



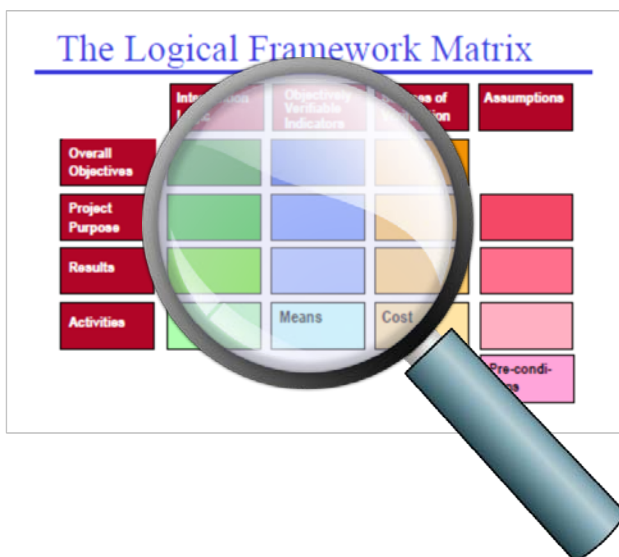
UNIT FOR DONOR COORDINATION, FINANCE, MONITORING AND EVALUATION

REPORT ON EVALUATION

of the project

Budget Management Information System (BMIS)

and the project Widening of the Budget Management Information System BMIS by a software component for gender responsible budgeting



November 2015



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INFORMATION ON THE PROJECTS

No. of the Contract:	01-07-53-121/10	03-07-3-UP1-1-13/14
Annex to the Contract:	03-07-3-10-17/13	n/a
Title of the Project:	Budget Management Information System – BMIS	Widening of the Budget Management Information System BMIS by a software component for gender responsible budgeting
Implementer:	Consortium SRC systemske integracije d.o.o. Serbia, SRC d.o.o. Slovenia and AvaCom Group d.o.o. Mostar	Consortium SRC systemske integracije d.o.o. Serbia, SRC d.o.o. Slovenia and AvaCom Group d.o.o. Mostar
Start Date:	27 January 2011	11 April 2014
Duration of the Contract:	18 months	3 months
Date of Completion:	26 January 2013	1 July 2014
Extension Duration:	2 months	n/a
Changed Date of Completion:	17 June 2013	n/a
Status:	Completed	Completed

FINANCIAL INFORMATION

Table 1 - Overview of the budget for the basic project "Budget Management Information System" (BMIS):

CONTRACTED BASIC BUDGET in BAM¹	BAM 748,500.78
CONTRACTED ADDITIONAL BUDGET in BAM²	BAM 168,148.63
TOTAL PAID FUNDS in BAM	BAM 877,693.67
PAID FUNDS in %	91 %

	planned	paid	%
Review of the condition and analysis	192,394.89	192,394.89	100 %
Draft of the project documentation	31,411.41	31,411.41	100 %
Software licences for 376 users	305,809.73	305,809.73	100 %
Corrections and improvement of the software	101,496.39	101,495.39	100 %
Additional module for salary planning	106,335.89	106,335.89	100 %
Training	64,786.04	64,786.04	100 %

¹ Basic Contract on Services for implementation of the BMIS Project, Contract No. 01-07-53-121/10

² Contract on additional services providing 76 additional licences and additional software module for automatic salary planning, Contract No. 03-07-3-10-17/13

Extraordinary / Accompanying Expenses	114,416.06	75,460.32	66 %
TOTAL	961,173.57	877,693.67	91 %

Table 2 - Budget overview for the supplemental project "Widening of the Budget management information system - BMIS by a software component for gender responsible budgeting" (GRB):

CONTRACTED BUDGET in BAM³	BAM 181,483.87
PAID FUNDS in BAM	BAM 181,483.87
PAID FUNDS in %	100 %

	planned	paid	%
Overview of the condition and draft of the project documentation	50,886.48	50,886.48	100 %
Design and modifications of the software component	92,903.70	92,903.70	100 %
Training of the beneficiaries	37,693.69	37,693.69	100 %
TOTAL	181,483.87	181,483.87	100 %

Table 3 - Overall overview of the paid funds for development and implementation of the budget planning and management information system

Paid funds for the BMIS project	BAM 877,693.67
Paid funds for the "GRB" project	BAM 181,483.87
Paid funds for procurement of equipment ⁴	BAM 339,428.41
TOTAL PAID FUNDS	BAM 1,398,605.82

Financial data shown in the tables are with the VAT included.

1. SUMMARY

The Budget planning and management system (BPMIS) presents a tool that enables all the budget users to plan their budgets in accordance with the instructions, while the ministries of finance as bearers of the process are enabled to have a two way communication with the beneficiaries, the insight and supervision over the planning process, and management of the budgeting process through generating various kinds of output data. Introduction of this system created technical preconditions for full transfer to programme and gender responsible budgeting.

The project linked around 260 budget users in centralised BPMIS systems that enable *on-line* access. For the budget users, that means time saving, because the process of preparation of budget requests was significantly simplified, and with the existence of controls, occurrence of mistakes was stopped and the users were adequately directed in the process preparation of budget requests.

Key findings:

- ↑ The BPMIS was successfully implemented at the state and entity administration levels and it is being used for two budget cycles;

³ Contract on services No. 03-07-3-UP1-1-13/14

⁴ Contract on sales No. 03-07-384-32/12 procuring and installing equipment with appropriate software and accompanying staff training, which was necessary for implementation of the BPMIS at the beneficiary locations

- ↓ The BPMIS was not successfully implemented in the Brčko district, and its implementation in practice did not happen;
- ↑ Introduction of the BPMIS reduced the number of mistakes, quickened the process and increased the analytical capacity in the process of planning and budget management;
- ↗ The programme and gender responsible budgeting were integrated in the BPMIS, but their use was limited due to other external factors;
- ↗ Integration with the system for budget execution was completed partially and differs by administration levels.

Key Recommendations:

1. Adjust the BPMIS in accordance with the real needs of the beneficiaries in the Brčko district and ensure its application in practice;
2. Ensure full integration of the BPMIS with the system for budget execution at all the levels.

General evaluation is that the project is definitely relevant, and that, with the exception of the Brčko District, the planned results and objectives were achieved. Also, the project created certain preconditions for further reforms in the sector of public finance management.

2. PROJECT SYNOPSIS⁵

OBJECTIVE: Increase in efficiency and effectiveness of planning and management of the budget with the help of creating and implementing a modern information system for planning and management of the budget in accordance with the best European practices.

PURPOSE: Purpose of the project is creating and implementing a modern BPMIS based on centralised databases that would be located in the ministries of finances, enabling all budget users to prepare the budget through an on-line system, with provision of all the benefits brought by modern information systems.

RESULTS:

1. Increased efficiency of work of the Ministries of Finance and the Budget Users.
2. Strengthened communication between the Ministries of Finance and the Budget Users.
3. Offered possibility to create a systematic link between the priorities of the policy and the budget, which would be cost effective and adapted to the beneficiary.
4. Enabled timely and cost effective draft of various reports, which offers a support in drafting analyses and in the process of final decision making.
5. Improved transparency and reliability of the public sector in a manner that allows the decision makers, auditors and citizens to use the information generated by the BPMIS in

⁵ This part of the report stated the objective, purpose, results and other data concerning only the basic project that is the objective of this evaluation, i.e. the project "*Budget Management Information System - BMIS*". Widening, and/or upgrade, of this project by the so called component of gender responsible budgeting had the objective of adding a new value to the BPMIS in the segment of management of the part of the process related with gender responsible budgeting and is fully in accordance with the objectives of the basic project, so in the project synopsis it was not separately processed.

order to estimate and research the institutional execution towards the set political objectives.

6. Minimised mistakes of the existing system, which occur because of complexity in unifying excel worksheets by numerous budget users.
7. Enabled introduction of rules, in a manner that additional information could be obtained in a timely and cost effective fashion.
8. Enabled introduction of rules in order to reject the budget submissions / requests immediately after the input, enabling on that occasion well set process of budget planning.

LOCATION: Bosnia and Herzegovina - Federation of Bosnia and Herzegovina, Republic of Srpska, Brčko District of Bosnia and and Herzegovina.

BENEFICIARIES: Ministry of Finance and Treasury of BiH, Federal Ministry of Finance, Ministry of Finance of the RS, Directorate for Finance of the BD.

SOURCE OF FUNDS: The Project is completely financed by the funds of the Public Administration Reform Fund.

THEORY OF CHANGE: Based on the initial assessment of the situation and analyses of the existing procedures, information systems and hardware equipment, it is necessary to design an information system which would provide greater efficiency, accuracy, reliability and transparency, and enhance reporting capabilities and ensure good communication between the ministries of communication and budget users. These changes, ultimately, should lead to increased efficiency and effectiveness in the planning and budget management process. The software should be designed in accordance with the stipulated design, tested, corrected as necessary and implemented in the field, and users trained to use it.

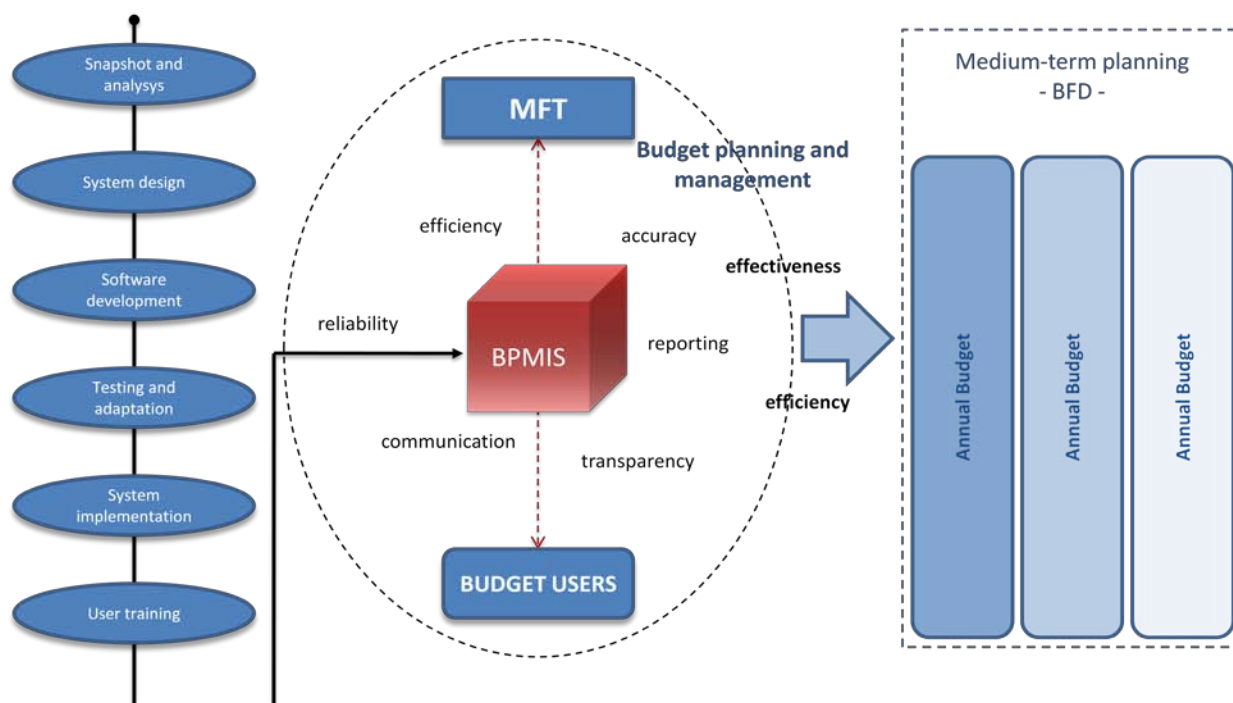


Figure 1 - Schematic representation of the theory of change

3. FRAMEWORK AND METHODOLOGY

The evaluation was implemented in the period April - May 2015, and it has been methodologically based on the Guidelines for Monitoring and Evaluation of the Projects Financed from the PARF, adopted by the PARF JMB in March 2010, as well as the frameworks of the best practices in project evaluation, in accordance with the guidelines of international organisations (e.g. OECD, DfID, USAID, etc.) and their governments. It covers the whole project life cycle, which includes also the period after completion of implementation, through the information on the project impact and its sustainability. In addition, the evaluation also includes the extension of the project by additional software component for gender-responsive budgeting, which is a logical and necessary continuation but formally implemented as an independent project. During the evaluation, all the available project documentation (the contracts, the terms of references, the inception reports, the interim reports and the final reports of the implementer, including all the project deliverables and other annexes) has been thoroughly reviewed, as well as other relevant sources of information for the issue at hand.

The evaluation of this project is in line with the 5 DAC⁶ criteria developed by the OECD that have been in the last 20 years widely used in development evaluations⁷. Applied to the reform projects that are a subject of evaluation by the PARCO, the said criteria are:

1. **Relevance:** *The objectives of the intervention are in accordance with the requirements of the users, the country's needs, the general priorities and the policies.*

In accordance with this criterion, the evaluation will provide the answers to the following key questions: *Is the project consistent with the strategic reform objectives? Is the project consistent with the users' needs? Does the project include all the relevant users (systems)? Can the project design by the logical sequence inputs > activities > results > purpose > objective, with achievement of all assumptions, lead to the desired change? Is the project, and how, connected with other projects? Is the project adequately positioned by time in the reform process?*

2. **Efficiency:** *The ratio of qualitative and quantitative outcomes against the project inputs is such that the desired outcomes are achieved with the least amount of resources invested.*

In accordance with this criterion, the evaluation will provide the answers to the following key questions: *Are all the project activities implemented? How many resources have been spent? Is the consumption of resources in line with the plans? Are the spent resources sufficient for achievement of the planned outcomes? Was it possible to achieve the same or similar outcomes with less consumption of resources?*

3. **Effectiveness:** *Implementation of project activities, with adequate involvement of all stakeholders resulted in achievement of the planned results.*

⁶ DAC - Development Assistance Committee / OECD

⁷ The criteria were first presented in 1991 in the "DAC Principles for Evaluation of Development Assistance": <http://www.oecd.org/development/evaluation/50584880.pdf>

In accordance with this criterion, the evaluation will provide the answers to the following key questions: *Are the planned results achieved? Are the project deliverables in accordance with the plan by the methodology, scope and quality?*

4. Impact: *Positive and negative, primary and secondary long term effects, came to being through intervention directly or indirectly, intentionally or unintentionally are in accordance with the expected.*

In accordance with this criterion, the evaluation will provide the answers to the following key questions: *Which effects the project should have produced? Which effects the project produced? What is there for the wider social community from the project deliverables, and/or from their application in practice?*

5. Sustainability: *Satisfactory expected probability of long term benefit after completion of the project intervention and resistance to risk through time.*

In accordance with this criterion, the evaluation will provide the answers to the following key questions: *Are there established necessary mechanisms for sustainability of the project results? In which way, in the long term, the project results would be used and improved through practice? Does the project results sustainability require additional financial, institutional or political resources, and what is the probability of their availability in the long term? What are the assumptions and risks that can, in the long term, condition a restricted use of the project results?*

4. RESULTS OF EVALUATION

Specifics of the project implementation in the Brčko District (EX-POST MONITORING)

Taking into account the findings concerning the implementation of the project in the administrative unit in which the project deliverables and results differ significantly from the expectations and from deliveries and results in the other 3 administrative units, we believe that in terms of insight into the overall picture of the implementation of the project which is the subject of the evaluation, before presenting the findings and conclusions that by definition generically apply to all users, it is necessary, through a brief *monitoring report*, to indicate the specifics that characterise the Brčko District on this issue.

On the other side, appreciating the relationship of the "weight" the administrative units of the state, entities and the district level carry, especially in the budgetary, and then in the administrative sense, we believe that the findings of the evaluation in terms of already achieved and the potential effects and impacts on each of the administrative levels should also carry a weight in proportion to the administrative level to which they relate. In other words, failure to achieve the project results in one administrative level, does not necessarily carry the same weight as failure to achieve project results in some other administrative level, and their participation in the overall assessment of achievement of project objective is not and does not have to be equal.

However, each mentioned administrative unit has an equal treatment by the PARF and has the right to equal treatment within the projects financed by the PAR Fund. Accordingly, in order to ensure equal treatment, and so the overall grade of implemented project would not be unfairly undermined, this separate part of the report will specifically address the implementation of the project in the Brčko District, where the project results were not achieved.

The idea for the project "*Budget planning information system*" emerged from a real need to improve the budget planning process and should have taken into account the specifics of the budget system in the Brčko District. Despite the specificities of each of the levels, which were known to the beneficiaries from the beginning, a joint project was developed.

As at all other levels of administration, the Brčko district also appointed representatives of relevant institutions in the Implementation Team. In the phase of analysis of the condition and the needs at each of the administration levels, the Implementation Team members actively participated by giving comments and suggestions, and ultimately by approving the analysis document, i.e. the functional specifications. The agreement to the analysis document, and/or functional specifications, for their administration level was given also by the members of the Implementation Team from the level of the Brčko District. The document "Functional specification and system design" for Brčko District was amended and revised three times and the final version was approved on 30 December 2011. This document is contained in the attachment to the First interim report of the implementer, which was prepared in April 2012.

The first monitoring of this project⁸ was carried out in April 2012, by the Public Administration Reform Coordinator's Office, and the risk of inadequate identification of all the specifics of the budget system of the Brčko District was noted on that occasion. In the said monitoring report, regarding that issue, the following has been stated: "*According to the beneficiaries in the Brčko District of BiH, specifics of the system of budget planning at this administrative level are a potential risk that might influence adequate functioning of the software.*" As it can be seen

⁸ Monitoring Report of the PARCO for the project "*Budget Management Information System*", May 2012

from the above, the representatives of the Brčko District, who gave agreement to the analysis document, and/or functional specifications, were aware of this risk from the beginning, and were pointing to it in time. The assumption of the representatives of the Brčko District was that the possible problems related with the specifics of the Brčko District would be visible during the software testing phase (planned for June 2012) and during the phase of user training (planned for the period December 2012 - January 2013), and therefore they gave approval to the said document in order to continue implementation of the project.

Software Testing, which was postponed due to delay in procurement of equipment, was implemented in the test environment, in the period 18 to 21st June 2012. On that occasion, no significant number of errors was noted, which implied a quality analysis that preceded the software development. This was noted also in the second monitoring report⁹ that was drafted in the period December 2012 - January 2013: "*The process of testing confirmed functionality of the system (very small number of mistakes has been noted), which points to the good quality of the analysis which preceded design of the software*"¹⁰. A part of the assumptions related with visibility of the problems related with specifics of the Brčko District in the software testing phase was thus proven wrong.

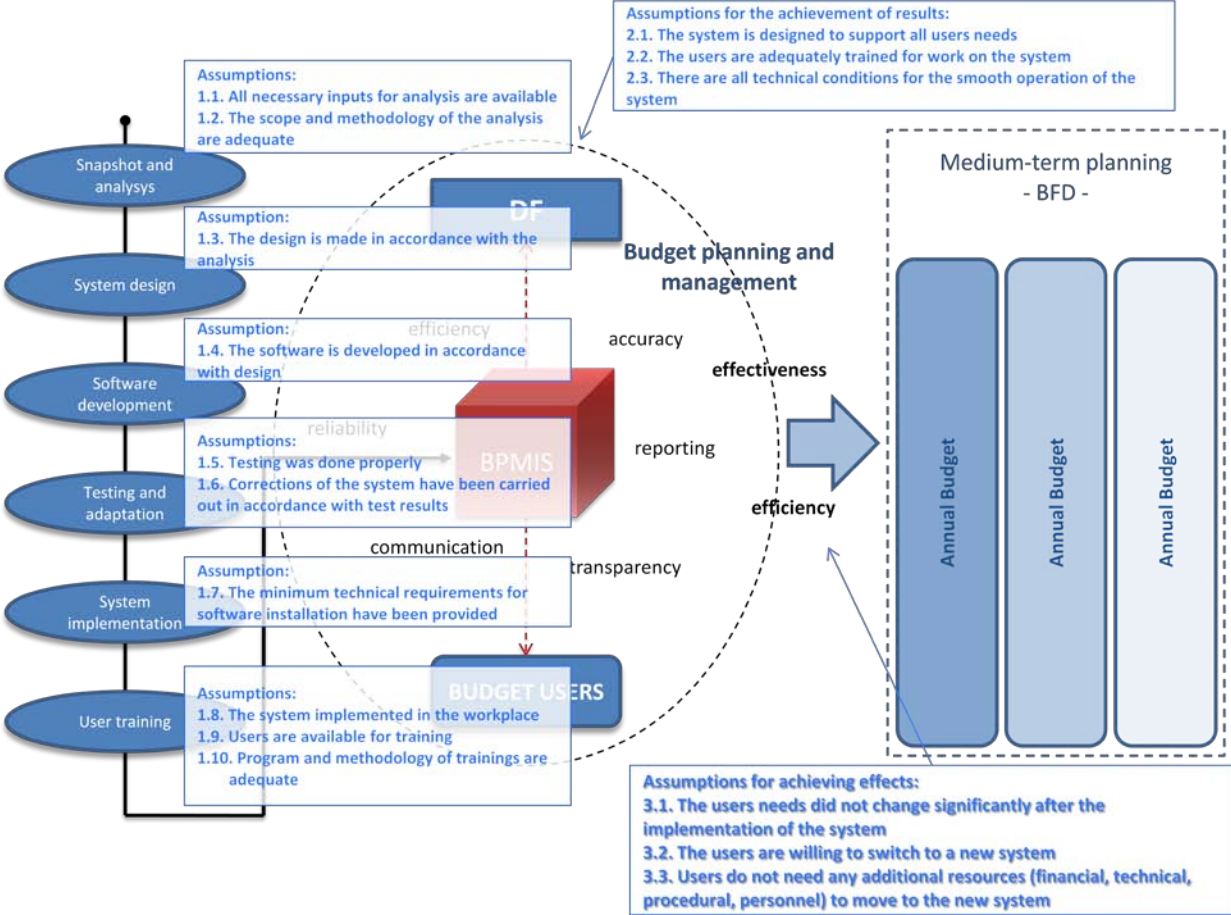
The user training was planned after procurement of equipment and software installation. Selection of training schedule was left to the users, and offered terms were in the period November 2012 - January 2013. Taking into account the business obligations related to the budget the users in the Brčko District had at the time, and assuming that the Brčko District Budget for 2013 would be adopted and that there would be no temporary financing and/or additional obligations for them, the training was set for January 2013. These trainings should have been attended by the representatives of all budget users and budget analysts from the Directorate for Finance of the BD. The budget was not adopted and the process of interim financing was initiated. Therefore, it was shown in January that this assumption was wrong as well, and that there was a risk that the users who were supposed to attend the trainings in that period would be busy with the tasks related to temporary financing. The trainings were not held as planned, and it was agreed with the implementer representatives to have the trainings later in the year. Although the contract for implementation of this project was supposed to expire in January 2013, the implementer agreed to this option because it was expected to purchase an additional number of licenses and development of additional modules for salary planning, through the new contract. In addition, the implementer also expected to sign the contract on system maintenance. In other words, the implementer had a business interest in this concession.

In the Directorate for Finance of the Brčko District, due to various factors, there are two (2) of foreseen five (5) employees on the jobs of budget analysts. The budget rebalancing is a common occurrence, and it often happens that the rebalancing is done even two, and sometimes three times a year. In 2013, for the reasons of trainees being busy with the jobs of budget rebalancing, the new terms of training for users in the Brčko District were being agreed on several occasions. Thus, counting the training in January, the users, in 2013, had trainings 4 times. That the trainings had no adequate effects on the skills of the users, is confirmed by the fact that even after that there was a need for more trainings for users. When in March 2014 the trainings for the staff in the Office for budget preparation were finally successfully

⁹ The second monitoring report of the PARCO for the project "*Budget Management Information System*", January 2013

¹⁰ The statement refers generically to all four administration levels covered by testing

three key assumptions: (1) that the system is designed to support all users' needs, (2) that users are adequately trained to work in the system and (3) that all the technical conditions for smooth operation of the system exist. If these three conditions are met, we can say that the result of the project was achieved and that the system **can be used** by the users for the purpose for which it was planned.



Scheme 3 - the key preconditions for the success of the project intervention

The first of these assumptions (assumption no. 2.1. on the scheme 3) implies that the assumptions on the operational level, from the no. 1.1. to no. 1.6. are filled. In other words, it can be said that the system was designed in accordance with the needs of the users if the situation analysis, system design, software development, testing and correction are adequately done. The users did give all the inputs for analysis and confirmed the prepared analysis, and further on, in accordance with the findings of the analysis, the implementer designed the system, and in accordance with the design, developed a software, tested and corrected the system.

The second assumption (no. 2.2. on the Scheme 3) implied an adequate level of training of users to work in the system. In order to fulfil this assumption it is necessary to fulfil the assumptions 1.9. and 1.10., i.e. the users need to be available for trainings (to attend the trainings without interruptions) and the trainings need to be adequate and of quality. The trainings have already been sufficiently mentioned in earlier parts of this report, and it is significant to note here that this assumption, related with training of beneficiaries, was met only in the first quarter of 2014. This means that before that, the system **could not have been used**.

The third assumption (*number 2.3. on the scheme 3*) concerns the technical conditions and implies fulfilment of assumptions 1.7. and 1.8. from the operational level. By procurement of hardware and installation of software a minimum of technical requirements for work of the system was met, so it could be noted that this assumption was fulfilled in a timely manner.

Analysing the fulfilment of the assumptions 2.1. to 2.3. it can be noted that the system could not be used before the first quarter of 2014. The question that arises is ***why the system was not used after that.***

User needs in terms of functioning of the system did not change significantly in the period of 2011 - 2014, the users were willing to switch to the new system and did not require significant additional resources that could postpone the use of the system. By this, the assumptions from the group 3 (*assumptions from 3.1. to 3.3. on the scheme 3*) were fulfilled, but the system was not used.

Now we turn to the fact that gives an indication for precise location of the problem, i.e. to the moment when the system **could be used**. Upon completion of trainings, the users have identified certain deficiencies and lack of adaptation of the system to their needs, which, to mention once again, were not changed significantly during that period. This means that **the system was not made to support all users' needs, and/or that the assumption 2.1. was still not fulfilled**. In order to ascertain the exact reason, it is necessary to once again return to the assumptions that were to lead to its fulfilment (*group of assumptions from 1.1. to 1.6.*).

There are various possible scenarios that could lead to failure to meet the assumptions 2.1, and failure meet any of 1.1. to 1.6. would lead to failure to fulfil. Common for the phases of design, development, testing and correction of the system is the fact that, directly or indirectly, they pull the information from the initial analysis. Taking into account the aforementioned, the following scenario, starting from failure to fulfil the assumptions 1.1. or 1.2. is the most realistic:

Hypothetically speaking, if the phase of analysis would not identify all the user needs, the system would be designed in an inadequate manner, and designed in accordance with that. In that case, the system testing would not demonstrate the shortcomings because the testing was based on the data from the initial analysis. Possible corrections would be made only in relation to the condition from the initial analysis. Disadvantages of such a system would be seen only in the work environment, and user training for work on such a system would be hampered.

The findings of this evaluation point to exactly that scenario. In other words, the problem arose in the initial analysis phase, for which even the users themselves were not sure, but they verified it assuming that later on during some other phases, they would note possible shortcomings. The implementer, on the other hand, was not, and could not be, aware of the shortcomings of the analysis because it was verified by the beneficiaries. Implementer did have all the necessary inputs for the analysis, which fulfilled the prerequisite 1.1., but the applied methodology and the scope of the analysis (assumption 1.2.) did not result in identification of all the user needs. Thus, the assumption of 1.2. related with adequacy of the analysis was fulfilled. Late training of the beneficiaries only has delayed identification of these shortcomings for over 2 years in relation to the time of analysis implementation.

All this points to the fact that, in addition to the failure of the implementers related to the adequacy of the analysis, one of the key omissions was made also by the users by giving consent to the analysis, which led to the implementer not being able to recognize the inadequacy of their analysis.

Factors of Failure

It is a fact that over 2 years have been lost to the introduction of the BPMIS in the BD BiH. In addition to the external factors that had an impact on the above, one can point out several additional factors, i.e. shortcomings and mistakes that had a significant influence on it. By the analysis of the aforementioned facts on the matter of introduction of the BPMIS in the Brčko district, it is possible to identify several key factors that, **in addition to the analysis that did not capture the actual needs of the beneficiaries**, according to the evaluator, led to failure:

1. A common approach to introduction of such a system at the state and entity level from one side and the district level from the other, which compared to others is almost negligible by volume, would lead to marginalisation of the specifics that characterise the budgetary system of the Brčko District;
2. Failure to insist on adequate functional specification and approval of thereof from collegiality towards other colleagues, and/or levels of authority, so that project implementation would not slow down, deviated further from the initial idea of adjustment of the software to the specifics of Brčko District;
3. Inadequate risk management and wrong assessments, led to decision making by the users based on, as later turned out, erroneous assumptions;
4. Insufficient personnel capacity and commitment of project beneficiaries in individual project phases led to inability to have a timely insight into a real compliance of the software with the beneficiary needs;
5. Other external factors that could be influenced neither by users nor by the implementer led to the delay: the training, the correction of software, start of use and taking over of the BPMIS.

The key **disadvantages** of the users in the Brčko District, which in addition to the external factors had a significant impact on achievement of the project results are:

- Insufficient staff capacity in the department for budget planning;
- Insufficient IT capacities in the Finance Directorate of the BD.

The key **omissions** of the users in Brčko District, which in addition to external factors had a significant impact on achievement of project results are:

- Verification of the analysis that did not reflect their real needs;
- Insufficient availability for trainings (the impact of external factors combined with inadequate planning).

The key **omission** of the implementer that led to failure to achieve the project results in the Brčko District:

- The scope and methodology of the analysis failed to provide an insight in real needs of the beneficiaries.

Failure of the PARCO, as the body responsible for monitoring and reporting on the reform process, which led to an insufficient insight into qualitative achievement of the project results in the Brčko District:

- Insufficient communication in the post - implementation period (lack of functioning and lack of use of the BPMIS was identified only through evaluation of the project).

Once again, it is important to note that lack of use of the BPMIS system in the Brčko District, which is still present, two years after implementation of the project, can be attributed to several combined objective and subjective factors and that responsibility to a greater or lesser extent belongs jointly to the said actors.

Work on overcoming the problems

In order to overcome this problem and in order to make the BPMIS system functional and applicable in the Brčko District, it is necessary to customize the software to the aforementioned needs and specificities. One part of adjustment was carried out by the implementer of the system in late 2014, but further adjustments are still necessary. Finance Directorate, in late 2014 and early 2015, intensified its activities on development of solutions, and initiated the contacts and meetings with the implementer and proposed piloting of the system on 4 budget users. Request of the implementer is to first sign a maintenance contract, and then to initiate the requested system adjustment. The value of the contract offered by the implementer (BAM 60,000.00) is affected also by the users' request for customisation of the software.

The first in a series of problems is the fact that budget set the cost of maintenance in the amount of BAM 30,000.00, and the implementer's request was significantly higher. Another problem is the fact that the maintenance contract cannot be signed unless the BPMIS software is registered as a property. In order for it to be registered, it is necessary that the Finance Directorate of the BD (1) has a valid proof of its value and (2) to confirm that the software has been received. Until the moment of drafting of this report the software handover did not take place, so it could not be registered as a property.

The current problems, which need to be overcome as soon as possible, relate to:

- a) Additional system adjustment in accordance with the specifics of the Brčko District;
- b) Provision of the maintenance contract, and sustainability of the system in the long run.

The views of stakeholders in the negotiation process in terms of adjustment and maintenance of the system currently vary significantly and it would require a lot of effort to find common ground and overcome these problems.

Criterion 1: RELEVANCE

Although the evaluation findings vary considerably in the Brčko District in relation to the state and entity levels, there are no significant deviations within this criterion, and the statements relate to all the administration levels.

Is the project consistent with the strategic reform objectives?

The project is in compliance with the chapter 2 in the area of public finance of the Action Plan 1 (AP 1) of the public administration reform, which aims to increase efficiency and effectiveness of budget management, especially the activities of budget management. This chapter stipulates the reform activity PF 2.1.6. *Development of a software for budget drafting, which is compatible with the treasury system.*

Also, in the Gender Action Plan of Bosnia and Herzegovina for the period 2013-2017¹³, one of the principles for defining measures and activities of the institutions is *the Principle of analysis of the impact of the budget to different needs of women and men (gender responsible budgeting)*. Within condition evaluation in this document, among other things, the following is also stated *"the progress has been made in the instructions for draft of the Budget Framework Document (BFD) for budget users at the state and the entity level, which require expression of the impact of policies, strategies and priority programmes to promotion of gender equality. This practice should continue and accelerate gender responsible budgeting in the institutions at all the levels of authority, which would contribute that all the policies, strategies, programmes, laws and other regulations have an incorporated gender aspect at the level of planning, implementation, monitoring and evaluation of results."*

Is the project consistent with the users' needs?

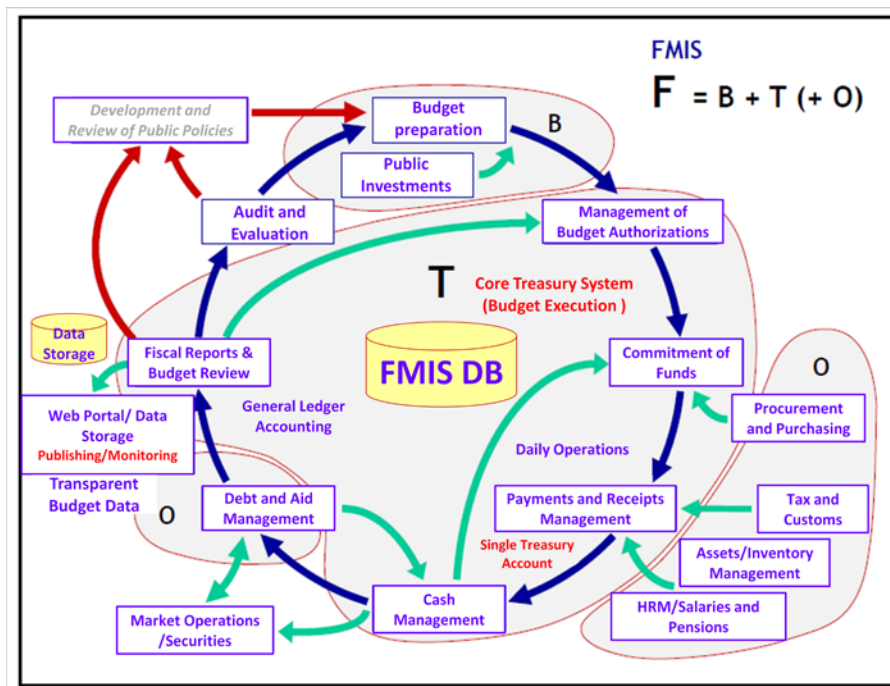
The condition preceding the preparation and implementation of this project is the following: The budget planning process was carried out through collection of budget users requests through individual Excel files, after which the manual processing and aggregation in the budget as a whole was carried out. On that occasion, there was a high possibility of errors in data entry, and such approach required also a significant time for processing and aggregation of the requests in the budget as a whole. The entire budget planning process was carried out through 10 prescribed steps, with communication with users through Instructions 1 and 2 in the form of Excel files. The existence of a software that would automate and accelerate these processes, reduce the possibility of errors and provide additional opportunities for storage, processing and data management was a real need on the user side.

Does the project include all the relevant users (systems)?

The project involved the state, the entity and the district level, which is consistent with the Strategy of Public Administration Reform in BiH. The Ministries of Finance, and the Directorate for Finance of the Brčko District, are the direct beneficiaries of the project results. In addition, for all budget users, there are provided licences and trainings for financial officers who would work on the system. This way, the project covered all relevant users. In each of the said administrative units, with the exception of Brčko, previously, through another project, a

¹³ *Gender Action Plan (GAP) 2013-2017*, Official Gazette no. 98/13, the Ministry for Human Rights and Refugees of BiH - Gender Equality Agency of BiH; <http://arsbih.gov.ba/project/gender-akcioni-plan-bih-2013-2017/>

system which improved and computerised the function of budget execution was implemented (codename T - see picture).



According to the classification of the World Bank, the FMIS projects, and/or projects of information systems for finance management, carry the codes B, T, F, O and P. In accordance with that classification, the project that is the subject of this evaluation – B(P)MIS – is in the group B. Schematic diagram was taken from a study titled "Information systems of financial

management - 25 years of experience of the World Bank on what works and what does not"¹⁴ shows the positioning of our project compared to the other systems necessary to establish a fully rounded FMIS.

*Can the project design by the logical sequence **inputs > activities > results > purpose > objective**, with achievement of all assumptions, lead to the desired change?*

The project design is very simple and with achievement of the assumptions concerning acceptance and control of the system by the users, and the compatibility of the system with the system for treasury operations, it could lead to the desired changes.

Also, the overall reform process of implementation of such an information system in Bosnia and Herzegovina is methodologically harmonized with the recommended model. That is, in the expert analysis entitled "Introduction of information system for finance management in developing countries"¹⁵, which analyses the reasons for failure to introduce such systems in developing countries and provides recommendations to overcome them, provides a set of steps that correspond to the steps that were applied on this project as well. There are four stages or groups of steps: preparation, design, procurement and implementation. In the phase of implementation, the following steps are proposed: (1) analysis of configurations and specifications of additional requirements for IT and communications infrastructure; (2) detailed gap analysis of business processes and mapping of required functionalities; (3) a detailed action plan for implementation; (4) adjustment and configuration of the system; (5)

¹⁴ http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1303321730709/WBStudy_FMIS.pdf

¹⁵ OECD Journal on budgeting, Volume 5 - No. 3, article entitled "Introducing Financial Management Information Systems in Developing Countries" (<http://www.oecd.org/gov/budgeting/43480378.pdf>), published in 2006, page 8

identification of training needs and implementation of staff training; (6) testing and troubleshooting; (7) distribution of the system to the ministries and other institutions; (8) phase implementation of additional modules; (9) strengthening of internal support system and withdrawal of implementer's support. As can be noted, the recommended model largely coincides with the applied project design.

Is the project, and how, connected with other projects?

By the beginning of the BPMIS project implementation, the DFID financed two projects of public finance management strengthening with a special focus on implementation of an integrated, medium-term budget planning process on the basis of the adopted policies. These processes have been used as the basis for defining the planning process and budget management in the information system which was delivered through the BPMIS project. The Treasury Information System was introduced as part of the USAID project *Public Sector Accounting Project (PSAP)*. This system was designed in Oracle and implemented at the state level and the entity level, and integration of this systems and budget planning and management system rounded up all life stages of budget: planning, management and execution.

Is the project adequately positioned by time in the reform process?

The need to create a software for budget drafting that is compatible with the treasury system was confirmed as early as in 2006 during adoption of the Action Plan 1, and its implementation is specified as a long-term objective. Later, through revision of the Action Plan 1, the objectives were revised and a new timetable for their implementation was established. So, in the Chapter 2 in the area of public finance in the RAP 1, which refers to increase in efficiency and effectiveness of budget management, the end of 2014 was established as a deadline for budget drafting software development that is compatible with the treasury system. Taking into account the need for a synchronized introduction of the program budgeting model with introduction of a system for budget planning and management, it can be concluded that the project is appropriately positioned in the reform process timeframe.

Criterion 2: EFFICIENCY

Within this criterion, the statements apply to all administration levels, and in case of deviation, it is separately emphasised in the text .

Are all the project activities implemented?

Table 4 - Overview of the planned project activities implementation - Project "BMIS"

Project activity	Evaluation of implementation
A. 1 Overview of the Current Condition and Draft of the Proposal of the Plan of Implementation	<p>The current condition of the procedures of budget planning, information systems and hardware equipment was recorded and analysed. The document Recording of the Current Condition was drafted and the proposal of the detailed plan of implementation was made.</p> <p>Detailed Plan of Implementation was adopted by the Implementation Team.</p>
A.2 Additional Analysis and Draft of the Documents of Functional Specification and System Design and proposal of HW specification	<p>The document <i>Functional Specification and System Design</i> was drafted, as well as the document <i>Specification of hardware equipment for the BMIS</i>.</p> <p>Both documents have been adopted by the Implementation Team.</p>
A.3 Adjustment of software, testing on pilot units, correction, modification and plan of training	<p>Adjusted software has been installed on the test environment, testing of the system has been performed, after which correction and modification of the system have been performed. Training plan has been harmonised and approved by the beneficiaries.</p>
A.4. Implementation of the System by the Locations and Training of the Beneficiaries	<p>Considering the delays of the activity of procurement of hardware, the activity of software installation for the needs of testing, in agreement with the beneficiaries, was changed in the sense that the software has been installed on the existing equipment, that was provided by the beneficiaries and on which the testing was implemented. Installation of the software for budget management on a production environment was directly conditioned by procurement of hardware and it was implemented upon its delivery and entry into operation. The contracting authority¹⁶ implemented the procedure of public procurement of hardware equipment. The equipment was delivered and the system software was installed in November 2012. The trainings for delivered equipment were implemented in accordance with the plan in duration of two days. The trainings for the BPMIS software were successfully organised in</p>

¹⁶ Public Administration Reform Coordinator's Office

the period December 2012 - January 2013, with the exception of the beneficiaries in the Brčko District¹⁷.

Table 5 - Overview of the planned project activities implementation - Project "BMIS"

Project activity	Evaluation of implementation
A.1. overview of the condition and analysis and draft of the project documentation	The situation of the planned procedures for GRB and the user needs in that regard have been recorded and analysed, and the necessary project documentation for implementation of the terms of reference has been drafted.
A.2 Design and adjustment of the software component for gender responsible budgeting to the needs of the beneficiaries	Based on the defined user requirements, the software module for GRB has been designed and adjusted, after which the BPMIS in the user environment was upgraded.
A.3 User training implemented	User trainings for all four administrative levels in BiH have been implemented.

How many resources have been spent?

Implementer of the project was paid a total of *BAM 1,059,177.54*, and the Indirect Taxation Administration, in accordance with regulations¹⁸, returned the VAT based on the paid funds, in the amount of *BAM 153,897.59*. If we take away the funds based on VAT return, we come to the final amount of the spent funds in the amount of *BAM 905,279.95*. In addition, for the procured equipment the amount of *BAM 339,428.28*, VAT included, was paid. After the Indirect Taxation Administration of BiH returned the VAT on this item in the amount of *BAM 49,318.65*, it can be noted that a total of *BAM 290,109.64* was spent on procurement of equipment.

Table 6 - Overview of expenses of the procured equipment

BENEFICIARY	Funds Amount
(a) Ministry of Finance of the RS	BAM 105,365.76
(b) Directorate for Finance of the BD BiH	BAM 77,379.20
(c) Ministry of Finance and Treasury of BiH	BAM 78,341.66
(d) Federal Ministry of Finance	BAM 78,341.66
(1) Total paid with the VAT (a + b + c + d)	BAM 339,428.28
(2) Amount of VAT return	BAM 49,318.65
Total expense (1 - 2)	BAM 290,109.63

¹⁷ More information on project implementation in the Brčko District can be found in the part of the report entitled "*Specifics of project implementation in the Brčko District (EX_POST MONITORING)*"

¹⁸ In accordance with the Annex 1 of the *Memorandum of Understanding for Establishment of the PAR Fund*, the Indirect Taxation Administration of BiH returns the VAT calculated on the funds paid from the Public Administration Reform Fund in BiH.

The total amount of funds spent from the PAR Fund for development and implementation of software for budget planning and management with a module for automatic salary planning and integrated component for gender responsible budgeting is **BAM 1,195,389.59**.

Table 7 - Overview of expenditures, with and without the VAT, by the type of expense

Type of expense	Amount with the VAT	Amount without the VAT
Review of the condition and analysis	BAM 243,281.37	BAM 207,932.79
Draft of the project documentation	BAM 31,411.41	BAM 26,847.36
Software licences for 376 users	BAM 305,809.73	BAM 261,375.84
Software corrections and additional modules	BAM 300,734.98	BAM 257,038.44
Trainings	BAM 102,479.73	BAM 87,589.51
Accompanying expenses	BAM 75,460.32	BAM 64,496.00
Procurement of Equipment	BAM 339,428.28	BAM 290,109.63
TOTAL:	BAM 1,398,605.82	BAM 1,195,389.59

Is the consumption of resources in line with the plans?

Only the funds earmarked for the accompanying expenses were not spent fully, i.e. about 2/3 of these funds were spent. This saved the money in the amount of *BAM 38,955.74*, including VAT, i.e. *BAM 33,295.50* without VAT. Since all the remaining planned funds were spent in full, this represented a saving of 2.8% compared to the total spent funds.

Through implementation of the initial project, a justified need for an additional number of user licenses (additional 76 licenses) occurred, as well as for an automatic module for salary planning which influenced also the modification of the initial plan of the total expenditure. As part of this expanded plan, all the funds were spent in accordance with the plan, with the exception of the aforementioned accompanying costs that were related with the organisation of the study tour, professional seminar, internal workshops and promotion of the project with a final conference. Exactly on the occasion of organisation of the Final Conference, there was no spending of the accompanying expenses funds, considering that the Conference was implemented in the premisses that were given for those needs by the Parliamentary Assembly of BiH.

Spending related with upgrade of the BPMIS by a component for gender responsible budgeting was fully in line with the plan.

Are the spent resources sufficient for achievement of the planned outcomes?

Spent resources are sufficient to create assumptions for establishment of a functional BPMIS, i.e. its introduction in the financial system of Bosnia and Herzegovina. Sufficient number of licences was procured, a sufficient number of officers was trained, the necessary equipment was procured and the system is operational (*except in the Brčko District, which has already been discussed*). For full achievement of the planned outcomes in terms of long-term benefits, it will be necessary to ensure adequate maintenance of the system (more on this can be found in the part of the Report related with sustainability).

Was it possible to achieve the same or similar outcomes with less consumption of resources?

The answer to this question is contained in the answer to the question *whether it was necessary to implement all these activities through three different contracts, and through two different projects?* In other words, was it possible to implement all this through one project? In that case, the necessary analyses, corrections, modifications, testing and trainings would be carried out "on one, not two expenses", that could be, realistically expected, lower than the costs made this way. Also, it is reasonable to expect that the end result would be delivered earlier than it was the case.

Criterion 3: EFFECTIVENESS

Given the fact that the criterion of effectiveness is linked to the results achieved, and the fact that the results in the District were absent while they were partially or fully achieved at the state and entity levels, the statements below apply to the state and entity levels, but not to the Brčko district.

Are the planned results achieved?

The text below stated the planned results within the basic project - BMIS. In addition to the results, there are also listed indicators as specified in the project documentation. From the aspect of evaluation of this project, some of the indicators are not applicable, but were listed as such nevertheless, and assessment of results was given in accordance with their interpretation by the evaluator. All assessments were given on the basis of the facts, and were based on legal and bylaw acts, the information contained in the reports and the user statements.

RESULT 1: Increased efficiency of work of the Ministries of Finance and the Budget Users

Indicator: Timely planned and created annual and mid-term budgets of the public beneficiaries, in accordance with the installed system of the BPMIS

Evaluation of results: Annual and medium-term budgets are planned in a timely manner, with certain limiting influence by some external factors. The process of planning and budgeting consists of 10 steps. Some of these steps include adoption of documents by the higher authorities¹⁹ and the users of the BPMIS system, i.e. institutions participating in the planning process, but not in the decision-making process, cannot have an impact on them. Therefore, the timeliness of the planning depends also on external factors that may affect the postponement of legally set deadlines. The function of the BPMIS in this process is to speed it up and simplify it through automation and direct communication between the MFT and the budget users. Through discussions with the BPMIS users, it was confirmed that the time required for data entry and processing was shortened, which contributes, with improved communication achieved by introduction of this system, to increase in efficiency of work of these actors in the planning and budget management process.

RESULT 2: Strengthened communication between the Ministries of Finance and the Budget Users

Indicator: Number of communication links between the Ministries of Finance and the Budget Users at all the levels

¹⁹ An example from the BiH administration level: *Global framework of fiscal balance and policies of BiH* is adopted by Fiscal Council of BiH, the *Budget Framework Document of BiH* and the *draft Budget of BiH* are adopted by the Council of Ministers of BiH, the *Budget of BiH* is adopted by the Parliamentary Assembly of BiH

Evaluation of results: All the institutions that are independent budget users have at least one license and at least one communication link with the Ministry of Finance²⁰ on their administration level. In the planning phase, the budget users, through the BPMIS, via the said communication links, communicate with the Ministry of Finance in accordance with the *Instruction 1* in the period February - April, and in accordance with the *Instruction 2* during July.

RESULT 3: Offered possibility to create a systematic link between the priorities of the policy and the budget, which would be cost effective and adapted to the beneficiary

Indicator: Budget users, in a cost effective manner, which is fully adjusted to the user, are set based on a system link between the priorities of the policy and the budget

Evaluation of results: Although the budget is not adopted by the program structure, the system allows for planning, recording and monitoring by the program structure of the budget. In practice, there are certain limitations that affect the creation of an adequate link between the policy priorities and the budget. An example of one of these limits could be the link with the medium-term planning at the state level. That is, the deadline for adoption of the Medium-Term Programme of the Council of Ministers of BiH²¹ is 30 June, which is also the deadline for the adoption of the Budget Framework Document²². Both documents are adopted by the Council of Ministers of BiH, and these documents are interdependent, related with the same three-year period and prepared by different institutions. All this affects the difficulty in establishing links between the policy priorities and the budget in the planning phase. Another example of inconsistency can be the example of different definitions of the term "*programme*" in the legal and bylaw regulations at this administration level. So, the Decision on the procedure of medium-term planning and reporting in the Institutions of BiH defines the "*programme*" as *a set of related projects that together contribute to implementation of the objectives of the plan*, while the Law on Amendments to the Law on Financing of the Institutions of BiH defines the "*programme*" as *grouping of similar activities or services implemented by the relevant ministry or budget user in a certain period of time in order to achieve its strategic objectives*. However, it is important to note that the BPMIS information system technically allows creation of the necessary logical connection between the priorities and the budget, but its creation in practice has still not taken hold fully.

RESULT 4: Enabled timely and cost effective draft of various reports, which offers a support in drafting analyses and in the process of final decision making

Indicator: The number of drafted timely and cost effective reports needed for support when drafting analyses and when decisions are being made

Evaluation of results: The system allows several different types of reports, and all reports can be exported to Excel, Word and PDF. The most used option is "*compare*", while, for example, the option "*legal reports*" is less used. However, the users point out that there is a need to improve the system in the segment of reporting.

RESULT 5: Improved transparency and reliability of the public sector in a manner that allows the decision makers, auditors and citizens to use the information generated by the BPMIS in

²⁰ In Brčko, that is the *Directorate for Finance of the Brčko District of BiH*

²¹ The Decision on the procedure of medium-term planning, monitoring and reporting in the institutions of Bosnia and Herzegovina (Official Gazette of BiH, No. 62/14).

²² Law on Financing of the Institutions of BiH (Official Gazette of BiH 61/04) and the Law on Amendments to the Law on Financing (Official gazette 49/09)

order to estimate and research the institutional execution towards the set political objectives.

Indicator: The number of used information over the BPMIS by decision makers, auditors and citizens in order to better evaluate and research institutional execution against set political objectives

Evaluation of results: Contribution of the BPMIS to improvement of transparency and reliability of the public sector is limited. The system generates information that can be used to assess and research the institutional performance against the set political objectives, but their public availability is limited and decreases with the expansion of the circle of potential users of the information. In other words, the availability of such information to decision makers is in a way implied by itself, while availability of such information to the public is limited. There is no part of the system which is open to the citizens, nor such kind of information published, for example, on the website of the ministry of finance. The Information that could be considered as valid for assessing institutional performance against the set political objectives are available to the public indirectly on the website of the Parliament where the *Budget Proposal* is published, pending adoption of the budget. After adoption, the *Budget* is not published in that form containing the aforementioned type of information.

RESULT 6: Minimised mistakes of the existing system, which occur because of complexity in unifying excel worksheets by numerous budget users.

Indicator: The number of mistakes in the existing system, occurred as a consequence of unifying excel worksheets by numerous budget users.

Evaluation of results: Before introduction of the information system "BPMIS" the budget planning took place through the use of Excel files, and on that occasion there was a risk of errors caused by human factor, either in part of the entry or modification of formulas in files, or in the part of merger of these files, and their aggregation. Introduction of the BPMIS reduced the number of errors by reducing the risk of human factor exactly by automating the said operations. This way, the number of errors is minimized.

RESULT 7: Enabled introduction of rules, in a manner that additional information could be obtained in a timely and cost effective fashion

Indicator: The number of introduced rules / rulebooks, in a manner that additional information could be obtained in a timely and cost effective fashion

Evaluation of results: The system allows creation of new, edit or deletion of the existing rules that might provide additional information in a very quick and efficient manner. So it is possible, by using the aforementioned rules, to create various scenarios in which the system automatically, in accordance with the set scenario, calculates. The scenario can be created on each node in the budget structure.

RESULT 8: Enabled introduction of rules in order to reject the budget submissions / requests immediately after the input, enabling on that occasion well set process of budget planning

Indicator: The number of introduced rules / rulebooks, which defined how budget submissions / requests are rejected immediately after the input, which enables further ordering of the process of budget planning

Evaluation of results: There are certain rules in the system that allow rejection of budget submissions immediately upon entry if they are not properly entered. An example could be input of salaries where the total amount of entered individual salaries can not exceed the

planned funds for salaries. In other words, the total amount of analysis can not exceed the intended synthetics, and/or the system will not allow such an entry.

Are the project deliverables in accordance with the plan by the methodology, scope and quality?

As it has been already stated in the report, methodologically, the project approach is in line with best practices of implementation of such projects. The project deliveries, by methodology, scope and quality meet the demands of users.

The exception is the planned integration of the system for planning and management (BPMIS) with the system for budget execution (FMIS), which at the state level was not done because the codebooks in these two systems were not harmonized. The only two harmonised codebooks, at this time, are the account plans. It is expected that the problem of harmonizing the codebooks would be solved with the new Ordinance on program budgeting, after which the said systems could be integrated.

Criterion 4: IMPACT

Which effects the project should have produced?

According to the terms of reference, implementation of the standard unified BPMIS in all the budget institutions, using the newest technology, should represent a cost effective solution that would reduce the costs of management and coordination of operations of government finances, supporting the decision making process in planning and allocation of resources and management of the government money. What is crucial for facilitation of timely reception of information needed for management and coordination of government financial operations is unification of information systems in order to provide more quality support to budget planning and management.

Primary expected effects of the project include reducing the cost of managing and coordinating the operations of government finances through improvement of coordination and communication of the ministries of finance with the budget users, increase of accuracy and quality of the budget, and reduction of the time required for budget drafting.

Which effects the project produced?

Computerization of the system improved coordination between the ministries of finance at all the levels of authority and budget users. The project created a centralized database in the Ministries of Finance, it enabled a direct access to budget users and it improved accuracy and quality of the budget, and the time needed for budget drafting was shortened. This way, the system of budget drafting included the standards and the methods by which European countries work, which significantly reformed this area, first of all, because of the programme possibility for more quality explanation of the planned spending.

Implemented solution is in line with EU regulations and represents a tool for application of the current budget methodologies, which include also program budgeting. The project linked about 260 budget institutions in a centralised system that allows an *online* access, quality monitoring and management of all steps in the budget preparation with provision of all the security aspects.

For the budget users this means a great saving in time, because the process of budget requests preparation has been simplified to a significant extent, with existence of controls that prevent occurrence of mistakes and direct the users and institutions in preparation of budget requests in a proper manner.

What is there for the wider social community from the project deliverables, and/or from their application in practice?

Efficiency and effectiveness of planning and budget management is directly correlated with the quality of life in the country. The budget is much more than a simple accounting presentation of incomes and expenses, whose main functions are political, legal, economic (allocative, redistributive, stabilization), financial, planning and control. The budget is the main instrument for determining the policies of every government and an instrument for transformation of the government priorities in concrete programmes and services that includes making clear-cut decisions on economic and fiscal objectives and making decisions on the most important policy priorities and the results that the government aims to achieve, and allocation of budgetary resources in accordance with the given policies. On the other hand, making wrong decisions can lead to a lower economic growth, fiscal and monetary instability, and inefficient and ineffective spending focused on inappropriate objectives.

Gender budgeting refers to the analytical procedures and actions that classify the expenses and revenues in the budget in accordance with their different impact on men and women. Its goal is to identify the places where collection and distribution of state money is unjust. *The result of that recognition is not that all the revenues and expenditures are equally distributed to men and women, because they can have general, common, as well as different needs, but that women's and men's needs and priorities are weighted equally and that their contributions to economic and social development are valued equally.*²³

Criterion 5: SUSTAINABILITY

Are there established necessary mechanisms for sustainability of the project results?

The establishment of new mechanisms in the context of results sustainability is reflected primarily through the obligation of the budget users to plan the budget through the BPMIS system, which stems from the implementing regulations. Specifically, in accordance with the *Instructions 1 and 2*, and bylaws²⁴, the network access to budget preparation is done through the BPMIS. This achieved the essential prerequisite for sustainability of the results.

To achieve some results that are not, or are only partially achieved, it will be necessary to previously establish new mechanisms, and there one can not speak about mechanisms for sustainability, but the mechanisms for achieving results. Such is the case, for example, the aforementioned creation of systematic links between policy priorities and the budget, or e.g. on the matter of use of information generated by the BPMIS for assessment of institutional

²³ *Rodno odgovorno budžetiranje*, Prof. Azra Hadžiahmetović, Prof. Tatjana Đuric-Kuzmanović, Prof. Elizabeth M. Klatzer, Dr. Marija Risteska; Publisher - IKD „UNIVERSITY PRESS – MAGISTRAT Izdanja“ Sarajevo, November 2013 http://arsbih.gov.ba/wp-content/uploads/2014/01/GRB_UNW.pdf

²⁴ E.g., at the state level, that is the *Decision on the procedure of medium term planning, monitoring and reporting in the Institutions of BiH*

performance against the set policy goals. Essentially, thus defined, these results are beyond the scope of this project, and the lack of mechanisms for sustainability can not be taken as a shortcoming of the BPMIS, but of the system that is much wider than it and it implies the existence and full application of the concept of the programme budget.

Similar case is also with the gender responsible budgeting, where the information system that makes it possible is only a precondition and should be regarded as a technical function, while qualitative and/or content aspect depends on other factors and involves changes in perception of users and trainings in that direction.

In which way, in the long term, the project results would be used and improved through practice?

Regular use of this information system will open new issues, new problems and new needs. So, at the state level, the MFT already performed some adjustments of the system, in the following segments:

- a) additional functionality of entry and collecting the records of number of employees per programme and per ordinance of the institution,
- b) additional opening of the columns for spending,
- c) additional item "state revenues" in accordance with the *Instruction 1*.

There is no doubt that in time there would be a need for some additional upgrades or improvements of the system. On the other hand, taking into account that it is a system that is used only in one or two cycles of planning, it would be reasonable to expect that over time, due to continuous use, the results and effects of the BPMIS would be increasingly important and grow in quality and weight.

Does the project results sustainability require additional financial, institutional or political resources, and what is the probability of their availability in the long term?

For maintenance of the BPMIS at the state and the entity levels, the amount between BAM 30 and 60 thousand is allocated per year. Approximately the same amount is necessary to provide for each subsequent year of use of the system. In addition, the practice has shown that it takes some improvements or adjustments of the system, and some of them have already been done. Therefore, it is realistic to expect that in the coming period it would be necessary to allocate certain funds for these purposes. However, from the budgetary perspective, since these are not significant allocations, the expected probability of their availability for a longer period is not in question.

What are the assumptions and risks that can, in the long term, condition a restricted use of the project results?

Integrating the system for budget execution is one of the prerequisites for a long-term use of project results. In addition, in order to use the results of the project to their full extent, it would be necessary to continue the efforts to introduce the programme budgeting and gender responsible budgeting. Only when their practical application is complete, it can be said that the project results are in full use. Until then, a limited use of project results can be noted.

The current model of programme budgeting at the entity levels does not allow grouping of budget users within the same programme, because it is designed in such a way that in the hierarchy of the system the budget user is above the programme. The practice has shown that the model of the programme budget needs to be adjusted so that, where appropriate, the contribution of several budget users to the same programme objective is clearly visible. The

said changes represent a commitment of the users in the entities in the coming period, which will include amendments to laws and bylaws, and in line with that, a significant upgrade of the BPMIS. Given that these are significant functional software changes that go beyond and cannot be a part of the maintenance contract, it would be necessary to provide additional funds for the said upgrades. Application of this model of programme budgeting should not be expected before 2017, and/or the cycle of budget planning for 2018.

5. CONCLUSIONS

In the context of the effects of this project, the BPMIS can not and should not be viewed in isolation from other parts of the system in the overall system for public finance management. BPMIS represents an automation of the entire process of budget preparation, and through integration with the budget execution system and the public investment management system represents a whole unit. The component of gender responsible budgeting in the context of this project, is an additional functionality in the aforementioned system and as such is perceived through this report as well.

At the state and the entity level the BPMIS is established, taken over by the user and regularly used. The planned results were mostly achieved, and where they were not, assumptions were created for their full implementation. Logically, the effects of the project should not be missing, if certain assumptions are met.

On the other hand, in the Brčko District, due to objective and subjective factors, partly conditioned by the specifics of the budget process, there was no establishment and therefore no use of the BPMIS.

Therefore, **the overall evaluation of the results and the effects of this project at the state and the entity level is extremely positive**, with emphasis on the need for additional efforts and resources in order to implement the BPMIS in Brčko.

6. RECOMMENDATIONS

1. Adjust the BPMIS to the needs of the beneficiaries in the Brčko district and ensure its application in practice;
2. Carry out integration of the system for planning and management with the system for budget execution at those administration levels where it has not been done;
3. Continue efforts to completely transition to programme budgeting;
4. Ensure compliance of the process of medium term planning and the process of budget planning;
5. Continue creating preconditions for full application of the concept of gender responsible budgeting;
6. Strengthen the capacities of the Office for Budget Planning in Brčko, and provide the necessary IT capacities of the Finance Directorate of the BD so the project results in the future could be taken over in an appropriate manner;

7. LEARNED LESSONS

Through the evaluation of this project, some questions opened that could not be answered, but we think that they should be noted and discussed at some other time. That is the question

that begs asking is *what is meant by the common project? Is a common project the project that has 4 separate users in 4 administrative systems and that should produce 4 softwares for their specific needs? Is a common project the one in which 4 analyses have to be drafted, 4 technical specifications drafted and 4 different equipments procured?* In doing so, please note, these systems i.e. softwares do not necessarily need to communicate with each other. Upon completion of this project, we will have 4 maintenance contracts between 4 users and one implementer, the one which has the source code. The only thing that is common in these types of projects are the *type of need, the source of funding* and, later, the *implementer* (the third is the consequence of commitment to common projects).

Finally, the aspect that is very important for future projects that would deal with software or equipment procurement, concerning the training of professionals who would administer and in any way maintain the system. That is, when planning such trainings, it is important to take account of their duration, type and quality. In other words, it is important to take into account the outcome of the training, which should be aimed at enabling the user to independently operate and maintain the system (where possible). For example, with purchased equipment, the user should be trained to independently, in most situations, maintain the system in order to avoid the situations where the user, due to inadequate training, is often required to call the supplier of the equipment and pay them for the service of maintenance.

Date of Report: 3rd November 2015

Dates of Evaluators' Visits: 28 April – 14 May and 9 October – 2nd November 2015

Interviews with: see the list of interlocutors in the annex.

List of Annexes

1. *Logical Framework Matrix of the Project*
2. *List of Interlocutors / Interviews*
3. *The list of shortcomings of the BPMIS in the Brčko District*

Annex 1 - Logical Framework

	Intervention logic	Objectively verifiable indicators	Sources of verification
General objective	<p>The objective of this project is to increase the efficiency and effectiveness of budget management by creating and implementing a modern budget management information system (BMIS) in accordance with best European practices. The objective thus defined is at the same time compatible with the key objectives of the Action Plan 1 of the public administration reform – area of Public Finance as follows:</p> <ul style="list-style-type: none"> • PF2: Increase of efficiency and effectiveness of budget management, especially activities of budget management • PF2.1.6. Develop software for budget drafting, which is compatible with the treasury system. <p>Generally observed the objective of this project is to implement the BIMS on the state level, the entity level and the Brcko District level.</p>	<ol style="list-style-type: none"> 1. BMIS implemented on state level, FBiH, RS and BD level 2. Increased efficiency and effectiveness of the budget management through implementation of the BMIS 3. Developed software for budget preparing, which is compatible with the treasury system 	<p>Ministry of Finance and Treasury of BiH, Federal Ministry of Finance, Ministry of Finance of the RS, Directorate for Finances of the BD, Public Administration Reform Coordinator's Office</p>
Purpose of the Project	<p>The purpose of the project is design and implementation of a modern BMIS system, based on centralized databases which would be situated in the MoF premises, in a manner that all budget institutions access the budget preparation through an online system, with provision of all the benefits to the beneficiaries, that are brought by modern information systems.</p> <p>Currently situation pointed that the budget users still input the requests by hand in the Excel format, where is a great possibility of a mistake when inputing.</p> <p>Implementation of a standard integrated BMIS across all</p>	<ol style="list-style-type: none"> 1. Produced and implemented modern BMIS system 2. All budget users have access to planning and preparation of budget through an online base, with implemented security and other aspects borne with them by modern information systems 3. The costs of managing and coordinating the governments' finances operations reduced 	<p>Ministry of Finance and Treasury of BiH, Federal Ministry of Finance, Ministry of Finance of the RS, Directorate for Finances of the BD, Public Administration Reform Coordinator's Office</p>

	<p>budget institutions using the latest technology is a cost effective solution which decreases costs of managing and coordinating the governments' finances operations, supporting informed decision making process in planning and allocation of resources and management of governments' money. Integration of the information systems with an objective of support to government financial operations is critical to facilitate the timely production of information required for management and coordination government financial operations.</p>		
<p>Results</p>	<ol style="list-style-type: none"> 1. Increased efficiency of the Ministries of Finance and Budget beneficiaries 2. Strengthened communication between the Ministries of Finance and Budget beneficiaries 3. Creation of opportunity for establishing a systematic connection between the policy and budget priorities that would be cost effective and tailored to user needs 4. Enabled timely and cost effective drafting of various reports providing support in conducting analyses and process of final decision making 5. Enhanced and improved transparency and reliability of public sector by allowing the decision makers, auditors and citizens to use the information generated by BMIS to enable the assessment and research of the institutional performance in keeping with the set political goals. 6. Minimizing of errors in the existing system that occur due to the complexity of comprising the worksheets in Excel from numerous budget beneficiaries 7. Enabled introduction of rules in a way to ensure access to information in a timely and cost effective manner 8. Enabled introduction of rules to ensure deduction of budget claims/requests immediately upon their entry, that would concurrently provide a well established budget planning process 	<ol style="list-style-type: none"> 1. Timely planned and adopted annual and mid-term budgets of public beneficiaries in line with the installed BMIS system 2. Number of communication links between the Ministries of Finance and Budget beneficiaries at all levels 3. The Budget beneficiaries are defined based on the systemic connection between the policy priorities and the Budget, in a cost effective way and with full observance of the needs of beneficiaries 4. Number of generated timely and cost effective reports required as a support in conducting analyses and decision making 5. Number of information used over BMIS system by the decision makers, auditors and citizens, to ensure better assessment and research of institutional performance in keeping with the set political goals. 6. Number of errors in the existing system that occur due to the complexity of comprising the worksheets in Excel from numerous budget beneficiaries 7. Number of rules/regulations introduced in a way to ensure access to information in a timely and cost effective manner 	<p>B&H Ministry of Finance and Treasury, Federal Ministry of Finance, RS Ministry of Finance, Financial Division of BD,</p>

		8. Number of rules/regulations introduced to define the modality of deducting the budget claims/requests immediately upon their entry, that would concurrently provide a well established budget planning process	
Activities	<p>A1: Snapshot of current status and elaboration of draft implementation plan</p> <ul style="list-style-type: none"> • Status snapshot and analysis of current procedures • Status snapshot and analysis of existing information system and HW equipment • Drafting of a detailed implementation plan • Adoption and acknowledgement <p>A2: Additional analysis and drafting of functional specification and system design, and HW specification proposal</p> <ul style="list-style-type: none"> • Additional analysis • Drafting the functional specification and system design • Drafting the proposed Hardware specification • Adoption and acknowledgement <p>A3: Adjustment of the Software, testing on pilot units, correction, modification and training plan</p> <ul style="list-style-type: none"> • Software adjustment • Drafting of testing plan per pilot units • Confirmation of testing plan per pilot units • Preparation for testing • Testing per pilot units • Correction and modification of the system • Drafting of a detailed training plan • Adoption and acknowledgement <p>A4: Implementation of the system per locations and training of users</p> <ul style="list-style-type: none"> • Procurement and installation of HW equipment, system SW • Installation of Budget management Software required for testing • Installation of Software for budget management to a production environment 		

	<ul style="list-style-type: none">• Preparation for the training the of users• Training of users• System maintenance during operation		
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Annex 2 - List of Interlocutors / Interviews

No	Name and Surname	Relation with the Project	Institution	Place	Date	Meeting held (yes/no)
	Azra Branković	Project manager	PARCO	Sarajevo	28 April 2015	yes
	Halida Pašić	Member of the IT	Ministry of finance of BiH	Sarajevo	5 May 2015	yes
	Danijel Vujica	Member of the IT			13 May 2015	by phone
	Alija Aljović	Member of the IT, Member of the ST	Ministry of finance of FBiH	Sarajevo	12 May 2015	yes
	Osman Osmanović	Member of the ST	Directorate for Finance of the BD	Brčko	14 May 2015 & 15 October 2015	yes
	Danijela Ristić	Representative of the beneficiaries			14 May 2015	
	Nedžad Kurtović	Member of the IT, Member of the ST				
	Velida Mrkaljević	Member of the IT				15 October 2015
	Nikola Miljanović	Representative of the implementer	SRC sistemske integracije d.o.o. Serbia	Sarajevo	9 October 2015	yes
	Svetlana Radovanović	Member of the ST	Ministry of finance of RS	Banja Luka	2 November 2015	yes

Annex 3 - The list of shortcomings of the BPMIS in the Brčko District

This annex states the shortcomings in application of the BMIS, which the Office for preparation of the Budget of the Brčko District of BiH noted and recorded during April 2014.

The noted shortcomings are:

1. Input of plan of incomes from indirect and direct taxes was not enabled, as well as financing from loans and surplus of revenues over expenditures from earlier periods (Instruction No. 1 and Instruction No. 2). So far, we were recording them on the organisation code 00000000, which is now not possible.
2. In the part of prescribed reports, which make the Framework budget document, no report was created:
 - "Initial top budget levels of users per organisation and economy categories - Overview of user requests and indicative top levels", jointly per budget users (level of division) and jointly for the whole budget
 - "Overview of budget user requests and indicative top levels of expenditures" (gross salaries and provisions; remuneration of employee expenses; material expenses; grants and subsidies, capital budget and joint overview of requests and indicative thresholds)
 - Division of budget ceilings on: current expenses, capital expenses, payment of debt, court judgements and reserves
 - "Estimate of budget revenues of the Brčko District - analysis and synthesis".

All the said reports are for a three-year period.

3. There is no possibility left to increase, decrease or some other change of the planned incomes and financing after the initial input by the budget users, and/or by the Directorate for financing, after solving the problem under item 1 (the said problem is related with both the registered incomes in the instruction 1, and in the in the instruction 2).
4. Since the incomes planned and adopted in the first plan year in the Budget Framework Document make the Income Projection for the Instruction No. 2, there was no possibility left to transfer their plan from the Budget Framework Document in the annual budget (of course, with the possibility of certain corrections by the budget users, and/or by the Directorate for Finance).
5. In the part of input of explanations by the budget users (level of division), there is no possibility of input of explanation by the budget user which represents a "Strategic objective". Strategic objective is related with the budget user (level of division). Spending units, i.e. programmes within the budget user (level of division) have operational objectives (Table T0 in the Instruction No. 1 so far).
6. At the training, we were explained that the accounts 611100, 611200, 612100, 614100, 614200, 614300, 614400, 614500, 614600, 614700, 615100, 615200, 615300, 616100, 616200, 616300, 616400, 821100, 821200, 821300, 821400, 821500, 821600, 823100,

823200, 823300 (accounts that finish with two zeros are treated in the end as K6). It is necessary to enable their input in the codebook of economic classification, so it could be used for input of budget lines. That is not possible at the moment, because the said accounts were deleted from the codebook, and the application makes the input of once deleted accounts impossible.

7. In the expenditure units 1603002 – Court judgements and specific decisions, court and out-of-court settlements, 16030003 – Domestic and foreign loans and debt payment, 29010001 – Budget reserve funds, 19050002 – Permanent financial aid, 19050003 – Other peoples' assistance and care, 19050004 – Child provision, 19050005 – Maternity provision, 19050006 – Equipment for newborn, 19050007 – Children and adults under guardianship, 19050008 – One-time assistance – solidarity fund, 19050009 – One-time financial assistance to retired people, 19050011 – Funds for subsidies to people in social need, 19050012 – Accommodation of juveniles and adults in institutions, 19050013 – Procurement of medications and expenses of funeral for users of permanent social aid, 19050014 – Refund to economic operators for maternity leave, 19050015 – Expenses for public kitchen, when putting in an explanation of the programme, when putting in the number of employees (0), considering that these expenditure units and/or programmes which they relate to have no employees, the number 0 is automatically changed in number 1. This increases the number of planned employees, without it realistically being so.
8. In the part of the legal reports, which make the book of Proposals and final version of the budget, in the report B - Overview of budget users per organisation-economic classification - (Synthesis) only the expenditures should be generated, and not the incomes and expenditures as it is currently in the report.
9. In the part of the legal reports, which make the book of Proposals and final version of the budget, there is no report Overview of the budget users per organisation-economic classification - (Analysis per departments and institutions), which is necessary for the book Excerpt from the Budget Proposal, which is printed for the needs of public discussion, and/or analytic overview of expenses from the Budget proposal at the level of the budget user (level of division).
10. In the part of the legal reports, there is no report for the grants and subsidies from which the total amount of the planned grants and subsidies would be visible, in which organisation units and in which economic code (614100, 614200, 614300, 614400, 614500, 614600, 614700, 615100, 615200 i 615300) the grant was planned, and/or the subsidy, as well as a precise title of the grant (descriptive part), as the budget users put them in the Instruction 2.
11. There is no report (summary) in the programme format (Overview of all the programmes per economic classification and overview of the main programme per economic classification).
12. In the application (Instruction 2), entry of positions (jobs) is created in such a way that the Directorate of Finance, each year, from the codebook of jobs, forms a set of jobs in which they enter the titles of all the jobs the District Budget for the coming year with gross salaries amounts, from which the budget users transfer the jobs in their Detailed requests

for salaries. This method does not suit our way of planning positions in the Detailed requirements for salaries for several reasons, primarily because of the fact that in certain number of budget users, the amount of gross and/or net salary changes each year and at the moment of sending the Budget instructions 2, the Finance Directorate has no information and does not know what would be the net and/or gross salary at particular positions. This is particularly true for the positions and gross and/or net salaries in the Judiciary (salaries of judges, prosecutors and attorneys), in the Audit Office and in the Assembly, whose budget requirements, in accordance with the Budget Law, the Directorate, and/or, the Government and the Mayor, could not change, and/or determine the amount of wages. Also, pursuant to the Law on salaries of police officers, each year the salaries in the police are changed. We think that the budget users should enter the positions in the Detailed request for salaries from the codebook of jobs. The Codebook should, in addition to the title of the job, include also the salary grade with the corresponding net and/or gross salary, depending on whether it is a job that is reported (planned) in the Pension and Disability Insurance of the RS and the FBiH. This would apply to those positions (jobs) that have corresponding (respective) pay grade in accordance with the Law on salaries, and for those positions that do not have a pay grade, the budget users would select the position, and they themselves would enter, and/or, change the net and/or gross salary.

13. In the part of the application for entry of detailed requirements for salaries, it was created in a way that was applied before 2013. Since 2013, the positions are entered in the Detailed request for salaries, in such a way that there are differences in gross salaries and calculation of contributions paid by employers for employees, depending on which pension fund (the Pension Fund of the Republic of Srpska and Pension Fund of the FBiH) the employees belong to (e.g. employees with the same salary grade have the same net salaries, and depending on which Pension Fund they belong to, different gross salaries.) Employees belonging to the Pension Fund of the FBiH have a calculated additional 6% of contribution paid by employers.
14. When entering salaries, (in the Instruction No. 2) it was not enabled to have in all the versions and "levels" of the budget (initial, adjusted, a proposal for the government, a proposal for the Assembly) entries of also the changes to the Detailed requests for salaries per positions in relation to the initial request of the budget user. There was a possibility left that the planned funds for gross wages, economic code 611100 and the funds for contributions paid by the employers, economic code 612100, are increased or decreased through input of budget lines, while keeping the Detailed request for salaries unchanged, i.e., remaining at the level of the request of the budget user. This way does not allow to clearly see what the possible correction (increase or decrease) of the planned funds is related to. In other words, this way, the level of the planned funds in the Detailed request for salaries does not match the planned funds in the budget line.
15. When entering positions in the Detailed request for salaries, there is no possibility of entering the text referring to the additions to the salary, e.g. addition for work of the police officers, inspectors, educators, judges and prosecutors, de-miners and fire-fighters, replacements for maternity and parental leave, workers on sick leave etc. which is visible, but that option was left only when entering budget lines, and/or on the occasion of entry of the aggregated figures of gross wages on the economic code 611100).

16. When entering the necessary funds for contributions paid by employers, there is no possibility of entry of an additional service that is visible in the Detailed request for salaries, but that option is left only when entering budget lines, and/or when entering aggregate amount of contributions paid by employers on the economic code 612100). In the Detailed request for salaries, it can not be seen what was the additional service, e.g. for police officers, de-miners and the like.
17. In the web application (Instruction No. 1), when showing and printing the data on the entered expenditures of the users, only the first explanation is visible, while there are no possibilities to see an explanation of additional funds or savings, and also, explanation of only one currently selected year is visible, and not all years (3 years).
18. According to our understanding, the application has no possibility of entering amendments to the budget (budget rebalancing), in the way we adopt them, as well as the changes that occur in the budget plan, which relate to the implementation of the Decisions on internal reallocation of approved budget funds.
19. In our understanding, the entry of capital budget by capital projects was not defined, i.e. its monitoring, as in the current year (the first year of validity), so in the following two years.
20. In the WIN application in the codebooks, there is no possibility to delete items (codes) that were entered during the testing and training, which could be a problem in setting the future of codes. For example, in the code book of budget users, during training, the code of the spending unit 31010001 was entered, entitled "test 2", and it was the first next one in the series of codes of budget users, which in the case of formation of a new budget user, should be assigned to that budget user.
21. In the WIN application, in the codebook of jobs, the jobs are not arranged chronologically by codes as the codebook was delivered.
22. In the WIN application, in the codebook of the programmes, the application does not allow to delete the mistakenly assigned spending unit to the programme, although there is an activated option "Delete" (after removal of wrongly assigned spending unit, the removed wrongly assigned spending unit remains).