



BOSNA I HERCEGOVINA

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FEDERALNO MINISTARSTVO FINANSIJA

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PROGRAM BUDGETING IN THE FBIH

NEW DESIGN, LINKED TO STRATEGIC PLANNING AND THE PLANNED IT SYSTEM

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PRESENTATION OVERVIEW



- I. The history of program and performance budgeting (program budgeting or PB for short) in Bosnia and Herzegovina (BiH)**
- II. Status and weaknesses in PB prior to the design of the new PB system and objectives of the new system for the Federation of BiH (FBiH)**
- III. Key elements of the new design, including the link to strategic planning**
- IV. The new planned IT system**
- V. Remaining steps for the implementation of the PB reform in the FBiH**

HISTORY OF PROGRAM BUDGETING IN BIH

- **The first steps at all levels in BiH (BiH, FBiH, Republika Srpska, Brčko District institutions) back in the period 2005–2010**, with the technical assistance of the UK government (DfID) – introduction of DOB, harmonised budget calendar in 10 steps and the introduction of the first basic elements of PB:
 - trainings for the Ministry of Finance and budget users (ministries and agencies)
 - forms for the preparation of requests for funds in the BFP divided according to programs, with objectives and performance indicators
- Additional follow-up work with users and improvement of BMIS with the technical support of the EU
- **However, at the point in time before the new system was designed, PB information was essentially not used** – although all budget users (ministries and agencies) at all levels in the BiH were filling out their requests for funds also in a program format with performance indicators:
 - information on programs and performance was not sent to governments and parliaments, it was not published and budgets were not adopted in a program format

KEY WEAKNESSES BEFORE THE DESIGN OF THE NEW PB SYSTEM

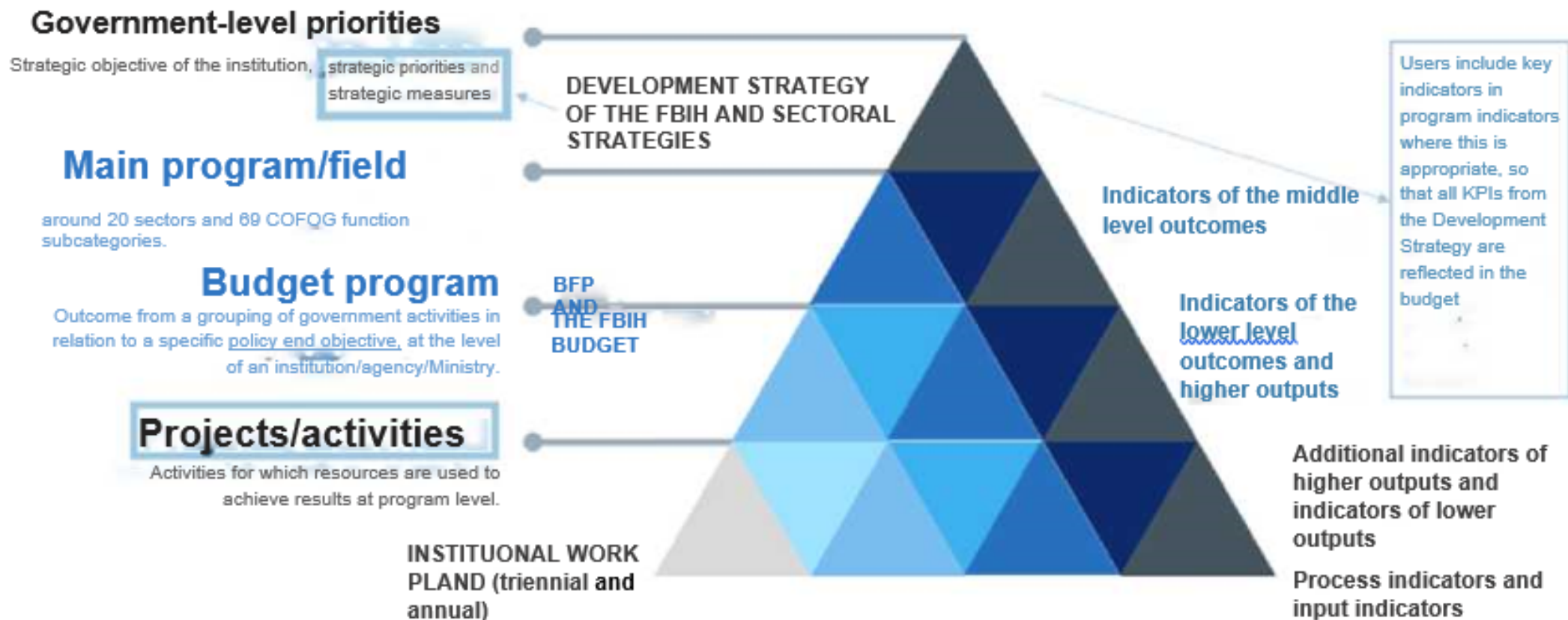
- **With the technical support of EU projects, the analysis identified the following key weaknesses for the FBiH:**
 1. **weak and unclear legal basis** for the adoption of budgets in a program format (there was only a general provision prescribing that users submit their request in a program format)
 2. **non-standardised scope of the budget program** (consequently, many users had either too few or too many programs) **and an excessively fragmented program structure** with project levels (there was a total of 200 programs with 800 projects for 67 users of the FBiH budget, which amounts to approx. EUR 3.5 billion)
 3. **significant differences between the users** in terms of scope and adequacy of programs and performance indicators
 4. **overall insufficient quality of indicators**, with too many indicators of low-level output and process results and insufficient outcomes
 5. **disconnect from strategic planning** (noting that the strategic planning system in the FBiH had been weak and non-standardised until recently, and that linking was previously not possible)
 6. **overdetailed forms** for filling out requests in a program format
 7. **inadequate and out of date IT system**, insufficient for the adoption and execution of a budget in a program format
 8. **overdetailed economic classification according to which the budget is adopted** – 376 budget lines of economic classification
 9. **need for capacity building and strengthening human resources** in ministries of finance and users
 10. **insufficient awareness and support from the political level** (ministers, the Government, the Parliament)

OBJECTIVES OF THE NEW PB SYSTEM

- **FMF defined the following concrete objectives before the new PB design in the FBiH:**
 1. **Improve information available to the Government and Parliamentary Assembly** during the adoption of a budget by providing data on **program-level expenses and contextual information on performance, while retaining the aggregate economic categorisation of expenditures**
 2. **Establish a targeted link between budget and strategic planning processes in the FBiH**, including umbrella and sectoral strategic documents for the FBiH, as well as institutional plans
 3. **Provide a simple and clear structure and content of budget programs and retain the existing budget cycle** in order not to overwhelm budget users and the system for budget execution
 4. **Increase transparency and “understandability” of the budget to the public**
- The design was created taking into consideration the *OECD Good practices for program and performance budgeting* and **additional PEMPAL recommendations** (incl. the knowledge product *Performance Budgeting and Spending Reviews in PEMPAL Countries*). These recommendations were considered from the perspective of specific circumstances, capacities and needs of the FBiH in order to ensure applicability and usefulness of the designed model specifically for the FBiH.

THE MAIN OBJECTIVE WAS TO CREATE A DESIGN THAT: i) IS FLEXIBLE IN TERMS OF THE NATURE OF THE COMPETENCE OF EACH INSTITUTION, ii) CAN BE IMPLEMENTED (including the execution system and audit) AND iii) WILL BE USED!

THE CONCEPT OF THE NEW DESIGN AND LINK TO STRATEGIC PLANNING



NEW DESIGN: FUTURE OUTLOOK OF THE ADOPTED BUDGET

1) Ministry/user

2) Main program

3) Program

4) Program link to the
priority/measure from the
Development
Strategy of the FBiH

5) Program link to the relevant
sectoral strategy

6) Aggregate economic
classification



67 users at the level of the FBiH government

23 main programs/sectors, in addition to the link
with 69 COFOG Categories

on average 2–7 per ministry/user

18 priorities and 78 measures in the
Development Strategy of the FBiH for the 2021–
2027 period

Encryption will be defined subsequently
depending on the format of the sectoral strategy

approximately 30 lines of economic
classification + approx. 20 “line items of special
surveillance”

- **The budget program is the lowest level of the adoption of a budget;** a budget is not adopted at the level of activity and project subcategories within a program (they are presented in institutional documents)
- **In the budget annex, each program is provided with an “ID card”** on two pages, including indicators (the ID card essentially contains all data that the users submit when filing requests for funding)

ADDITIONAL ELEMENTS OF THE NEW METHODOLOGY (I)

BUDGET PROGRAMS:

- The indicative recommended number of programs per institution is 2–7
- In order to ensure implementation and accountability for the results as well as a connection with the operational work of institutions, when defining programs, it should be identified which organisational units from the systematisation of the institution belong to which program. Depending on the essence of the program, i.e. the anticipated outcomes, several sectors may belong to one program, and when adequate, different departments within the same sector may belong to different programs.
- **Budget programs are a permanent category** – after they are defined by the institutions before the implementation based on the competence of the institution and they are accordingly coded as part of the program classifications, changes will be possible only with the approval of MF and/or the Government
- Each institution must have the program *Institutional management, support and administration* with certain exceptions due to specific internal organisation (e.g. for small offices in the FBiH government)
- Different institutions may have the same program (e.g. institutions from the same sector/department), provided that the program administrator is not shared and that the program has its own separate code for the levels of each institution
- **All expenditure are divided by programs**
 - each employee belongs to only one program
 - overhead costs in the case of small centralised expenses can be planned in the program *Institutional management, support and administration*
 - all other expenditures are divided by programs
- **It is recommended that institutions prepare logical frameworks for all programs**
- The program structure is decided on based on the scope and content of work, appointment of program managers, display of a complete picture of activities through output and outcome indicators for each program, and the possibility of monitoring the execution of expenditures by program

OUTLOOK OF THE PROGRAM “ID CARD” (I)

PART 1: BUDGET PROGRAM INFORMATION	
USER PROGRAM CODE	
User	
Strategic objective of the user	
Main budget program	
BUDGET PROGRAM	
Organisational units within the budget program:	
Priority/measure from the Development Strategy of the FBiH to which the budget program contributes	
Priority/measure from the adopted sectoral strategy to which the budget program contributes (and indicate the name of the strategic document):	
Objectives and key activities of the budget program:	
Legal basis of the budget program (including legislation):	
Budget program manager:	
Key suggested priority activities/projects (including the activities/projects from the baseline scenario and from new expenditure proposals) within the budget program (mark strategic activities/projects from the adopted strategic documents where applicable):	
Indicate new suggested expenditure proposals (outside of the baseline scenario of previously approved policies):	
Key challenges/obstacles for achieving the budget program objective:	

OUTLOOK OF THE PROGRAM “ID CARD” (2)

PART 2: PROGRAM PERFORMANCE										
Name of performance indicator	Previous year			Target indicator values						
	Target indicator value	Realised indicator value	Current year	Next year (the year for which the planning is done)		Next year +1		Next year +2		
				For the total request	Of which: for new expenditure proposals	For the total request	Of which: for new expenditure proposals	For the total request	Of which: for new expenditure proposals	
Output (direct results) = <i>Product/goods and services that result from the implementation of the program. Indicate 1–5 key higher-level output indicators</i>										
Outcomes = <i>The effect of provided goods/services on the end target group of users (compared to program objectives). Indicate 1–3 key higher-level outcome indicators</i>										

OUTLOOK OF THE PROGRAM "ID CARD" (3)

PART 3: FUNDS FOR THE PROGRAM AND NUMBER OF PROGRAM EMPLOYEES												
		Previous year's execution		Adopted budget for the current year			Request for funds for the next year					
		Budget (source 10)	Other sources (20, 30, 40)	Budget (source 10)	Other sources (20, 30, 40)	Indicate correct sources of financing for other sources	TOTAL REQUEST			OF WHICH: FOR NEW EXPENDITURE PROPOSALS		
							Budget (source 10)	Other sources (20, 30, 40)	Indicate correct sources of financing for other sources	Budget (source 10)	Other sources (20, 30, 40)	Indicate correct sources of financing for other sources
6111	Gross salaries and pay reimbursement											
6112	Compensation for employee costs											
6121	Employer contributions											
6131	Travel											
6132	Energy outlays											
6133	Outlays for communication and municipal services											
6134	Procurement of materials and low value equipment											
6135	Transport services and fuel outlays											
6136	Rental of property, equipment and intangible assets											
6137	Outlays for current maintenance											
6138	Insurance, banking services and payment system outlays											
6139	Contracted and other special services											
6141	Current transfers to other levels of governments and funds											
6143	Current transfers to non-profit organisations											
6144	Subsidies to public enterprises											
6148	Other current expenses											
6153	Capital transfers to non-profit organisations											
8213	Procurement of equipment											
8215	Procurement of fixed assets in the form of rights											
	TOTAL EXPENDITURE ON THE PROGRAM											
	Of which the proposed SPN:											
	entered the names and amounts for each of the proposed SPN (maximum 3)											
	Number of employees per program											

ADDITIONAL EXPLANATIONS IN USER REQUESTS

PART 4: TEXTUAL EXPLANATIONS

ENTER ADDITIONAL BRIEF TEXTUAL EXPLANATION OF THE REQUEST:

- I. **Brief explanation for the changes in the requested funds compared to the previous year for items – especially provide an explanation of new expenditure proposals for each category:**
 1. salaries and remuneration:
 2. outlays for materials and services:
 3. current transfers:
 4. capital investments:
 5. other:
- II. **Brief explanation of the value of the achieved and target indicator values:**
 1. reasons for differences in the achieved ones compared to target values in the previous year:
 2. reasons for differences in target values for the next year compared to the current year:
- III. **Brief explanation of multi-annual capital investments:**
- IV. **Brief explanation of the sources of financing:**
- V. **Forecast expense per key strategic activities and projects within the program:**

EXAMPLE OF BASIC ELEMENTS OF THE PROGRAM “ID CARD”

MINISTRY’S STRATEGIC OBJECTIVE: *Provide protection and improve the position of socially vulnerable categories through employment policies, pension and disability insurance (PIO) and social protection benefits*

PROGRAM 1: Protection of persons with disabilities and civilian war casualties

MAIN PROGRAM: 13 SOCIAL PROTECTION

Organisational units in the program system: *Sector for the protection and inclusion of persons with disabilities, civilian war casualties and a unique register*

Priority/measure from the Development Strategy of the FBiH to which the program contributes: *Priority 2.5 – Reduce poverty and social exclusion* Measures within this priority to which the program contributes are the following: 2.5.1 improve social inclusion of marginalised groups, 2.5.2 Support better targeting of social protection and 2.5.3 Improve cross-sectoral cooperation, infrastructure and competences of social protection service providers

Priority/measure from the adopted sectoral strategy to which the program contributes: *Will be defined subsequently, after the adoption of the sectoral strategy*

Program objectives and key activities: *Improving the rights and position of persons with disabilities and civilian war casualties in the FBiH: Ensuring the payment of benefits to civilian war casualties and persons with disabilities, providing support to social services and support to organisations for persons with disabilities and civilian war casualties, conducting expert medical reports and keeping a register of benefit users and databases, and carrying out strategic planning tasks and coordinating activities in the field of protection of persons with disabilities and civilian war casualties at the FBiH level.*

Output indicators:

- Number of recipients of benefits for civilian war casualties and persons with disabilities
- Number of users of expert medical report services
- Number of users of social services and organisations for persons with disabilities and civilian war casualties that received services from the Ministry funding
- Number of data processed/entered into the registers of benefit users and databases

Outcome indicators:

- Average number of benefits paid to civilian war casualties and persons with disabilities per recipient indicated as a share in relation to the average salary in the FBiH (or assessment of minimum cost of living)
- At-risk-of-poverty rate (indicator from the Development Strategy)
- Poverty rate (indicator from the Development Strategy)
- Social exclusion index (indicator from the Development Strategy)

REFERENCE FRAMEWORK FOR DEVELOPMENT/STRATEGIC PLANNING

Act on Development Planning and Management in the Federation of BiH (“Official Journal of the Federation of BiH”, No. 32/2017)

Regulation on Triennial and Annual Planning, Monitoring and Reporting in the FBiH (“Official Journal of the Federation of BiH”, No. 74/2019)

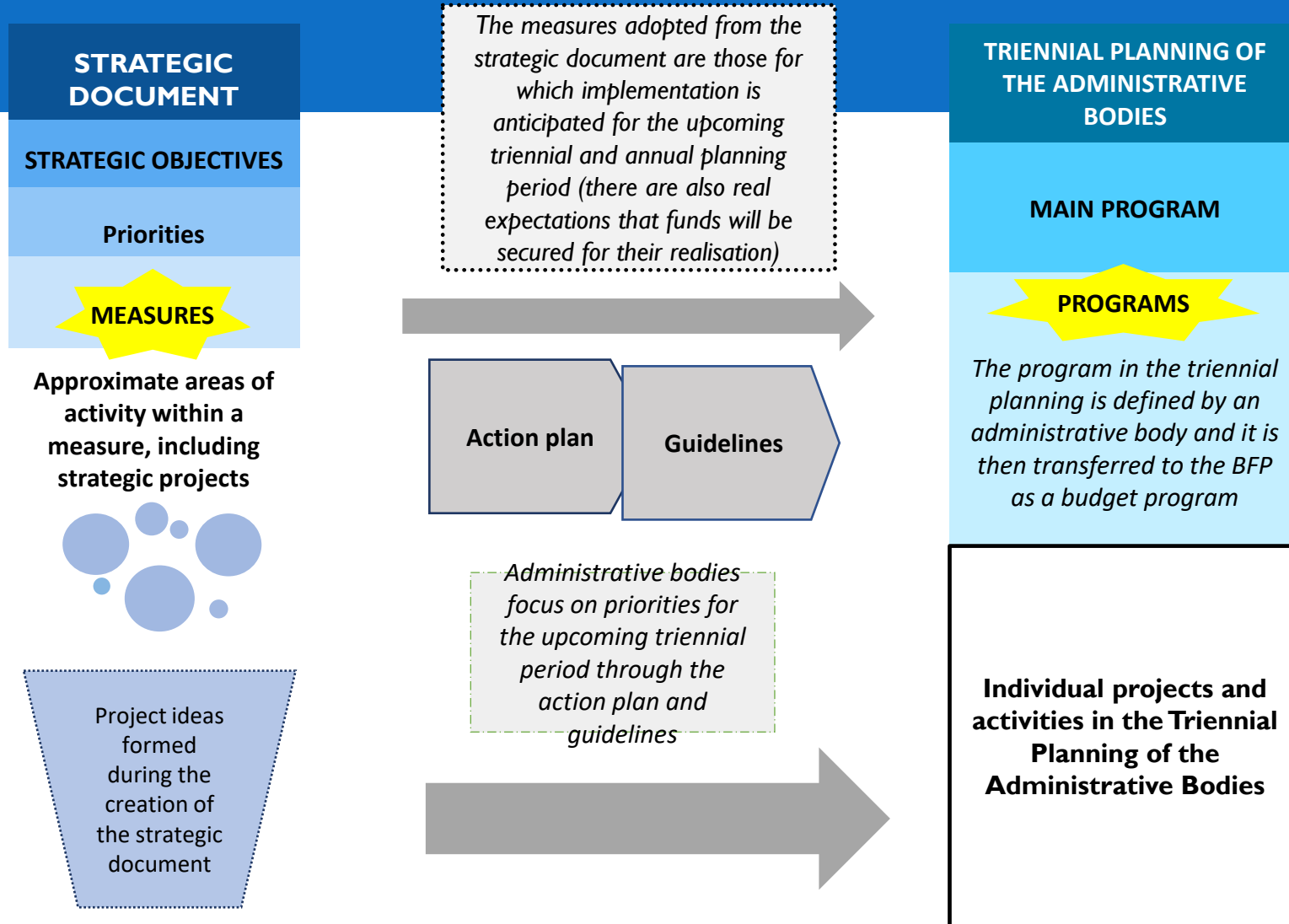
Regulation on the Creation of Strategic Documents in the FBiH (“Official Journal of the Federation of BiH”, No. 74/2019)

Regulation on the Evaluation of Strategic Documents in the FBiH (“Official Journal of the Federation of BiH”, No. 74/2019)

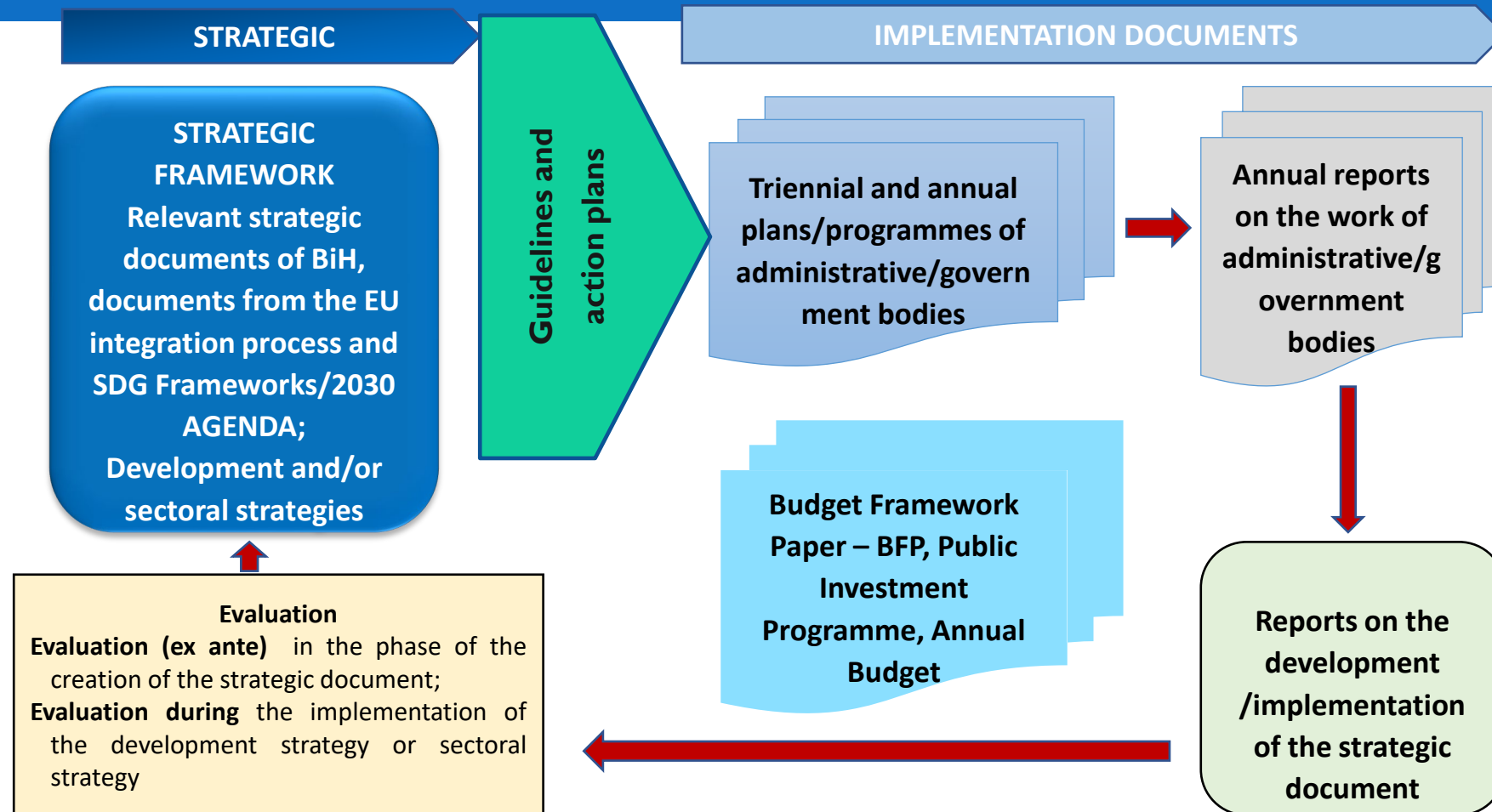
Regulation on the Creation of a Development Index in the FBiH (“Official Journal of the Federation of BiH”, No. 17/2019)

Regulation on the Linking of Development, Financial and Investment Planning – planned for the coming period

KEY LINKS BETWEEN THE STRATEGIC DOCUMENT AND THE TRIENNIAL PLANNING OF THE ADMINISTRATIVE BODIES



LINKS BETWEEN STRATEGIC AND IMPLEMENTATION DOCUMENTS



LINK: STRATEGY/BUDGET

INTEGRAL STRATEGY OF FBiH	SECTORAL STRATEGIES	BFP AND BUDGET	TRIENNIAL AND ANNUAL PLANNING OF THE ADMINISTRATIVE BODIES
Strategic objective	Strategic objective	Main program	Main program
Priority	Priority		
Measure	Measure	Program	Program
		Activity/project	Activity/project

EXHIBIT: STRATEGY/BUDGET

Development Strategy of the FBiH 2021–2027		BFP AND BUDGET	TRIENNIAL AND ANNUAL PLANNING OF THE ADMINISTRATIVE BODIES
Strategic objective 2	Prosperous and inclusive social development	Main program: Social protection	Main program: Social protection
Priority 2.5	Reduce poverty and social exclusion		
Measure	Measures: 2.5.1 Improve social inclusion of marginalised groups 2.5.2 Support better targeting of social protection 2.5.4 Improve the position of vulnerable groups on the labour market	Program: Protection of persons with disabilities and civilian war casualties	Program: Protection of persons with disabilities and civilian war casualties
		Activity/project: - Creation of the Social Services Act in the Federation of Bosnia and Herzegovina - Amendments and addenda Act on Professional Rehabilitation, Training and Employment of Persons with Disabilities in the FBiH	Activity/project: - Creation of the Social Services Act in the Federation of Bosnia and Herzegovina - Amendments and addenda Act on Professional Rehabilitation, Training and Employment of Persons with Disabilities in the FBiH

ADDITIONAL ELEMENTS OF THE NEW METHODOLOGY (2)

BUDGER PROGRAM PERFORMANCE INDICATORS:

- Indicative recommended minimum number of output indicators per program is 3–5 and outcome indicators 1–3; however, a larger number of indicators is expected in the majority of cases, taking into consideration the larger scale of programs and the need for all relevant indicators from the Strategy to be displayed in the budget programs
- All indicators of a single budget program should be examined as a whole with the aim of providing a full picture of all key activities, the scope and content of work, achievements and challenges in the budget programs – **a sufficient number of indicators should be provided for the full picture**
- All indicators must be qualified, but this does not prevent the use of qualitative indicators; all indicators can be indicated in qualitative form, including milestones or phase indicators
- Different institutions may have the same indicators, which also includes relevant indicators from the Development Strategy of the FBiH
- Higher outcome indicators must be included, but additional lower-level indicators must also be defined next to them, through which an institution contributes to higher-level indicators. This also applies to indicators from the Development Strategy
- Lower-level indicators – lower output, process indicators and “fragmented” indicators do not need to be used for budget program indicators, but in institutional work plans
- **For each budget indicator, institutions must prepare an “indicator passport”**
- The realisation of the value of an indicator is reported annually in annual reports on budget execution

ADDITIONAL INFORMATION FOR THE LINK WITH STRATEGIC PLANNING

1. Targeted partial linking: strategies and budgets have a different purpose (as well as scope and time frame considering the limited duration of a strategy), **and strategic and budget planning cannot be fully equalized:**

- a. **For each budgeting program a link with the primary measure/priority from the Development Strategy of the FBiH that this program is contributing to will be displayed, as well as the link to the measure/priority from the relevant sectoral strategy**
- b. **As part of institutional triennial and annual planning for institutions, where** projects and activities for which costs are determined are elaborated in more detail (in accordance with the legislation on development planning), each activity/project must be linked to the smallest organisational unit (usually a department), which is then connected to the budget program that contributes to the implementation of the activity/measure, i.e. the budget program to which this smallest organisational unit belongs, while at the activity and project level, funds are not planned for the purposes of program budgeting and user requests for funds in BFP and budget; they are only planned at the budget program level
- c. **Performance indicators in the Development Strategy of the FBiH should be included in relevant budget programs** – in cases where the budget program contributes to multiple priorities / measures from multiple priorities, indicators from those other measures/priorities are adopted on top of indicators from the primary priorities/measures

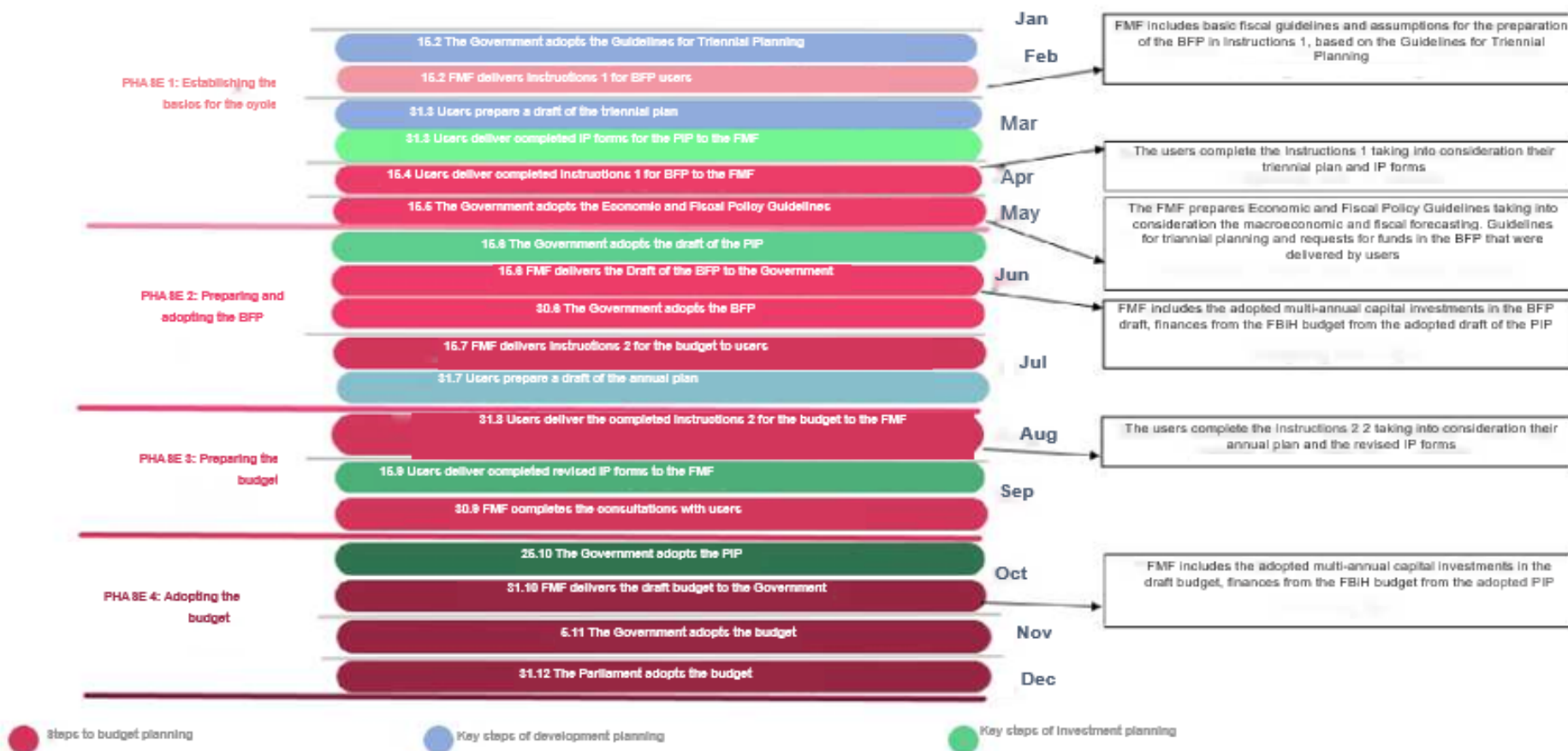
2. Guidelines for triennial planning become the basis for the BFP and FMF Guidelines

3. Users simultaneously prepare and link the triennial plan and request for funds in the BFP (and request for funds in the draft of the PIP), as well as the **annual plan and request for funds in the budget** (and request for funds in the PIP)

FUTURE ENCRYPTION OF THE ADOPTED BUDGET

USER	MAIN PROGRAM	PROGRAM	LINK TO THE DEVELOPMENT STRATEGY OF THE FBH	LINK TO THE SECTORAL STRATEGY	ECONOMIC CLASSIFICATION	SOURCES OF FINANCING				TOTAL	
						Source 10 Budget funds	Source 20 Budget funds	Source 30 Dedicated revenues	Source 40 Grants		
5101					Federal Ministry of Labour and Social Protection						
	510114				Labour market and operating conditions						
		51016501			PROGRAM: Work and employment incentive						
67 users			51016501241		Measure 2.4.1 Develop and implement an efficient activation and active employment policy						
	23 main programs (with a subsequent link to the COFOG categories)			51016501241XXX	xxx						
		2-7 per user on average				51016501241XXX6111	Gross salaries and pay reimbursement	488.351	-	-	488.351
			18 priorities and 78 measures			51016501241XXX6112	Compensation for employee costs	88.631	-	-	88.631
				Determined subsequently based on users after the adoption of the sectoral strategies		51016501241XXX6121	Employer Contributions	51.277	-	-	51.277
						51016501241XXX6131	Travel	5.000	-	-	5.000
						51016501241XXX6132	Energy outlays	460	-	-	460
						51016501241XXX6133	Outlays for communication and municipal services	17.241	-	-	17.241
						51016501241XXX6134	Procurement of materials and low value equipment	12.644	-	-	12.644
						51016501241XXX6135	Transport services and fuel outlays	5.000	-	-	5.000
						51016501241XXX6136	Rental of property, equipment and intangible assets	4.138	-	-	4.138
						51016501241XXX6141	Current transfers to other levels of governments and funds	60,561,482	-	-	60,561,482
							OVERALL EXPENDITURES AND PROGRAM OUTLAYS	64,234,225	-	-	64,234,225
							Number of employees per program				20

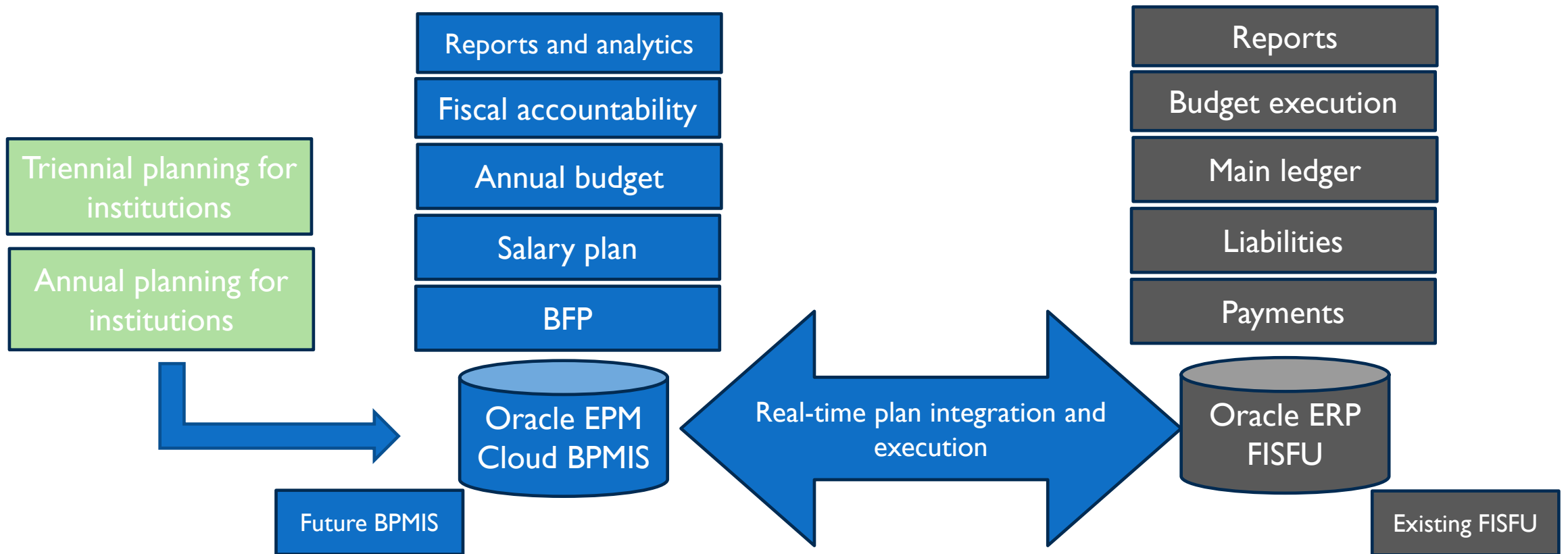
NEW CALENDAR LINKED TO THE STRATEGIC AND INVESTMENT CYCLE



PLANNED IT SYSTEM

- EU finances the project of the implementation of the new BPMIS solution at the state and entity level and for the Brčko District
- Total value of the project amounts to EUR 2.2 million
- Expected start of the project May 2024
- Expected availability of solutions for the FBiH end of 2024
- Centralised system for all budget users of the FBiH
- Approx. 80 appointed users at the FBiH level
- Integration with the treasury system (FISFU) for budget execution in program format in real time
- In 2020, FISFU was adapted and prepared for the future budget program format
- High accessibility of cloud-based solutions that guarantees sustainability of software solutions, keeping them up-to-date
- Through this project, budget planning and execution will be carried out on the same technologies, which will facilitate integration and maintenance of two key systems in FMF in the domain of budget management in the FBiH

PLANNED IT SYSTEM



STATUS IN PREPARATION FOR THE IMPLEMENTATION AND NEXT STEPS

1. **Based on the already adopted amendments and addenda to the Organic Budget Act of the FBiH, PB in the process of budget planning, adoption and execution is going to come into force soon (by the end of 2024) for the FBiH level, and in two years for the cantonal level**
2. **With the technical assistance of EU projects, FMF already provided individual technical assistance to each of the 67 users and suggested budget programs and indicator options for each user, provided that the final decision is solely up to the users**
 - FMF requested from all line ministries / budget users to submit laws and by-laws that define the competence and work of an institution, the rulebook on internal systematization, applicable strategic documents in the field of competence of the institution and other relevant materials
 - Based on the analysis of those documents and good international practices, suggestions of budget programs and performance indicators were prepared and presented (a total of 139 programs and 3,056 indicators), including links to priorities/measures and indicators of the Development Strategy of the FBiH
 - Each user was provided with additional questions that should be taken into consideration when deciding on programs and indicators
3. **Next steps:**
 - a. **Finalising the by-laws / methodological guidelines**
 - b. **Improving the IT system for budget planning**
 - c. **Implementation!**



THANK YOU FOR YOUR ATTENTION!