparency, corruption and accountability indexes and measures	Low	Relatively low	High
	Citizens' satisfaction with public programmes	Low	Relatively low	High
EFFICIENCY (transparency and accountability increased in a cost-effective way)	Cost of implementing policies and potential savings from increased transparency and accountability	None	Relatively low/relatively high	High/high
EQUITY (all budget users have equal access to public funds)	Degree to which different interest groups can influence allocation	Low	Relatively high	High
COSTS	Cost of drafting (amending) and enacting legislation needed to implement the policy	None	Relatively high	High
	Additional cost for the budget user to prepare programme documentation	None	Relatively low	Relatively high
	Additional cost for the MoF/Parliament/Govt/ Audit Office to review PB documentation	None	Relatively low	Relatively high
	Cost of training to produce and process PB documentation	None	Relatively low	Relatively high
TECHNICAL CONSTRAINTS	Capacity that exists with institutions	None	Relatively low	Relatively high
	Assistance (by donors and MoF) available	None	High	Relatively high
INSTITUTIONAL CONSTRAINTS	Need to introduce new institutional linkages	None	Relatively low	Relatively high
POLITICAL CONSTRAINTS	Preparedness of budget users to produce programme documentation	None	Relatively low	High
	Preparedness of relevant institutions to review programme information	None	Relatively low	High
TIME	Time needed for implementation	None	Relatively low	High
= BENEFIT		None-low	Relatively low	Relatively high