

Bosnia and Herzegovina

Public Administration Reform Strategy

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Foreword

Joint Statement by Heads of Governments on the Public Administration Reform Strategy

In our capacity as representatives of our governments, we have accepted responsibility for the development and implementation of the Strategy for Public Administration Reform.

We all share a responsibility to create and sustain a public administration that is capable of providing services to our citizens, at the quality they are expecting, and to ensure the sound country-wide implementation of reforms necessary for the European Integration process.

The Strategy will focus our efforts in working together to: *create a public administration that is more effective, efficient, and accountable for what it does; that will serve the citizens better for less money; and that will operate with transparent and open procedures, while meeting all conditions set by European Integration, and thereby truly become a facilitator for continuous and sustainable social and economic development.*

We are committed to working cooperatively on the priorities and actions identified in the Strategy; to ensure the stated objectives and principles at all levels of public administration.

We also commit to regularly reviewing our achievements against the Strategy's plans and objectives, and will further develop the Strategy in light of these achievements.

We recognize that there are many other stakeholders who can make significant contributions to improving Bosnia and Herzegovina's administrative system. We will continuously make information on the reform process available to business communities, civil society groups, and citizens; and will take their contributions into account in future developments.

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List of abbreviations:

AIS	Agency for Information Society
AP	Administrative procedure
BAIT	BiH Association for Information Technology
BD	Brčko District
BiH	Bosnia and Herzegovina
CHU	Central Harmonization Unit
CIPS	Citizen Information Protection System
CMS	Web Content Management System
CoM	Council of Ministers
CSA	Civil Service Agency
DEI	Directorate for European Integration
DFID	Department for International Development
EC	European Commission
ECDL	European Computer Driving License
EIF	European Interoperability Framework
EPPU	Unit for Economic Policy Planning and Implementation
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FC	Fiscal Council
GDP	Gross Domestic Product
HRM	Human Resources Management
IC	Institutional communication
IGTF	Inter-Governmental Task Force
IT	Information technology
ITA	Indirect Tax Authority
JMB	Citizen Identification Numbers
LAP	Law on Administrative Procedure
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MP	Members of Parliament
MTEF	Mid-term expenditure framework
OHR	Office of the High Representative
OVI	Objectively Verifiable Indicator
PAR	Public Administration Reform
PB	Payment Bureau
PF	Public Finance
PIFC	Public Internal Financial Control
PM	Policy-making
PR	Public relations
RS	Republic of Srpska
SAA	Stabilization and Association Agreement
SIDA	Swedish International Development Agency
SIGMA	Support for Improvement in Governance and Management
UNDP	United Nations Development Program
XML	Extensible Markup Language

Executive Summary

Introduction

This Strategy for Public Administration Reform (PAR) aims at reforming the Public Administration of Bosnia and Herzegovina (BiH), to substantially improve BiH's administration over the next decade.

The reform is a precondition for the integration of BiH into the European Union (EU), which considers sufficient *administrative capacity*, and the ability to adopt and implement the core of EU law (the *acquis communautaire*), a key requirement for EU membership. This Strategy aligns with key strategic documents and commitments of BiH, such as the European Partnership, the BiH Strategy for European Integration, and the Mid-Term Development Strategy.

Vision, goals, and scope of the reform

The Strategy is grounded in a firm *vision to develop a public administration that is more effective, efficient, and accountable; that will serve the citizens better for less money; and that will operate with transparent and open procedures, while meeting all conditions set by European Integration, and thereby truly become a facilitator for continuous and sustainable social and economic development.*

To achieve the vision, the Strategy focuses on improving *general administrative capacity*, through the reform of core horizontal systems and structures of governance.

The Strategy also provides concrete directions for creating more *coherent administrative structures* within and between various levels of administration, and for *managing change* toward the desired goals of each sector.

The Strategy will mainly work to improve *central administrations* at the level of BiH, the Entities and Brčko District. Nevertheless, a reform of this scale entails fundamental changes in the way all institutions work, which will naturally affect the municipal and cantonal administrations and the broader public sector.

The concrete operationalization of the Strategy into *Action Plans* will be completed in two consequent stages. The first Action Plan – included as an Annex to the Strategy – details concrete measures, timelines, and responsible institutions. It has been consented to by all nominated government representatives in the working groups for drafting the Strategy. Based on the recommendations of the EC-funded *System Review of Public Administration Institutions*, this Action Plan aims to develop *effective and coherent policy-making and coordination capacities* for meeting public goals; and to build, strengthen, consolidate and harmonise the general systems of: *Public Finance, Human Resources, Administrative Procedure, Information Technology, and Institutional Communication*. The implementation of the Action Plan will be subject to regular monitoring and evaluation. Based on the findings, activities will be updated and adjusted, taking into account all relevant developments.

While developing general administrative capacity is necessary, it is not sufficient for improving the performance of the administration. A second Action Plan will be prepared in the second half of 2006 and the first half of 2007, focusing on creating the conditions for developing *sectorial capacity* in key policy sectors. Drawing on the recommendations from the EC-funded *functional reviews* in nine public sectors, this Action Plan will include concrete proposals to improve the coherence, effectiveness and efficiency of the administration and its institutions, and to reduce fragmentation within and between government levels.

The reform will undergo the following three stages:

- **THE FIRST STAGE – Till the end of 2007:** The short-term objective, is generally to initiate, or consolidate and further, the reform of key horizontal systems and structures of governance. To this end, implementation of many measures in the first Action Plan, will start immediately – to maintain momentum, and to reap early benefits from the reform for all institutions, on all levels.
- **THE SECOND STAGE - Late 2007 until the end of 2010:** The medium-term objectives by 2010 are to have the basic horizontal systems in place, strengthened and harmonized, and to streamline sectoral and vertical functions: to meet citizens' expectations for more effective and efficient institutions, and to achieve the general and sectoral ability to adopt and implement the *acquis* uniformly in BiH.
- **THE THIRD STAGE – January 2011 until the end of 2014 - implementation of long-term objectives:** At this stage, the European Integration Process will require increasingly higher standards of public administration. BiH's objective is to reach the quality level of the European Administrative Space by the end of 2014, to adhere to common standards of EU Member States, and implement the *acquis*. To achieve these goals, an assessment of implementation from the previous period will be carried out in the second half of 2010. New activities will be planned in key areas of administrative reform, including in areas where progress has not been sufficient.

Development of General Administrative Capacity

The reform requires the development of general administrative capacities in the administration, through the reform of core horizontal systems and governance structures.

- ***Policy-Making and Coordination Capacities***

The goal of the reform is to improve: *the structure, capacity, and performance of government Secretariats, therefore strengthening the policy-making systems on all government levels*. The reform will require new organizational arrangements, procedures, staffing, and development of coordination capacity for the government Secretariats. The Secretariats will become the primary coordinating body, with the primary task of ensuring that individual ministries and other administrative bodies work efficiently and coherently. They will develop capacities for linkages and coordination between different levels of government.

The reform of central policy capacity will proceed in parallel with increasing policy capacity in ministries. Ministries are the primary bodies that develop and implement policies and legislation, within their areas of competence. *The goal is to: develop the capacity of*

ministries to take sufficient account of government priorities, especially priorities related to harmonization with EU legislation; develop high quality proposals, consult and assess possible impacts; and draft high quality legal acts, so that material originating from the ministries is of sufficiently high quality, and central units can ensure informed decision-making.

- ***Public Finance***

Public Finance (PF) is an area that is closely linked to EU requirements, regarding the budget process, and the principles, standards and methods of public internal financial control (PIFC). In the past, PF has been subject to various reforms. However, these reforms were not done in a strategic and overarching manner: change has occurred asymmetrically according to gradually identified irregularities. To promote a public administration that is open, efficient, effective and accountable, it is necessary to *consolidate and further existing efforts in the PF sector; establish an efficient financial management system; and strengthen the control environment within which the administration operates.*

The reform will improve the policy aspect of public finance. It will raise the efficiency and effectiveness of budget management; and will improve the accounting framework and the treasury system operations. Reform will introduce PIFC in compliance with EU requirements; and it will initiate specific activities to improve capacity in Ministries of Finance, and at the level of budget users and fiscal authorities.

- ***Human Resources***

The abilities and dedication of the people working in the public services are vital if the administration is to work effectively. Achievement of good human resources management (HRM) at the top level is the biggest challenge for the reform process. The HRM system needs to be transparent and fair, supporting merit and professionalism, and providing for incentives to staff according to clear criteria. The primary goal is to develop *a professional, politically impartial, nationally balanced, ethical, stable and responsive public service, which is respected and able to deliver effective services to both Governments and citizens.*

The chief objective is to ensure the continued harmonization, development and modernisation of human resources policy, for both the immediate- and longer-term. A key element is strengthening the policy capacity of the Civil Service Agencies (CSAs) and the Brčko Human Resources (HR) Unit. This reform aims to create effective bodies responsible for HRM policy-making, defining general objectives and priorities in HR development, securing specialized HRM capacity in individual institutions, and developing understanding by managers of modern HRM policies, so that they are more actively involved in the development and motivation of staff. Other changes include: establishing an Institute for Public Administration; introducing and implementing procedures for effective HR planning in and across institutions to enable efficient delivery of institutional and Government priorities; a more time-efficient and cost-friendly process for applicants in the administration, for screening of applications and the selection process. The reform also aims to modify the salary structure across BiH, making the civil service more attractive for existing and prospective employees; and ensuring a single approach to enabling transfers and harmonization of salary. This HR reform is a key component to meet the challenge presented by EU membership.

- ***Administrative Procedure***

The reform of administrative decision-making is central to ensuring efficiency, effectiveness, and predictability of public administration in delivering public services to society. The reform will strengthen *administrative decision-making, as key component of interaction between the administration and the citizens; and make it a functional, reliable, efficient, transparent, accountable and coherent tool of a modern, client-oriented public administration, better able to join the European Administrative Space.*

Administrative simplification is an important goal of the reform: simpler procedures are easier to follow, and are more likely to be effective. This requires bringing legislation into compliance with contemporary administrative decision-making practices in EU countries, as well as organizational, information technology (IT), and capacity-building measures. Achieving real improvements in administrative decision-making requires more than the precise application of legislation. To deliver better results, ministries responsible for monitoring of administrative decision-making (e.g. ministries of justice, administration and local self-government) must develop capacity for analysis of administrative practices. Administrative bodies with administrative decision-making powers must develop processes for constant improvement. Strengthening administrative supervision is a very important segment and prerequisite to high quality decision-making: it will include transforming the role of administrative inspection, focusing more strongly on administrative decision-making, and the quality of public services.

- ***Institutional Communication***

Institutional communication (IC) aims to enhance the accountability of government to citizens – implying two-way dialogues permitting the public to influence and contribute to government policy. Reform aims to *strengthen public relations capacities in public institutions, gain citizen support, create positive attitudes towards public institutions, and encourage active civic participation in the decision-making process.* It will also support the implementation of legislation on free access to public information, in accordance with European standards. To achieve these objectives in the future, new functions in communication will be defined and promoted. All governments will adopt policies on IC, which all ministries or agencies within that governmental level will follow. As a result of these activities and documents prepared, public relations (PR) practice will be regulated, protected and promoted. New communication tools (such as interactive web sites, intranet, e-mail networks, as well as talking sessions, public events, and round tables), will help institutions to communicate their activities and positions, and explain their services professionally and in a timely manner for the benefit of citizens.

- ***Information Technologies***

IT is increasingly used to transform – not only how governments conduct their business – but also what they do, and how they relate to citizens and society. BiH will increase IT utilization in public administration to make government *more accountable, transparent and effective.* The important anticipated changes relate to: policy; organization and human resources; IT infrastructure (including security); and automation of public administration, business processes (including fundamental registries); and e-services.

Creation of a basis for the sustainable development of sectorial administrative capacity

Sectorial reforms will develop in parallel with the reforms to increase the general capacity within the administration. It is highly expected that these sectorial reforms will rationalize

and compact the administration; both within individual government levels – and in some measure – across them.

Development and implementation of these reforms needs to be coordinated, to secure a coherent result in the sector's capacity. The objective within this Strategy is to maintain a sufficient degree of coordination to: *preserve the coherence of organizational models; and ensure proper management of organizational change*. The two objectives are essential to maintaining the coherence of the resulting administration in the sectors. To achieve this, *guidance and standardization* will be provided through the Office of the PAR Coordinator.

The coordination will guarantee that any reorganization, triggered by sectorial re-design, will follow compatible organizational concepts. This objective refers to the typology of institutions, their mutual relations, and internal arrangements, as follows:

- Macro-organizational questions concern the typology of institutions, and examine the opportunity of separating policy-making concerns (typically covered by Ministries), from the focus on policy implementation (a task usually left to other administrative bodies).
- Organizational concerns also cover the conditions (including critical mass), under which a function could be practically organized into a new ministry or agency, or preferably developed within an existent portfolio.
- Similarly, macro-type organizational questions examine the institutions' reciprocal position, including relations of subordination and coordination, the modalities of exercising administrative supervision, and the special position of independent regulatory agencies (largely a new category in BiH administrative systems).
- At the micro-level, key organizational questions concern the difference among diverse types of internal organizational units (e.g. a directorate, or a sector), and the requirements for the establishment of each unit in terms of substantive responsibilities and minimum critical mass.

Required criteria are partly formed within the legislation at each government level (e.g. the Law on Administration and implementing regulations); the application of which, usually falls under the responsibility of the ministries dealing with the general legal framework for the public administration (e.g. ministries of justice, administration and local self-government, etc.). The launch of sectorial re-organization on a large scale, will require reviewing and changing the legislation itself, adapting it to the needs of the new administrative system that differs from those in which the model originated.

A degree of coordination will be needed, not only in relation to the final shape of each sector, but also regarding how the transition from the present organizational arrangement to the desired end-state will be managed. The Office of the PAR Coordinator, in cooperation with the responsible institutions at each level of government, will review the existent practice, and the legislation applicable to government reorganization within and across government levels. The Office of the PAR Coordinator will coordinate an effort to produce a set of *guidelines* for working groups engaged in sectorial reforms. It will also participate in the working group to provide advice regarding management of organizational change, to secure overall coordination aimed at a harmonious process of government reorganization.

Proposals for changes to the administrative architecture underpinning the BiH's public administration will be included in the second Action Plan to the Strategy.

Management of the Reform Process

The political guidance for the implementation of the reform is a responsibility for all governments. The *Board for Economic Development and European Integration* will provide strategic leadership for the reform across BiH. It will serve as a mechanism for resolving significant issues (including differences in the areas of the reform, where negotiators with the EU will have to present a consistent view). Less substantial disagreements and disputes will be dealt with at lower levels.

Coordination mechanisms are instrumental in assisting the process. Coordination tasks for the reform have been assigned to the national PAR Coordinator. The PAR Coordinator's Office will be the "*driving force*" behind the reform. The PAR Coordinator will drive the relations with the Entities and Brčko District Coordinators. It will organize joint meetings on a regular (preferably, monthly) basis, to discuss matters relevant to facilitating the coordination of the administrative reform process across BiH.

A *Task Force for PAR* will meet on a regular basis. It will include, in addition to the PAR Coordinator and the Entities and Brčko District Coordinators, the Directorate for European Integration, Entity-level institutions responsible for European Integration, Heads of Government Secretariats, Legislative Offices, Ministries of Justice in BiH and FBiH, the Ministry of Administration and Local Self-Governance in Republika Srpska (RS), Ministries of Finance, and a representative of the Brčko District government.

Members of the PAR Task Forces will discuss matters in relation to: monitoring and evaluation of PAR activities; harmonization of work plans and agendas; needs for financial resources and technical assistance; collection of information and data that will enable decision-makers to improve processes. Members will also coordinate communication with the governments, and with the general public; organize promotional activities and public events; and obtain political approval for further PAR steps and measures.

The reform will generally depend on a strong commitment to change *within* the implementing institutions. On an operational level, *Working Groups*, with representatives of responsible institutions for the implementation of the Strategy and its Action Plans, will meet as often as necessary to discuss implementation issues, and formulate specific proposals. The PAR Coordinator will initiate the formation of these Working Groups, and will provide necessary support for their work.

A *PAR Fund* for BiH will be created through the joint cooperation of several bilateral donors, the EC Delegation and the Governments in BiH. The PAR Fund is expected to play an important role in supporting the implementation of the PAR Strategy. Assistance from the PAR Fund will supplement funds available from the government budgets to finance the PAR efforts. The Office of the PAR Coordinator will identify projects, and develop project proposals on the basis of this Strategy and Action Plans, in close coordination with the relevant institutions of BiH and the donor community. The priorities will be defined clearly – according to the needs for the specific reform assistance – and coordinated within the overall reform objective.

The PAR Coordinator's Office will set up a system for Monitoring and Evaluation (hereinafter: M&E system) to track the progress toward achievement of the Strategy

objectives. The M&E data and analysis will support decision-makers to improve policy design, optimize resource allocation and refine planned activities.

The system will consist of two information generating modules, and a reporting module. Information generating modules include:

- Output monitoring. Output monitoring will track the implementation of the Action Plans under the Strategy and show if implementation is achieved, according to plan or not. It will reveal backlogs and differences in implementation across various government levels.
- Outcome monitoring: Outcome monitoring will generate information on whether the implementation of the actions effectively supports the accomplishment of the strategic goals. It will track progress towards achieving the Strategy vision, and inform how far implemented actions contributed to success.

The PAR Office will develop a consistent, simple reporting format for its regular reports. The reports will include easy-to-understand graphs, and related comments and proposals by the PAR Office. An annex will give details about Action Plan implementation and results of the outcome monitoring analysis.

Output monitoring reports will be delivered quarterly. Annual reports will also be produced: they will include results from both output and outcome M&E. The reporting period will start with the adoption of the Strategy and the first Action Plan. The first output reports are expected to be delivered by the first quarter of 2007; and the first overall reports by the fourth quarter of 2007.

1. Introduction

The need for the reform

Over the last decade, public administration capacity in Bosnia and Herzegovina (BiH) has grown, with each government level increasingly fulfilling its basic responsibilities. As time progresses, so do the expectations of our people. Securing basic governance is no longer sufficient; all citizens aspire to sustained economic and social development, in the framework of European Union (EU) membership. To meet citizen demands, and to move closer to the goal of European Integration, our administration must undergo a process of improvement and reform.

The administration should actively contribute to the formulation of policy, including the regulation of markets, and the stimulation of private initiative. Better coordination on all levels is needed to move away from defective and mutually contradictory policies and legislation. It should be capable of delivering higher quality services to citizens and business. This requires modern administration: flexible, and open to public participation.

Finally, progress toward these goals requires a financially responsible and sustainable administration. Excessive spending and administrative complexity defer private investment, slow growth, and curtail poverty reduction efforts. Higher levels of corruption are a symptom of administrative malfunction; transferring costs to citizens and business.

A common approach to administrative reform underpins the realization of our strategic priorities.

The need for administrative reform has been recognized by all government levels. In recent years, key changes were made in financial management, civil service and other fundamental systems. All administration levels considered plans for the reorganization and rationalization of their governments. However, the tendency of each reform to develop as a separate project has largely reduced the overall benefit of our efforts. This applies within each government across levels, and has limited our effectiveness in pursuing common objectives.

Given the complexity and depth of the challenge, we have increasingly focused our attention on reform of our institutions through a *common approach* across all government levels. We included a major administrative reform component in our *Mid-Term Development Strategy*. The strategic framework for the progressive integration of our country into the EU is set in our *Strategy for European Integration*; highlighting that achieving this goal depends on the quality of the administration. The reform responds to these strategic priorities, as determined in strategic government documents. Administrative reform is also critical for the success of the government's efforts to fight corruption; it supports the implementation of the recently adopted government anti-corruption strategy.

Meeting the EU accession criteria

The importance of the reform to successfully reach BiH's EU membership ambitions cannot be overemphasized. Experiences from other Central and Eastern European countries highlight that the road to EU membership places enormous demands on national administrations;

indeed, the success of accession is dictated largely by a government's ability to implement reforms.

The EU has acknowledged the enormous extent of the challenge and the transformations that need to take place to attain membership. Accordingly, it has provided clear guidelines for countries wanting to become members of the EU. The accession criteria were fixed by the European Council in Copenhagen in 1993, and reinforced by the European Council in Madrid in 1995. The EU criteria consider sufficient *administrative capacity* a key requirement for EU membership. The EU operates primarily through its Members' administrations: it is necessary for candidates to demonstrate the ability to adopt the 35 Chapters of rules in the EU legislation (the *acquis communautaire*), and the capacity to fully implement them. The other accession criteria are a matter of political obligations as well as economic conditions. However, political and economic progress must occur in parallel with appropriate capacity-building measures.

Administrative reform must encompass both general and sectorial capacities.

There are two levels at which administrative capacity should be considered. The most evident is *sectorial capacity*. Adopting EU-compliant legislation, in areas such as agriculture, environment, economy or home affairs, often triggers a need for specific institutional arrangements and special skills. A compendium is provided in the European Commission's non-official *Guide to the Main Administrative Structures Required to implement the acquis*.

More fundamental, is the broader *general administrative capacity*. In addition to sectorial concerns, general administrative capacity – the way a national administration is organized, makes policy¹, creates and implements budgets, or recruits and develops its staff – is essential to overall performance. There is no predetermined model for the organization and function of public administration in EU Member States. Nevertheless, over time shared values and principles of public administration have emerged among EU Member States (with different legal traditions and different systems of governance): these constitute the conditions of the so-called *European Administrative Space*. The extent to which a candidate country adheres to these common standards of public administration, is an indication of the capacity of its national public administration to effectively implement the *acquis*, in accordance with the criteria set by the European Council in Copenhagen and Madrid. Experience from the new EU Member States points at the crucial importance of robust investment in general administrative capacity: it is a pre-condition for the administration attaining EU Member States standards, and the essential foundation for any sectorial reform.

There are no universal recipes determining a country's general administrative capacity. Therefore, the European Commission (EC) measures capacity against a set of criteria, including various EU legislation: in areas such as public procurement, and internal financial control; guidelines on anticorruption; common principles of administrative action; and comparative good practice in the Member States, partly codified through the work of the SIGMA program.²

¹ A policy is an approach to solving a problem or improving a situation. It is often embedded in a legal act. See a separate Note on Terminology, annexed to the Strategy.

² SIGMA is a joint initiative of the OECD and the EU, principally financed by the EU's Phare Programme. It has developed a set of baselines for six key areas of public management: Civil Service, External Audit, Financial Control, Public Expenditure Management Systems, Policy-Making and Coordination Machinery and

The EC Progress Reports on BiH express many concerns.

On the basis of these benchmarks, EC *Progress Reports* on BiH noted improvements in general and sectorial administrative capacity, but also concerns. The 2005 Report contained a reminder from the 2003 Feasibility Study on the *Stabilization and Association Agreement* (SAA) negotiations, which called for a comprehensive reform strategy, involving all government levels, to be adopted and implemented.

The reform is a key element in the European Partnership for BiH.

Ensuring the success of the SAA process, through further improving the functioning of the public administration, lies at the heart of the *European Partnership for BiH*. The renewed 2005 Partnership document includes as a *key short-term priority*, adopting and initiating implementation of a comprehensive PAR action plan. A key *Partnership* priority for the next three years, is to continue fostering necessary administration changes by implementing the PAR agenda.

2. Preparation of the reform strategy

The PAR pledges

The establishment of a comprehensive, country-wide PAR strategy has been on BiH's agenda for over three years. The *Public Administration Reform – Our Agenda* document pledged to:

- Make public administration cost-effective and well organized (Pledge 1: The organization);
- Ensure that the tax payers' money is spent economically and transparently (Pledge 2: The funding);
- Ensure that the civil service is professional and representative of the citizens it serves (Pledge 3: The staff);
- Make public administration work in accordance with EU best practice (Pledge 4: The procedure);
- Ensure quality-driven and citizen-friendly public services (Pledge 5: The public services).

An Inter-Governmental Task Force (IGTF), chaired by the BiH Ministry of Justice, was responsible for generating the Strategy for the whole country, by Autumn 2004. Results were modest: the IGTF lacked a detailed analysis of the administration's present state, and a precise definition of the desired goals.

The way forward – the establishment of the Office of the PAR Coordinator and the reviews of public administration.

Public Procurement Management Systems. In each of these areas, the baseline reflects standards of good practice in the EU Member States. For more information on SIGMA, see: <http://www.oecd.org/puma/sigmaweb>.

To move towards the objective of a common PAR Strategy, in 2004 the State, Entity and District governments agreed and carried out, with EU assistance on the basis of a *Memorandum of Understanding* with the European Commission, a set of detailed reviews of the administration's present state and reform needs. In the same year, the BiH Council of Ministers adopted the *Decision on Establishing the Office of the Coordinator for PAR within the Cabinet of the Chairman of the Council of Ministers of Bosnia and Herzegovina*, and appointed the PAR Coordinator in October 2004.

The *System Review of Public Administration Institutions of BiH* (hereinafter: System review), covered general capacity issues in six horizontal systems of governance common to all institutions (Human Resources; Public Finance; Legislative Drafting; Administrative Procedure; Information Technology; and Institutional Communication). The System review was made by comparing the present state of the relevant horizontal systems in the administration of the State, Republika Srpska (RS), Brčko District, and the Federation of Bosnia and Herzegovina (FBiH) (including some of the cantons), against a desired end-state that corresponds to European best practices.

In parallel, and complementary to the System review, *functional reviews* were carried out in nine key sectors – Agriculture, Justice, Environment, Education, Health, Police, Returns, the Economy, and the Labor and Employment Sector. The purpose of the *functional reviews* was to: identify and analyze the responsibilities and core functions in key policy areas; assess how responsibilities are divided and functions performed; compare BiH with the situation in other European countries; and make recommendations that would allow the functional competencies of the corresponding administration, and other relevant institutions, to be rationalized and reorganized to promote efficiency, and enhance performance. The detailed outcomes of the reviews were provided in the final report of each review.

Thorough preparation process of the PAR Strategy by public officials from all levels of government

The *functional reviews* provided the starting point for developing the PAR Strategy. This process was supported by the EC, which provided specific technical assistance to the Office of the Coordinator for PAR.

As the responsible institution, the Office of the Coordinator for PAR prepared its plan of activities in 2005, and launched the process of drafting the PAR Strategy in early 2006. To support the Strategy drafting efforts, the Entities and Brčko District governments appointed Coordinators for PAR from their administrations. With their assistance, the respective governments identified expert members for six *Working Groups*, covering all areas of horizontal capacity (Policy-Making and Legislative Drafting, Public Finance, Human Resources Management, Administrative Procedure, Information Technologies, and Institutional Communication). During March and April 2006, these six Working Groups met on a regular basis in locations across the country. Each Working Group considered the initial situation critically, and identified short- and longer-term reform goals, along with the necessary measures to achieve these goals. A joint meeting of all Working Group members took place in Sarajevo at the end of April 2006. This meeting focused on issues of common concern to all Working Groups: for instance, incentive mechanisms within the context of human resources policies. Building on the agreed priorities and policy goals for the reform in each specific policy area, the Office of the PAR Coordinator, with the support of the EC technical assistance team, developed the PAR Strategy. The specific activities, measures,

timelines, and responsible institutions agreed in each Working Group, fed into the first Action Plan for the implementation of the Strategy.

Grounding the Strategy in a firm vision

Parallel to the efforts of the Working Groups, the Office of the Coordinator for PAR organized events with the media, an opinion poll, and thematic workshops in the main centers throughout the country, with representatives of civil society, academia, the private sector and general public. The aim was to establish a firm *vision* for the reform through public events and consultations with specific target groups.

These public events, conducted throughout BiH, revealed common concerns and problems similar to all administrations all over the country. For instance, all participants criticized the length and slow timing of administrative procedures; especially lengthy procedures for company registration (involving obtaining multiple certificates from various administrative bodies), and similar problems for citizens to obtain official certificates and documents. It was also highlighted that citizens' complaints are often without results, and the appeals procedure against administrative decisions is not effective. Another common problem is the administrative silence on citizens' requests, with no effective remedy against it, very limited use of computers within municipal administrations, and under-qualified staff that require training. It was also mentioned that the services and information offered, often does not correspond to the needs of the citizens.

The consultations revealed that the administration needs immediate reform: to ensure citizens' rights, and strengthen their participation in decision-making processes. Moreover, training of civil servants is very important, in order to provide citizens with better quality services. The use of information technologies needs to be introduced, and a more effective information flow from the administration to the citizens must be guaranteed.

The Strategy and its specific objectives are based upon this vision for BiH's public administration. Principal commitment for the Strategy was received from the Prime Ministers of BiH, FBiH and RS in a major PAR Conference held on 22 June 2006, in Sarajevo.

3. Vision, goals, and scope of the reform

This PAR Strategy is a comprehensive, holistic document providing the strategic framework for the PAR process, in order to substantially improve our administration over the next decade.

Our vision

The reform is guided by the overall vision to: *create a public administration that is more effective, efficient, and accountable; that will serve the citizens better for less money; and that will operate with transparent and open procedures, while meeting all conditions set by European Integration, and thereby truly become a facilitator for continuous and sustainable social and economic development.*

This vision will require more comprehensive knowledge; and also strengthening capacities of governments to develop effective and coherent policies to meet public goals: more effective management systems; improved organisational structures; and ultimately, a more service-oriented culture ensuring affordable administration, and fully accountable resource use.

Two primary goals

To realize this vision, the PAR Strategy focuses on improving *general administrative capacity*, through the reform of core horizontal systems and structures of governance.

The Strategy also provides concrete directions for creating more *coherent administrative structures* within and between various levels of administration, and for *managing change* toward the desired goals of each sector.

The Strategy will mainly work to improve *central administrations* at the level of BiH, the Entities and Brčko District. Nevertheless, a reform of this scale entails fundamental changes in the way all institutions work, which will naturally affect the municipal and cantonal administrations and the broader public sector.

Operationalization of the Strategy

The concrete operationalization of the Strategy into action plans will be completed in a *staged approach*. Two separate action plans will be developed in consequent stages.

The first Action Plan – to be adopted together with the Strategy – will contain concrete proposals to develop the administration's *general capacity*. Using the recommendations of the EC-funded System review as its basis, it will aim to strengthen the capacities to develop *effective and coherent policies* and coordination to meet public goals; and to build, strengthen/consolidate and harmonise the general systems of: *Public Finance* and *Human Resources Management, Administrative Procedure, Information Technology, and Institutional Communication*.

While developing general administrative capacity is necessary, it is not sufficient to improve the achievements of BiH's public administration. A second Action Plan will be prepared in the second half of 2006 and the first half of 2007, focusing on creating the conditions for developing *sectorial capacity* in key policy sectors. Drawing on the recommendations from the EC-funded functional reviews in key public sectors, this Action Plan will include concrete proposals to improve the coherence, effectiveness and efficiency of the administration and its institutions, and to reduce fragmentation within and between government levels. To avoid misunderstandings, it should be highlighted that the PAR process does not seek Constitutional reform; but will make some relevant proposals for administrative streamlining, and consequently construct a more effective administrative architecture in BiH.

THE FIRST STAGE: Short-term achievements of the reform by the end of 2007

The short-term objective (which extends to the end of 2007), is generally to initiate, or consolidate and further, the reform of key horizontal systems and structures of governance.

To this end, implementation of many measures in the first Action Plan, will start immediately – in order to maintain momentum, and to reap early benefits from the reform for all

institutions, on all levels. In this period, further proposals will commence elaboration in areas where the first Action Plan provides general orientations only (for instance, some aspects of the reform in the human resources and administrative procedure areas; the reform of central capacity for policy-making, etc.). Full consultation on these proposals will take place, and once agreed upon, these activities will be added to the first Action Plan at the time it is updated.

THE SECOND STAGE: Late 2007 and onwards till the end of 2010 – toward medium-term objectives

With the signing of the SAA between the EU and BiH, the public administration on all levels needs to have the capacity to commence adoption of the *acquis*, and ensure sufficient coordination on EU integration matters within and across various government levels.

The medium-term objectives by 2010 are to have the basic horizontal systems in place, strengthened and harmonized, and to streamline sectoral and vertical functions: to meet citizens' expectations for more effective and efficient institutions, and to achieve the general and sectoral ability to adopt and implement the *acquis* uniformly in BiH.

THE THIRD STAGE: January 2011 -2014 – toward implementation of long-term objectives

At this time, the European Integration Process will require increasingly higher standards of public administration. BiH's objective is to reach the quality level of administration and institutional adherence for *acquis* implementation and thus meet the criteria and common standards of EU Member States within the European Administrative Space by the end of 2014. To achieve these goals, an assessment of implementation from the previous period will be carried out in the second half of 2010. New activities will be planned in key areas of administrative reform, including in areas where progress has not been sufficient.

4. Development of general administrative capacity

Key requirements to the reform of general administrative capacity

Much analysis has already focused on the general systems of governance. As mentioned earlier, the *System Review* examined the current state of horizontal systems and structures on the level of BiH, the Entities and Brčko District. It identified serious problems in the public administration in BiH, and provided specific recommendations for action. The main issues include: a lack of qualified and adequately trained personnel, overburdened procedures, weak coordination and analytical capacities, and fragmented mechanisms for accountability and control.

A major cause for these problems is the current *weak status* of horizontal systems within the reviewed institutions, and the ineffective management of these systems. This is not surprising: most institutions currently lack the analytical capacity to set strategic objectives, which the horizontal systems would be expected to support. Without *clear* objectives for the future, taking full advantage of modern human resources management, or new information technologies, is clearly impossible. To develop the potential of horizontal systems to support the achievement of management's objectives, it is necessary to develop general *policy-making capacities* in the administration. This reform focuses on the: functioning of

government secretariats; procedures for setting of government work programmes and priorities; and policy capacity at the level of individual institutions. This reform must develop in parallel to the reform of the horizontal systems.

Secondly, the reform requires investing in developing the *skills* of the involved staff, both at the level of individual specialists, and at top management level. The reform also necessitates *organizational rearrangement* within our institutions. Units or officials dealing with key horizontal functions – such as normative affairs, human resources, financial management, information technology, or institutional communication – will be located in the proximity of the top management, to play a more central role within the institution.

The reform also requires *empowering* central bodies with general management, monitoring and control functions: Civil Service Agencies or another central personnel unit, government Secretariats, Ministries of Finance, government central information offices, central IT units, or even administrative inspection, which also exercises some elements of central coordination and control over administrative decision-making in individual institutions. The reform will develop these bodies' capacity to play a coordinating role across the respective administrative system, set standards, and provide some services to other institutions. At the same time, the increased capacity as a result of the reform will allow such central units, on all levels, to play a more proactive role for ensuring better coordination and cooperation *across* government levels.

Sections 4.1 to 4.6 of this Strategy describe how these challenges will be addressed.

4.1. Policy-Making and Coordination Capacities

Overview

A major requirement of government is to ensure policy coherence. Inconsistent policies entail a higher risk of duplication, inefficient spending, a lower quality of service, difficulty in meeting government goals, and, ultimately, a reduced capacity to govern. To develop coherent policies necessitates creating policies that are not deficient in law or substance – for which financial and staffing resources have been identified – and, in which the different interests within, as well as outside the administration, have been identified and conciliated. This requires *a coherent approach* to policy-making and coordination, including: the development of capacity of central policy-making structures to coordinate and develop strategies and overall policies, and interact with each other; and capacity within line ministries for policy-making, and for interlinking with other ministries within the same or other levels of government.

Policy-making and coordination capacities are also important for the *European Integration* process. As the EU's decision-making system is based on the Members' participation, Chapter 34³ of the *acquis* requires countries wishing to join the EU, to establish necessary bodies and mechanisms to guarantee that they are able to operate effectively within the EU. The *European Partnership* specifically requires BiH to ensure proper policy-making coordination between all levels of government.

³ For the latest codification of the *acquis* chapters, see http://ec.europa.eu/comm/enlargement/negotiations_hr_tk/chapters.htm#Chapters.

The SIGMA baseline on the issue (the *Policy-Making and Coordination Machinery* baseline), based on the practice in EU Member States, points at the capacity of government secretariats, and other central bodies to coordinate action, including on issues of EU policy. The baseline measures are: *the coherence of the policy-making framework, the inter-ministerial consultation on policy proposals, the arrangements for planning the government's agenda, the mechanisms for dispute resolution, the effectiveness of central coordination capacity, the existence of central strategic capacity, and the European coordination arrangements.*

Several SIGMA studies provide guidance on the requirements for building capacity for policy development at central level, and at the level of individual ministries. These studies highlight that the majority of government offices in EU countries (i.e., administrative unit/s that serve the head of the government (usually the Prime Minister), and the Government/Council of Ministers), perform most of the following coordination tasks:

1. Coordination of preparation of the government sessions;
2. Coordination of legal conformity;
3. Coordination of the preparation of the government programme and priorities, and their link to the budget;
4. Coordination of the policy content of proposals for the Council of Ministers/Government;
5. Coordination of communications, e.g. press releases;
6. Coordination of the monitoring of government performance;
7. Coordination of relations with other parts of the State (President and Parliament), or other levels (in federal states); and
8. Coordination of specific horizontal strategic priorities, such as PAR or European Integration.

Ministries play an important role in the policy-making process. The EU countries invest in establishing resources for analysis and strategic thinking, to assist decision-making and development of public policies. To assess the need for a decision, and the benefits and the costs involved, institutions in EU Member States widely use impact assessment methodologies.

Current situation in BiH

In the context of BiH – with its *complex* constitutional set-up, and multiple layers of government – there is a strong need to rely on well-developed capacities for coordination. However, none of the governments currently possess adequate support from their central structures, which are fragmented, and consist of units which are fairly independent of each other, with little coordination taking place. The current functions are largely technical; encompassing logistical management for preparations of the government sessions, and some limited capacity to assess the legal conformity of draft legal acts. On all government levels, the capacity for strategic planning, policy coordination, and monitoring, is very limited. The linkages and coordination between different levels of government throughout BiH are also limited, though formal requirements are being established. The capacity of the FBiH government to coordinate policy issues with its cantons is lacking, even in areas of shared/joint responsibility as envisaged by the FBiH Constitution. On all levels, the Rules of Procedure of the government do not deal adequately with the various aspects of the policy

preparation, inter-ministerial consultations, policy review and coordination; or with the support for the Government and its working bodies by the government Secretariat.⁴

On the levels of ministries, there is insufficient recognition of the importance of policy preparation; most ministries tend to proceed directly with the drafting of legislation, without sufficient prior analysis. This lack of impact assessment often results in shortcomings regarding the subsequent successful implementation of legislation: the objectives of public policies often remain unachieved. Another undesired effect is potentially excessive legal regulation, which represents a real burden on society.

A key step was taken in January 2005 when the BiH Parliament adopted “*Unified Rules for legislative Drafting in the Institutions of Bosnia and Herzegovina*” (hereinafter: the “Unified Rules”). These rules required governmental bodies to assess the impact of new rules, and document the extent of coordination and consultation carried out in the preparatory stage. The RS Secretariat for Legislation enacted similar drafting rules. Nevertheless, the two sets of rules are not consistently applied, and the capacity for quality law drafting in individual institutions remains insufficient. There are no such rules at the level of FBiH, or the cantons. The Brčko District authorities tend to apply the Unified Rules, but these are not formally sanctioned by the government, or by the Brčko District assembly. In addition, even though the BiH and the RS rules have a lot in common, there are also important differences. For instance, in relation to their respective scope of application; i.e., the Unified Rules are to be applied by all state-level institutions involved in the legislative drafting, including the Parliamentary Assembly. Unlike the Unified Rules, the RS Drafting Rules oblige only the RS ministries to use them, as these are not currently approved by the RS People’s Assembly. The two sets of rules are also different in terms of requirements on the organization of the drafting process; number of staff in normative units, preparation of policy proposals, etc., and preparation of consolidated versions of laws, etc.

A significant need exists to strengthen the *procedures* for: responding to strategic documents of the government; annual policy work planning; inter-ministerial consultations and consultations across levels of government; consulting external interest groups; the process for intra-ministerial clearance of legal drafts; and the procedures for monitoring, evaluating, and reporting the achievements and shortcomings of policies.

Finally, a major concern is the *weak link* between the policy decision-making, and the budget preparation process. The budget process is entered into without accurately assessing the policy priorities of the administration. The thin resources are stretched across a variety of policy objectives, but can not provide sufficient funding to cover all. This is a reflection of a lack of management involvement in the budget process; and the limited awareness within finance departments of the actual priorities held by each institution. This process culminates during the budget drafting, where decisions on budget proposals are made with insufficient information with little communication taking place.

Reform priorities

A major priority in the administrative reform process is:

- *Improving central policy capacity on all government levels, and coordination across various levels of government;*

⁴ See SIGMA’s review of central policy capacity in BIH.

- *Improving the policy capacity at the level of individual institutions; and*
- *Strengthening the link between policy development and budgeting.*

4.1.1. Improving central policy capacity

The goal of the reform is to improve: *the structure, the capacity, and the performance of government Secretariats, thereby strengthening the policy-making systems on all government levels, and improving coordination across various levels of government.* The reform will require new organizational arrangements, procedures, staffing, and development of coordination capacity for the government Secretariats. Since institutions and procedures should be closely related, the starting point of the reform will be to formulate jointly specific proposals for institutional arrangements, and proposals for changes to the government Rules of Procedures. These proposals will need to be actively and concretely implemented.

The *government Secretariats* will become the primary coordinating body that has a main task to maintain that individual ministries and other administrative bodies work efficiently and coherently, as follows:

- It will be the task and the responsibility of the Secretariats to coordinate the preparation of the *government programme and priorities*, on the basis of the input provided by the ministries, and ensure that policy initiatives of ministries are in line with the government strategies, and that cross-sectoral, or government-wide issues are sufficiently accounted for; and also review formal and substantial aspects of drafts and other submissions received from ministries, and return them for further work, if necessary.
- Additionally, they will engage in preparing the *work programmes* for the Government/CoM; as well as, *monitor progress* in implementing the programme, and revising it, if necessary. In this respect, the Secretariats will have *authority* to exercise judgment in compiling the work programmes – based on the input from the ministries.
- They will also develop *capacity* to: maintain good relations with parliament for ensuring that government interest is sufficiently represented with regards to legislation originating from the government; and *monitor the performance* of ministries in meeting deadlines set in government decisions.

Moreover, the central structures on all levels of government in BiH will include the capacity to *interact and coordinate* with each other. The government Secretariat in FBiH will have the capacity to coordinate relations with the cantons. The responsibility of each government level to work cooperatively, will be reflected in the structure and staffing of government structures at each level.

4.1.2 Improving policy capacities in individual institutions

The reform of central policy capacity will proceed in parallel with increasing policy capacity in *ministries*. The latter are the primary bodies that develop and monitor implementation of

policies and legislation, within their areas of competence.⁵ The goal is to: *develop the capacity of ministries to develop high quality proposals, and consult and assess possible impacts; so material originating from the ministries is of sufficiently high quality, and central units can ensure informed decision-making.*

The reform will aim to strengthen procedures within ministries for responding to *strategic documents* of the government. This practice will guarantee that ministries analyze the proposed or approved strategic documents of the government, and respond with their own policy initiatives that conform to the strategy, and contribute to its realization.

The procedures for *annual work planning* will also be improved. The reformed procedures will ensure that inputs to the government's annual work program take sufficient account of government priorities, especially priorities related to harmonization with EU legislation, and that there is an internal coordination process to ensure that the overall submission of the ministry is realistic and balanced.

As legislation is the single most important mechanism for the execution of governmental policy, a major objective of the reform is to increase *legislative quality* within institutions by strengthening policy development, and legal drafting skills.

Specific goals of the reform include maintaining that:

- Drafting of legislation (and other policy instruments) starts only after the policy options have been assessed, in terms of their likely impacts and implementability, and after the head of institution (e.g., most often the respective minister), or sometimes the government (for key pieces of legislation), has agreed on and approved the preferred option;
- Staff engaged in strategic planning, policy analysis, and law drafting have a sufficient degree of specialization, and periodic training;
- Law drafting across BiH is based on common standards regarding form, format, style of drafting, etc;
- Ministries develop the necessary capacities for the gradual transposition of EU law, in accordance with the demands of the EU integration process;
- Compliance verifications are used systematically in the course of legislative drafting, including verifications on nomotechnics and style; compliance with the constitution, and with the existing law and legal system, budgetary impact, effect verifications, EU *acquis*, etc; and
- Legislation, initiated directly by members of parliament (MPs), is developed according to the same quality requirements as acts originating from the government.

⁵ Although the vast majority of activities in terms of policy development and legislative drafting rests on ministries, the reforms also extend to other administrative bodies (e.g., agencies, directorates, etc.), that may also develop policies and legal acts.

A very important task will be to build the capacity of line ministries to *coordinate* with each other, as a matter of routine. Such consultation should take place as early as possible in the policy development process. The goal is to resolve as many conflicts as possible, before items reach the government committees or sessions. The government sessions especially should not be overloaded with a huge number of detailed issues; these might be better dealt with at a lower level of coordination, if capacities were better developed. It is also necessary to strengthen the practice of inter-ministerial consultations across various government levels. Failure to develop capacities for inter-ministerial consultations, within the line ministries with EU-related responsibilities (such as agriculture, transport, environment, industry, etc.), will certainly weaken BiH's ability to successfully negotiate EU membership.

Furthermore, without the support and understanding of *citizens*, it is difficult to formulate and implement good policies. Engaging citizens in policy-making is a sound investment in the design and delivery of better policies, and a core element of good governance. Ministries will use new approaches to inform citizens, and involve them during the public policy-making process.

Implementation of legislation often requires the development of specific *secondary* legislation. This will also require consultations and assessment of costs and resources needed. Ministries will establish processes to prepare such acts within the required deadlines. They will also design specific *monitoring and evaluation procedures* to ensure that policies can be adjusted in the light of progress, new information and changing circumstances.

4.1.3. Improving the link between policy objectives and budget

There are two aspects to the policy-budget link: on one hand, the budget is the main tool through which Government implements its strategic priorities and, on the other, the implementation of policy objectives is constrained by the availability of budget resources. Due to these mutually affecting aspects, the budget needs to clearly reflect policy objectives; decision-makers must determine policy priorities, due to the scarcity of funds. More systematic consideration of the policy-budget link will better position the administration to make a variety of decisions key to the success or failure of its work across a range of activities. This includes:

- Approaching strategic priority-setting with complete awareness of the financial impacts of each set priority; and the resources available for success within immediate and mid-term budgeting periods;
- Improving communication within institutions; between the policy-defining stakeholders and the finance units; and
- Strengthening communication between institutions, Ministry of Finance, and government, to ensure incorporation of policy objectives within the budget.

Legal acts will be submitted to parliament only with included analysis of their financial impacts, and the potential resource allocation that will provide sufficient funding for implementation. Legal acts deemed unable to be implemented, due to their significant budgetary impact, will be either reviewed by the drafting institution, or withdrawn.

The realization of this objective naturally connects to the reform in the Public Finance sector. Improving the link between policy objectives, expenditure allocation, and budget planning

and allocation, is a genuinely cross-cutting issue that requires consistent effort and cooperation among institutions.

4.1.4. Key activities

The following essential measures will be delivered by 2007, to start improving the policy-making and coordination capacities:

- State and Entity governments will form a working group to review and discuss recommendations on improving the structure, the capacity, and the performance of government Secretariats, and start developing and implementing specific proposals for capacity development, and for changes to the government Rules of Procedure;
- Proposals will be developed to better elaborate the process of establishing the government's annual work program, the work of inter-institutional (and inter-governmental) working groups, and the procedures for consultation and analysis of draft legislation;
- Ministries will assess their existing organizational and human resource capacity to perform the process of strategic planning, policy analysis, and legal drafting, and adopt the most appropriate internal organizational arrangements;
- Rules will be adopted, or harmonized, to ensure that law drafting across BiH, is based on common standards; and is in line with the EU *acquis*, and the standards in EU Member States; and
- A comprehensive database for BiH legislation will be established; it will be accessible from one point, and through an integrated Web portal.

The reform will be underpinned by the following key actions to be implemented by 2010:

- All governments will fully implement the required new organizational arrangements, procedures, and staffing, for the reform of central structures, and to enhance coordination capacity for the government Secretariats;
- Ministries will completely align their internal processes and organizational structures with the procedures underpinning the overall policy-making system; and expand staff expertise in the use of impact assessment methodologies;
- Law drafting rules will be consistently applied throughout the country, with the required compliance verifications (including on the EU *acquis*); and
- Formal mechanisms will be designed to ensure that legislation initiated directly by MPs, is developed according to the quality requirements common to the whole legislative drafting system.

These activities are detailed in Part I of the Action Plan I to the Strategy: PM Actions 1-5.

4.2. Public Finance

Overview

The public finance management system defines procedures through which resources are allocated and administered to secure fiscal discipline, observance of strategic priorities, and

efficient use of funds. These procedures include the observance of fiscal discipline, by maintaining the expenditures within budget. This process forces institutions to set priorities and analyze policy options, to allocate resources in those areas that most greatly contribute to the accomplishment of government objectives (i.e., creating links between the annual budget process, mid-term expenditure framework, and national programs). It is also critical to enhancing the value of funds used for implementation of strategic priorities; by using funds efficiently (achieving relatively high results at relatively low costs), and effectively (achieving the expected results).

Importance of the reform to European Integration

Public finance is an area of major EU expectations. There are no strict obligations for certain EU standards within a budgetary model. However, regarding management of funds from and to the EU budget, the *acquis* places indirect requirements on the formation of national budgets. Chapter 17 of the *acquis*, concerning economic and monetary policy, requires engagement in mid-term fiscal programming, to participate in the common fiscal surveillance mechanisms within the EU. Achievements in budgetary systems are an overall performance indicator highlighting readiness for EU accession. Here also, fiscal details are elaborated in the SIGMA baseline, embracing the full development of the budget process. The SIGMA baseline measures the quality of; budget legislation, Parliament/Executive Relationships, budget scope, medium-term expenditure framework, sequences in the budget process, budget management of public investments, budget execution and monitoring, accounting and reporting, and the capacity for upgrading the public expenditure management system.

Chapter 32 of the *acquis* relates to the adoption of internationally-agreed and EU-compliant principles, standards and methods of public internal financial control (PIFC). As the EU provides funds for the development of its Members, it expects their use to be subject to adequate ex-ante, ongoing and ex-post controls or inspections; supported by independent internal audit, and central methodological co-ordination. A functioning and independent supreme audit institution of demonstrable impact is also required. For implementation of decentralized management of EU pre-accession assistance, some of the basic PIFC requirements have to be implemented in the institutions involved, e.g. institutional and organizational frameworks with clear segregation of duties, written procedures, accounting systems in compliance with EU standards, and independent internal audit functions.

Current situation

In the past six years, the area of public finance has constantly undergone a reform process. However, the reforms were not guided by a strategic and overarching document; but were jump-started, as failings within the system were highlighted. Significant weaknesses still exist within the system – these are major bottleneck for reform efforts in all areas and sectors, and need to be addressed for better overall administration performance.

The first major reform – the introduction of *single account treasury systems* – was begun when the closure of the payment bureaus (PBs), necessitated a transfer of part of the PB's responsibilities (related to tracking revenues), to the Ministries of Finance. The reform reaped significant benefits for the BiH, Entity, and cantonal levels of government. The Ministries of Finance were made responsible for all payments of the public administration; and this resulted in outright savings of public funds, and in an increasingly accountable and

transparent public administration. The efficiency of the public administration has also increased, as the expenditure of public funds became more strongly tied to adopted budgets.

The second large reform effort, is an ongoing reform of the *budget process*, and the introduction and expansion of mid-term expenditure frameworks (MTEF) to encompass the BiH level in 2005, Federation cantons in 2006, and, possibly also Brčko District in 2006: therefore, including the whole BiH in the reform process. Nevertheless, the budget process needs further development to become an efficient policy tool. A series of weaknesses in the budget process need to be addressed by the Strategy. The weak link between the policy goals, and the actual budgets, is one notable example. The lack of coordination between the government agencies and the Ministries of Finance during the drafting of legislation, often results in legal acts that cannot be implemented – due to shortage of funds. The budget calendars, though closer than previously, are still not entirely coordinated across different government levels, and their fully harmonization will require amendments of legislative acts, some of which have been passed only recently. The MTEF process needs constant updating and strengthening. At the State level and in Republika Srpska, the yearly budget is still prepared manually or in basic spreadsheet applications, and valuable process time is used only for data entry.

The third significant reform, recently begun in the public finance field, is the introduction of a policy coordination mechanism in BiH - the *Fiscal Council* (FC). The importance of a functioning fiscal coordination mechanism, in a country where the authority for fiscal policy is spread across different levels of government, is significant for BiH to entering into the EU accession process. In 2005, for the first time, the overall public deficit goals and the setting of budget targets for different government levels for 2006, was conducted by BiH authorities, through the FC. This reform is still ongoing, as the legal base and the analytical capacity for work of the FC needs to be strengthened.

It must be emphasized, that all reform efforts within the PF sector are dependent upon the capacity within both Ministries of Finance, and line ministries and institutions, as well as within the Government and parliament, so there is the understanding on which an informed debate can be based. Currently these capacities are very *low*. All other reforms will be unsustainable without adequate investment in capacity-building. Capacity-building needs to become the first priority for reform.

There are other significant issues which can damage progress in the sector. For instance, the public sector in BiH uses different accounting standards, which makes analysis of the public sector and its impact on the overall economy very difficult. Although relevant legislation defines reporting requirements for different levels of government very clearly, reporting is still very weak, and enforcement mechanisms are used rarely. Furthermore, the standards applied to the public sector are not prescribed by a single law. The treasury systems operations in BiH are challenged by the lack of IT capacity, which could endanger the implemented reforms. There is no coordination between different treasuries. The single treasury account function does not yet encompass the whole public sector. There is no strategy for the introduction of PIFC (as required by Chapter 32 of the *acquis*); and, although each different public administrations within BiH has addressed this need in a partial manner, none have made significant progress in the introduction of Internal Control and Internal Audit.

Objectives

To promote a public administration that is open, efficient, effective and accountable, the objective within the public administration reform is to: *consolidate and further existing efforts in the PF sector; establish an efficient financial management system; and strengthen the control environment within which the administration operates.*

4.2.1. Policy dimension of the PF system

The policy aspect of public finance, in any country, is an integral part of the overall government policy and strategic goals. The FC, established in 2005, is a coordinating body for fiscal policy issues. A strong FC will assist in the goals of attaining macroeconomic stability and reaching development targets. Its main tasks are the formulation of fiscal policy objectives and criteria for the determination of expenditure ceilings – multi-year or annually based. These include: deficit targets and limits to reduce fiscal imbalances; the setting of targets for the consolidated fiscal balance; and its apportionments among the levels of Government in BiH – using total deficit/GDP ratio and other defined parameters – as debt ceilings for government levels, or total debt and new borrowing, as compared to the estimated revenue capacity.

The FC will be instrumental in maintaining fiscal discipline. The information necessary for informed decision-making by the members of the Fiscal Council includes two major analytical tools. The first is the macro-fiscal framework for BiH, and the second is the consolidated government account. These reports are made on a yearly basis; and serve as the analytical underpinning for other reports needed by the FC regarding decision-making.

4.2.2. Raising efficiency and effectiveness of budget management and budget preparation

The budget management process will become a seamless process: with the Budget Framework Paper and the yearly budget linking all the expenditures to policy goals of the Government, through a program-based budget classification, which is currently a requirement only in the FBiH budget legislation. All the Governments in BiH will be operating on a harmonized budget calendar, working at the same or similar timing through the MTEF, and budget drafting and adoption processes. The Budget Framework Paper will have a common macroeconomic and fiscal outlook for all government levels (as far as ITA revenue projections are concerned); and a part particular to each level of government, which will reflect the development strategy goals through different sectors. The budget departments will coordinate the budget drafting process with the budget users through the coordination meetings; ensuring the policy priorities of each institution are reflected in the adopted budget. The adopted budget and the budget execution reports, will transparently reveal government expenditures, and include efficiency targets for results measurement.

4.2.3. Improving the accounting framework and the treasury system operations

The accounting model on which the public administration operates will progressively change to the accrual model. The accrual accounting model is a model which is currently applied

widely in the business community. Until this goal is reached, the whole public sector in BiH will operate on a single (harmonized) accounting model, including the accounting codes and methodology. All public funds will be disbursed following the treasury single accounting model, and all public administration institutions will be integrated into the system. The treasury system operates as a service to the whole public administration; it is integral to reaching the objectives of transparent and accountable public administration, and no public funds will be exempt.

4.2.4. Introduction of PIFC in full compliance with EU requirements

Public Internal Financial Control (PIFC) systems, and their implementation, have become a main requirement for EU candidate countries (Chapter 32 negotiations). The introduction of a PIFC system is usually based on: adoption of policy papers; adoption of PIFC legislation; designation of a central harmonization and control body/unit (CHU) for PIFC; introduction of an internal audit service to the public sector; and the introduction of sound financial management and control systems – based on common standards and practice.

Within this framework, BiH – due to its particular constitutional structure – needs to make additional efforts to ensure the introduction of a PIFC system that will harmoniously function across different levels of Government. As a first element, the development of a policy paper on PIFC introduction shall be jointly drafted by representatives of different governments in BiH. This policy paper will outline the components of the PIFC system, and the timelines for their introduction. It will also address the question of system structure, considering the specific BiH governance structures. Other steps in the process of PIFC introduction will follow the above outlined requirements – the establishment of CHU, and the introduction of internal audit and internal control.

As a result of this reform, BiH will have a PIFC system that will allow it to strictly monitor the efficiency and effectiveness of public administration operations, and to ensure transparent use of public funds.

4.2.5. Improving the organizational structure and investing in capacity-building

Lack of administrative capacity in the area of public finance in BiH, both in the Ministries of Finance, and at the level of budget users and fiscal authorities, is one of the main reasons for the current deficiencies. Lacking capacity relates to both qualitative and quantitative aspects. In terms of quantity, staff resources for conceptual, planning and analytical tasks either do not exist, or are severely underdeveloped. Qualitatively, there are no adequately developed profiles of necessary staff in PF, or any strategic approach to capacity-building within the sector.

Capacity-building within the PF sector will include a staffing strategy developed for all Ministries of Finance, and assistance provided to line ministries to assess the needs of their financial units. Profiles will be developed of major types of qualifications needed for all the regular tasks within the field, and for the implementation of ongoing and planned reform efforts. A flexible organizational structure and presence of vision and ability to reform the structure, once it becomes outdated, will be created. Any training programs must be tailored to the specific needs of the sector, both for current and new employees; and adequate

resources will be assigned to ministries to enable hiring and retaining of employees for both ongoing tasks and reforms. It is critical to raise awareness of the importance of public finance management, as a link to policy-making and investment in capacity within line ministries.

4.2.6. Key activities

The key activities until the end of 2007 are:

- The adoption of the Law on the Fiscal Council;
- Harmonization of the budget calendars, including priorities tables used in the budget drafting process;
- Establishing the working group for harmonization of accounting codes; creating the body for technical coordination of treasuries; and
- Establishing the working groups for drafting the PIFC introduction strategy paper, and for drafting the internal audit law; and developing the existing capacities in the Ministries of Finance, by hiring staff in the budget, fiscal policy and PIFC areas.

In the period 2008-2010, the following key actions will take place:

- Institutions will deliver activities on program-based budgeting. They will hire staff, provide training, develop methodology for introduction of program-based budgeting, draft law amendments, etc.;
- Institutions will control the MTEF process from the foreign assistance projects and continue it on a sustainable basis, integrate all public funds in the budget process, and introduce an IT system for budget preparation, etc.;
- During this period, the administration will start activities to introduce accrual accounting in the BiH public sector;
- The treasury system will cover all institutions;
- The PIFC system will be introduced, based on the previously developed comprehensive strategy; and
- These activities will be accompanied by continuous investment in staff, both in Ministries of Finance and within the line ministries.

These activities are detailed in Part II of the Action Plan I to the Strategy: PF Actions 1-5.

4.3. Human Resources

Overview

The abilities and dedication of the people working in the public services are vital if the administration is to work effectively. In complex administrative systems - such as in BiH – achievement of the highest quality of human resources is the biggest challenge. The human resources management (HRM) system needs to be transparent, fair, supporting merit and professionalism, and providing incentives to staff according to clear criteria.

Human resources policy is also a key element of meeting the challenge which EU membership presents. The *acquis* includes directives on equal opportunities in Chapter 19

(labour), reinforced by the principles now included under Chapter 23 (anti-corruption). These policies cover access to civil service, merit-based recruitment and promotion, and disclosure of assets and staff rotation for sensitive posts. The SIGMA Civil Service baseline sets additional criteria for a politically neutral and professional civil service.

Above all, an impartial and high-quality civil service will enable institutions on all levels to contribute to the economic and social development required by the citizens of BiH.

Current situation

The current situation in relation to HRM in BiH is complex. A legal framework is in place, but there are different approaches for the development of certain HRM functions, and different legal solutions across the levels of government. These differences are evident in law, and are also applied in practice. Lack of unified procedures and requirements hamper mobility within the territory and the procedures are often lengthy, cumbersome and costly. HRM tools are not always fully implemented (e.g., performance appraisal, training needs assessment), and there are few incentives to do so. For the most part, HRM functions are in the commencement phases of development and implementation.

Current capacity and methodology for human resources planning at both strategic and institutional levels is basic. There has been little opportunity so far to undertake either job evaluations, or in-depth needs analysis in individual institutions, or at the level of overall administration. This lack of analysis, and subsequent resource planning, has led to anomalies; both between the different levels of Government, and within them.

The issue of salaries and awards has not been solved systematically. Pay scales are too narrow, and do not award performance and responsibility. Wage rates are largely out of line for lower grade employees (at the state level particularly), and highly compressed for higher- and mid-level employees. Some jobs with similar complexities, have compensations that are significantly different.

A considerable problem in BiH, is the implementation capacity in the individual institutions, and the lack of monitoring and advisory capacity in the CSAs. The latter are mostly seen as “service providers” to institutions.

Three CSAs have been established; and they are reasonably, though not always, sufficiently staffed. These CSAs have inter alia the responsibility to guide, monitor and evaluate HRM. These CSAs could be primary change agents, and they have made efforts to drive modernization on certain issues which have not always proven sustainable. The process seems to stagnate, despite the fact that awareness has grown that good HRM across all institutions and levels of Government is essential to improve performance of public administration.

The Strategy envisions ambitious changes – in several directions

The Strategy envisions continued development and modernisation of human resources policy. The overall goal is to develop *a professional, politically impartial, nationally balanced, ethical, stable and responsive public service, which is respected, and able to deliver effective services to both Governments and citizens.*

Several areas of human resources policy which merit particular attention in the years ahead have been identified.

4.3.1. A common approach to modern HRM practices

There can be no comprehensive and efficient administrative reform across BiH without greater harmonization of HRM practices at different levels. The objective is to avoid introducing different systems or individual approaches to each level of administration, and to rationalise and harmonize regulations as much as is practical and feasible. For example, specific rules apply in each Entity on the scope of civil service. The longer-term objective of this Strategy is to clarify the definition of ‘civil servant’ at all levels, to ensure consistency across BiH.

Harmonization of legal provisions will be a continuous process. It should not be limited to the current law provisions and practices, but provide an opportunity for all the administrations to review and revise policies jointly, with a view to achieving a common approach to modern HRM. On an ongoing basis, new policies must be developed in a coordinated way, introducing new work behaviors, and verification of the implementation of international experience within BiH. The three CSAs (and the responsible body in the Brčko District) and appropriate Ministries, need to identify a shared agenda and common goals for both the immediate- and longer-term.

To this end, the coordination and cooperation between the CSAs needs to continue, deepen and show results. Important issues for coordination and cooperation include, for instance, harmonization of regulations and procedures, enabling mobility of civil servants, determining the outline of the civil service, unification of planning methodology, strengthening compatible information systems for HRM, improving the practice of performance appraisal and promotion procedures, reorganizing the salary and awarding system, as well as strengthening the HRM capacities in individual institutions (ministries, directorates, agencies and alike).

Additionally, an important coordination aspect is the identification and development of joint projects, which will be implemented in all government levels. The cooperation between the CSAs’ Heads is of particular importance. This could be facilitated by the Office of the Coordinator for PAR, and by the CSAs themselves; which, without forming a separate coordination structure, should establish more formal cooperation regarding all their functions and tasks, and rotate responsibilities for joint meetings, agendas, etc. The cooperation should extend to all CSA staff.

4.3.2. Strengthening the policy role of the Civil Service Agencies

As with any new organization, the CSAs (including the HR unit in Brčko District), need to evolve with changing circumstances. CSAs will have to assume their legal responsibility of HR policy development and implementation; through developing capacity both within the CSAs themselves, but also by providing expertise to assist development of HR management in Ministries and other bodies.

In short, CSAs should assume their role and become the focal point for:

- Development and oversight of HR policies and principles;
- Standard setting, and monitoring;
- Issuing guidelines and advice;
- Orchestrating, sharing and communicating good practice, including across BiH;
- Holding Ministries to account for effective implementation; and
- Reporting to Government/Parliament.

These above activities will complement the current technical tasks which include oversight of recruitment, data collection/analysis, revalidation (which will soon be completed if not already), and training (an area that also needs further development).

4.3.3. Development of capacity in individual institutions

No CSA performs successfully without a well-developed HRM function in individual institutions. Within individual Ministries and other institutions, the personnel function is currently understood as purely administrative; there is little evidence of active personnel management or a strategic perspective on human capital. Developing HRM capacities, as opposed to running purely technical personnel services, must be achieved in parallel with strengthening the role of the CSAs. Introducing HRM units instead of technical personnel units will involve a substantive and deep change in personal management. It will call for the introduction of specialised HRM units in larger organisations, or developing the knowledge and skills of a key individual to take responsibility in smaller institutions.

Of equal importance is the need to encourage all managers to be proactively involved in the development and motivation of staff. This will require investment in both time and resource to build individual capacity and understanding of good HRM skills.

4.3.4. Information systems

A good and efficient HRM system requires current information technologies. Issues of information system development for HRM need to be solved, jointly and simultaneously. Ideally, a unique software solution should have been used at all levels from the beginning; until the new common software solution will be in place, the central databases at each level will have to be interoperable with each other, to guarantee exchange of data.

The use of vertically integrated software is a common practice in developed countries. It allows each institution to update, and have access to, data on its own civil servants and other employees. Each CSA will have access to the data and permission to update data on their own civil servant employees. The database will be regularly updated locally; and the CSAs will be able to create more accurate reports on personnel engaged in the civil service.

4.3.5. Human resources planning

Human resources planning is an essential part of modern HRM, to develop both individuals and organisations for the future. The aim within this Strategy is to agree on a common

approach to the main techniques supporting human resources planning. These are in particular on the one hand job evaluation and the linked job classification, and on the other hand techniques for workload assessments to define the staffing levels as well as for staff replacement needs due to retirement, etc. A common approach will support not only improved manpower planning but also comparable structures and staffing levels in the administration and will in addition allow for flexible movement of individuals across administrations.

It is important to work in three lines simultaneously:

- Continue and finalize the review of the job classification based on common job evaluation criteria
- Assess on all levels – with common standards - the current work situation and requirements; this will help institutions to understand whether the current staffing matches the workload required; and
- Regular and on-going human resource planning, in order to provide the staff necessary for adequate work results at any time. In addition, good human resources planning should also allow for more efficient and effective work of the public administration in the medium term.

One of the most important early decisions will be to agree on a common methodology, techniques and criteria for job evaluation, job classification and workload assessment as well as standards for manpower planning that all the central personnel management bodies (CSAs and the HR unit in Brčko) can adopt and promote in order to support the process of harmonization of HR practices in BiH.

4.3.6. Recruitment policy

Current recruitment policy, based on open competitions for civil servants, has begun to provide all levels of government with more qualified and reliable civil servants. However, the analysis of civil service positions, and the definition of the related competency profiles will require further development. This will enable better forward planning of human resources

The current recruitment requirements overemphasise formal qualifications and seniority and give too little consideration to skills, capability, motivation, attitude and potential. This limits the ability of the administration and managers to identify and maintain high potential candidates and possible future leaders. The CSAs, together with representatives from across the civil service, should work together to develop a set of skills and competencies that will be identified and tested during the recruitment process.

Building on and improving the existing recruitment policies to allow for greater flexibility, and include improved and alternative methods for the evaluation of candidates, will encourage a wider range of applicants, including young people to the civil service.

Those involved in recruitment and selection must understand the established regulations, and must also be provided with the skills and capability to conduct good recruitment interviews and make objective judgments of candidates in an open and fair competition.

Recruitment policy also needs to consider equal opportunities across ethnicity, race, gender,

and disability. It will be important that diversity policies are prominent, and implemented across BiH.

4.3.7. Greater mobility

The existence of provisions for the mobility of staff within, and across, government levels is not sufficient. It is necessary to think about the terms and conditions for mobility, including:

- Proactive institutional and cross-Civil Service HR planning;
- Job roles, responsibilities and classifications;
- Grading and promotion structures;
- Harmonisation of terms and conditions of service, including pay and reward; and
- Recruitment and performance management.

In addition there are a range of technical processes required to support full mobility, for example:

- Unified formatting of personal files;
- Mutual recognition of diplomas;
- Shared application processes; and
- Sharing of data (common data sets).

4.3.8. Performance management

Modern performance management is substantially more than an annual report on an individual's performance. The starting point must be clearly defined expectations and job descriptions, leading to agreed objectives and task assignments for individuals linked to organisational priorities. At the heart of the system, should be an annual dialogue between the individual and their line manager/supervisor, to agree future objectives and discuss how far the previously agreed expectations, and set objectives have been achieved. This practice is common in other European administrations, and would provide staff with objective feedback on their performance, recognizing achievement and encouraging them to do better by recognising strengths and potential, and identifying areas for improvement. Skills development issues, such as training, should also be discussed, along with personal aspirations and opportunities for career development. An open and fair performance appraisal requires strong policy, supported by comprehensive leading documents, resources, and training to all parties involved.

Above all, a comprehensive Performance Management cycle requires supervisors and staff who are equally committed to how the job should be effectively achieved, and to what it entails.

4.3.9. Training and Development

The administrations need to develop a learning culture which views training as an essential, rather than an optional extra. Staff will be encouraged, and allowed, to develop their personal

potential. Specific training may be required for certain positions (such as strengthening drafting skills, or training in managerial skills). All training should be based on personal, organisational and performance needs. Further, the creation of a dedicated training facility for civil servants can be explored.

Related to this, managers' abilities to recognise and meet needs have to be further developed. With no appropriate training needs assessment, training activities will still be based on offer, rather than on demand.

Additionally, understanding the training as something provided as a reward for good performance or, the privilege of "yes-people", should be abandoned. Top managers (including ministers, heads, their deputies etc.), will be provided with an awareness of positive people management, leadership and strategic thinking. They must be role models for everyone.

Agencies should develop a training strategy and programme of activities, based on the needs generated as a result of the current situational assessment, and in terms of common personnel and skills development needs identified across all institutions. In addition, individual intuitions have specific technical or professional training requirements that must also be managed effectively.

4.3.10. Salaries

A new salary system is a high priority for all government levels. Improving the incentive structure requires targeting toward improving key skills. This means that some functions will have to be cut back, and resources need to be focused on recruitment and retention of skilled staff who can ensure better public sector performance.

Salary levels will be determined in accordance with classification of the position. If possible, a performance – related salary component will be introduced, such as bonuses or merit steps as to enable awards, but also sanctions, on the basis of an individual's work performance.

In particular, the salary scheme determining the basic salary will require a common approach across BiH, facilitating both transfers and harmonization of salary. The aim should be to apply – in the medium terms – the same basic salary scheme across the country. Specific allowances to take account of differences in cost of living in the different centers will have to be considered. Possible supplements and allowances should be subject to coordination and framework agreements.

4.3.11. Key activities

Based on the above objectives, the short-term priorities in the area of HRM, are multiple. They include:

- Confirming policy areas for harmonization and continuing development for the immediate and longer term, including defining the range and scope of 'civil service' to meet the needs of the differing levels of administration in BiH;
- Initiating specific activities oriented toward developing the policy role of the CSAs; and to secure specialized HRM capacity within individual institutions;

- A complete job evaluation in all institutional levels to assess the current situation and requirements; also, steps to introduce common job classification/grading arrangements, and competency profiles for each grade/sector in specific positions across BiH, in line with competency frameworks developed. Priorities include reviewing and revising specific and general job requirements, allowing for flexibility in recruitment, and developing agreed formats for job and person specifications (including qualification and experience requirements, skills, attributes and competencies);
- A more time-efficient and cost-friendly process for applicants in the administration, for screening of applications and the selection process;
- Initiate the establishment of the Institute for Public Administration for the whole of BiH;
- Establishing a cross-BiH working group for reforming the salary system – to undertake in-depth analysis of current salary/grading issues, based on the job analysis, and the new job descriptions/ specifications – and taking account of the current market rates for individual jobs, explore future requirements and needs.

Concerning mid-term HRM priorities:

- New legislation/regulations will be drafted and adopted to achieve ongoing development;
- New pay and grading structures will be agreed;
- The new capacities of CSAs will allow them to be true centers of excellence and modern HRM knowledge, able to provide managers and HR staff in institutions with appropriate advice and guidance;
- HR specialists and managers in institutions will have developed understanding of modern HRM policies, to ensure effective management of personnel at all levels of the public service;
- Regular and ongoing human resource planning will be introduced in all institutions, and common competency frameworks will be introduced into all job descriptions, recruitment processes and performance management arrangements;
- Robust procedures will be applied for identifying recruitment needs in line with workforce planning documents;
- A common policy to allow for inter-entity/institutional mobility for job seekers will be developed and implemented;
- All institutions will undertake a training needs analysis of all current staff; training will be based on personal, organizational and performance needs;
- The Institute for Public Administration will be fully operational, it will work as a training provider/curriculum designer for the Civil Service; and
- Institutions will develop and implement a common policy on meeting the requirements regarding national representation, and adopt and implement the EU *acquis* on anti-discrimination and equal opportunities.

These activities are detailed in Part III of the Action Plan I to the Strategy: HR Actions 1-11.

4.4. Administrative Procedure

The reform is essential to improving the quality of services to the citizens

The issue of administrative decision-making is central to administrative reform. The EU Member States share a number of administrative law principles (such as the rule of law, openness, transparency, impartiality, and equality before the law). These principles are embedded in institutions and administrative procedures at all levels, and are reflected in the notion of the *European Administrative Space*. Correct functioning of the system of Administrative Procedure will prevent arbitrariness in the conduct of public affairs, and ensure efficiency, effectiveness, and predictability of public administration in delivering public services to society.

Current situation

The current *Laws on Administrative Procedure* (LAPs) originate within the Law on general administrative procedure of former Yugoslavia, that derived from a strong legal tradition based on the Austrian model. LAPs currently need to harmonize and modernize their existing provisions, to take account of contemporary standards of administrative decision-making, and develop administrative decision-making practices to be more client-oriented.

More specifically, a considerable number of special administrative procedures undermine the transparency and predictability of an administration's actions and decisions. This poses a significant burden to citizens, and increases the likelihood of arbitrary decisions, and other deviations. There are significant issues with the timeliness of administrative decision-making. Deadlines for decisions are rarely respected. Decisions tend to be formally determined by the head of an institution, which slows down the procedure. There are often several referrals between second- and first-instance bodies. Second-instance bodies are reluctant to decide on the merits, even when the information is sufficient to produce a lawful decision. Extraordinary legal remedies, such as the repeal and amendment upon the party's consent and the protection of legality, complicate the administrative decision-making system – especially as they are rarely used. The current legislation does not provide for the possibility for electronic communication between parties to administrative procedure and administrative authorities.

Furthermore, central institutions, responsible for administrative procedure matters on each level, need to be more involved in joint activities and coordination in pursuit of the common goal of achieving higher standards of administrative decision-making. These central institutions, and individual ministries with administrative decision-making powers, do not sufficiently engage in monitoring and analysis of administrative decision-making practices. This makes it difficult for management to introduce systematic improvements in current practice.

Training needs are significant; including specific programs for professional development of staff assigned to perform analytic tasks in individual institutions, staff dealing directly with parties, and administrative inspectors. The potential benefits from administrative inspection would be greater, if the work of the administrative inspectors put a stronger emphasis on compliance with administrative procedure and service delivery standards (including on the basis of planned checks), and provided analysis and recommendations for system development.

Objectives

Administrative Procedure reform will bring about *sound administrative decision-making practice that guarantees transparency and predictability of administrative action. The reform will strengthen administrative decision-making, as a key component of interaction between the administration and the citizens; and make it a functional, reliable, efficient, transparent, accountable and coherent tool of a modern, client-oriented public administration able to join the European Administrative Space.*

The focus is placed on the three inter-related themes: improving the quality of administrative decision-making; improving organization and personnel; and strengthening administrative supervision.

4.4.1. Improving the quality of administrative decision-making

The reform will emphasize improvement of the *quality* of administrative decision-making. Simplification is an important goal: simpler procedures are easier to follow, and are more likely to be effective. To achieve this, it is necessary to:

- Establish a cross-BiH program for administrative simplification, detailing legislative, organizational, IT, and capacity-building measures;
- Improve procedures in line with contemporary European standards of administrative decision-making, such as: including in the laws on general administrative procedure minimum procedural requirements applicable to the exercise of any public power; ensuring a stronger role of second-instance decision-making bodies in deciding merits of the case; introducing electronic communication between administrative authorities and the parties; increasing the pressure on administrative bodies to pass timely decisions based on improved use of the “administrative silence” technique; repealing or modifying the system of extraordinary legal remedies; and aligning legislation with standards in EU countries which call for full judicial review of administrative cases.
- Introduce registers of procedures to optimize allocation of responsibilities for administrative decision-making; and
- Reduce use of “special procedures” in material law.

These changes will contribute to increasing efficiency of procedures, and linked with harmonization of legal provisions, will ensure better standards of legal protection to parties on all levels.

4.4.2. Organization and personnel

Achieving real improvements in administrative decision-making requires more than the precise application of existing legislation. To deliver better results, the system must develop capacity for individual analysis and constant improvement. This requires new organizational arrangements, and investment in staff. To achieve this goal:

- Institutions responsible for monitoring of administrative decision-making (BiH Ministry of Justice, FBiH Ministry of Justice, RS Ministry of Administration and Local Self-Governance, and relevant BD Government sectors responsible for administrative practice), need to develop capacities to analyze administrative practice from institutions, and make specific proposals on improving the quality of administrative decision-making; and
- Individual administrative bodies at all levels with administrative decision-making powers, also need to establish monitoring, analysis and reporting capacity, so management can have sufficient knowledge of shortcomings in an institution's daily work to make necessary corrections.

Effective administrative decision-making also requires a coherent approach for developing specialist knowledge within institutions; emphasized through the cooperation of central institutions responsible for administrative decision-making on each level. In the future, training based on more practice-oriented content will be organized for responsible staff; including training of specialists with analytical tasks, officials responsible for conducting the procedure, and administrative inspectors. The responsible institutions will review possibilities for establishing an appropriate system of certification for the key roles in administrative decision-making, in line with the practice in other countries.

4.4.3. Administrative supervision

Strengthening administrative supervision, is a very important segment and a prerequisite to high quality decision-making. It will include transforming the role of administrative inspection, focusing more strongly on administrative decision-making (the application of LAPs), and the quality of public services. This necessitates appropriate organizational arrangements, the provision of sufficient human and other resources, and common standard operating procedures; to certify that administrative inspectors are adequately equipped to cope.

At the same time, institutions engaged in administrative decision-making will strengthen internal control systems, including monitoring of their own administrative decision-making practices; monitoring of recurrent problems in first-instance decision-making; and following-up decisions as they go through second-instance, or court proceedings. These monitoring activities will allow sanctions to be applied to officials responsible for irregularities in administrative procedure. The monitoring results will be reported to the institution's management, and to the central portfolio responsible for administrative decision-making on each government level. M&E will be the basis for further improvements in the quality of administrative practice.

4.4.4. Key activities

The following key activities are envisioned to take place by the end of 2007:

- The governments of BiH, the FBiH, the RS and the BD, will establish a joint Commission to adopt a program for improving the quality of administrative decision-making; including legislative, organizational, IT and capacity-building measures.
- The Commission will analyze existing Laws on Administrative Procedure, and formulate proposals on harmonization of the existing laws, among themselves, and also with contemporary European standards for administrative decision-making.
- The central portfolios responsible for administrative decision-making on each government level will set up registries of all authorizations (powers), that have been granted administrative decision-making authority by substantive laws; and review existent arrangements to determine whether these specialization arrangements are justified.
- The function of administrative inspection will be strengthened on all levels, including necessary organizational arrangements, staffing, and operating procedures.

In addition, by the end of 2010:

- Specific proposals for harmonization and simplification of legislation regarding Administrative Procedure will be adopted.
- The ministry responsible for monitoring of administrative decision-making on each level, will start carrying out a standard drafting check; expressing opinions on elements of specialty, and on possible simplification measures within new legislation proposed by individual institutions.
- Electronic communication with parties will be introduced, initially on a pilot basis, following the example in EU Member States.
- The work of officials involved in administrative procedures, and the work of administrative inspectors, will become more client-oriented, driven by the need to provide better services to citizens.

These activities are detailed in Part IV of the Action Plan I to the Strategy: AP Actions 1-7.

4.5. Institutional Communication

Overview

Institutional communication (IC) is geared towards enhancing the accountability of government to citizens – implying two-way dialogues that permit the public to influence and contribute to government policy.

There can not be successful public organization without effective internal and external communications. Communications and outreach are vital in supporting any decision-making process. Direct access to audiences through web sites, publications, and the media, generate awareness about government achievements and positions, and raise support and commitment.

The EU *acquis* sets no precise rules for how administrations should communicate with the public. However, individual elements in separate *acquis* chapters assume a high degree of capacity, explicitly requiring the administration to run public awareness campaigns in several areas (including corruption), and establish information points for consumers and economic operators.

Current situation

Today, governments on all levels suffer from the so-called ‘communications deficit’, and need to bridge the gap between institutions and the public. Examining the present situation highlights that existing institutional communication capacities are not sufficiently developed. There is no clear division between political (cabinet) communications, and non-politically influenced presentations of objective information from the institutions. Institutions do not practice strategic communications through larger public information campaigns. Public relations (PR) regulations, manuals or procedures are rarely available. Existing PR officers do not cooperate with each other, and some are not included in decision-making processes in institutions. As a result, ordinary citizens have little knowledge about the work of the institutions, and public trust in the administration is very low.

A positive development is that governments have started to address this communication deficit. For instance, during previous stages of public administration reform, the RS Government approved a Work Protocol for PR Officers, and Instructions on Standard Operational Procedures for PR Officers, and adopted a Government Communication Strategy.

Objectives

The objective of the reform is to: *strengthen public relations capacities in public institutions, gain public support, create positive attitudes towards public institutions, and encourage active public participation in the decision-making process.* The goal is to develop an administration that is more *transparent, visible and responsible.* The strengthening of IC capacities in public institutions across BiH will also support the implementation of legislation on *free access to public information*, in accordance with European standards.

To achieve these objectives, in the years to come, *new functions* in communication will be defined and promoted. All governments will adopt policies on IC, which all ministries or agencies within that governmental level will follow. These policies will specify which documents will be adopted by ministries; for example, mid-term strategies and annual communication plans. As a result of these activities and documents prepared, PR practice will be regulated, protected and promoted. At the same time, governments will strengthen IC capacities by filling empty positions, and creating vacancies in those public institutions that previously did not have PR practices. A clear job description, definition of the required qualifications for PR posts, and continuous education for PR officers will be created and provided.

The reform requires improvement of the *institutional relationships*, so that PR officers are placed near the top of the organizational structure, and have direct access to, and participate in, decision-making process – particularly when promotional issues are discussed. Additionally, a coordination mechanism between PR offices will enable joint activities in awareness raising, exchanging views and experiences, knowledge management and sharing PR lessons, establishing information networks for organizing easier distribution of promotional material, and sharing training opportunities.

New *communication tools* (such as interactive web sites, intranet, e-mail networks, as well as talking sessions, public events, and round tables), will help institutions to communicate their activities and positions, and explain their services professionally, and in a timely manner for the benefit of citizens.

4.5.1. Key activities

By the end of 2007, the following key activities will take place:

- Governments on all levels will prepare necessary policy documents on IC (government communication strategies, guidelines to PR officers in institutions etc.).
- They will also prepare manuals for the work of PR officers.
- At the same time, institutions will increase capacities in terms of staff and resources, and will start planning and drafting their Communication Strategies, and next-year plans on IC.

In addition, by 2010:

- Ministries must have at least one PR officer, and there will be training programs for existing and new PR staff.
- All governments, and all public institutions will adopt their Communication Strategies, and implement their annual IC plans.
- IC coordination mechanisms will be established within each level, and IC personnel from various levels of government will coordinate and cooperate among each other on an ongoing basis.

During the whole period, free access to public information will be continuously promoted.

These activities are detailed in Part V of the Action Plan I to the Strategy: IC Actions 1-17.

4.6. Information Technologies

Government is significantly impacted by information technology

Information technology (IT) is increasingly used to transform – not only how governments conduct their business – but also what they do, and how they relate to citizens and society. The public sector's use of IT improves information and service delivery, encourages citizen participation in the decision-making process, and makes government more accountable, transparent and effective.

IT is therefore a major element and an instrument of public administration reform: for enhancing efficiency (doing more with less), and improving government service delivery. However, to gain success, sole use of technology will not be sufficient. Real impact is only achieved if modern technology implementation is accompanied with the reorganization of processes, and continuous upgrading of skills. The focus will be on how IT can be used to improve government structures and processes, and how the culture of BiH public administration can be furthered, to maximize benefit from these changes.

Current situation

Following global trends, BiH public administration started introducing IT into government businesses: either at their own expense, or with the financial support of international donors.

There are already a few cutting-edge information systems implemented in BiH, such as the CIPS information systems, treasury information system, and tax administration information system. However, most implemented IT projects have addressed “burning” issues, and therefore are isolated; these projects are viewed as the solution to a single problem, and not as a tool of overall government reform.

It is a positive new trend that the introduction of IT in government business has been recently addressed through detailed policy documents. The *Policy for Development of Information and Communication Technology in BiH* was completed under UNDP auspices in June 2004, by an inter-governmental forum made up of IT technicians and staff, from all government levels. Based on this policy, an e-government strategy was adopted in November 2004 by the Council of Ministers of BiH, together with an action plan. Unfortunately, most of the policy documents produced have so far remained unimplemented, because the formal bodies in charge of e-government coordination and implementation are yet to be established. Qualified IT human resources available within public administration are inadequate, as the terms and conditions of employment in public administration institutions are not competitive with those in the private sector. Further, despite significant progress concerning regulations within the telecommunications domain (i.e. IT infrastructure, data protection and exchange etc.), a coherent and comprehensive regulatory environment for the utilization of IT is still unsatisfactory. The existing IT legislation remains haphazard and piecemeal, leaving BiH a long way from *acquis* requirements, and the needs of a modern information society.

Furthermore, cross-institutional networking is very limited. There is no secure and reliable country-wide public administration infrastructure; which is the groundwork for development and implementation of IT systems, applications and electronic services in all areas of the administration. Nevertheless, most employees across BiH public administrations have access to a personal computer. A variety of efforts has recently focused on tackling the issue of software licensing.

Many developed countries give top priority to the development of information systems supporting horizontal functions, i.e. the processes that are common to most institutions. It is commendable that the same practice has emerged in BiH (e.g. the treasury budgeting information system). These projects have strong economic incentives: the same software solution can automate common procedures in most institutions, and create large budget savings. However, some individual institutions are trying to automate some horizontal functions, causing duplication of efforts, wasted funds and possible future interoperability problems.

Some substantial back-office reorganization of services enabling access to ‘any data, anywhere, anytime’ has been achieved (e.g. personal documents and change of address). Only the inadequate legal framework prevents those services from being transactional. In comparison to the *e-Europe 2005* requirements and 20 e-services, BiH is still a long way behind world-wide transactional and cross-organizational services. Nonetheless, there is an encouraging awareness of internet use as a tool for public institutions to disseminate information; and a majority of institutions, regardless of level, have their own web sites.

Objectives

BiH will increase IT utilization in public administration to: *make government more accountable, transparent and effective; improve information and service delivery; and encourage citizen participation in the decision-making process.* The important anticipated

changes relate to: policy; organization and human resources; IT infrastructure, including security; and automation of public administration business processes, including fundamental registries, horizontal functions and e-services.

4.6.1. Framework policies, regulations and standards

Adoption and implementation of legislation on electronic communications infrastructure and associated services, in accordance with the framework of the relevant EU Directives, will be instrumental in fulfilling all *acquis communautaire* requirements regarding IT. Parallel to the progress of IT legislation, the introduction of IT in government business will necessitate securing critical human and financial resources to implement the planned IT projects. The adopted e-government strategy and accompanied Action Plan offer a comprehensive catalogue of future measures. They explore a wide range of technologies that could be deployed, and actions that could be taken; but they must be prioritized according to existing capacity and performance, strong political support, and sustainable project cost models. Additionally, the current practice of donor-driven IT projects should be avoided in future; so donated funds can be focused on prioritized IT projects.

To ensure secure data and information exchange within, and in between government and users of public services; security and privacy policies, and methods of monitoring staff adherence to these policies; will be developed. These policies will encompass defined technical recommendation, conditions and referent standards. A continuous process of risk analysis will be established at all levels.

Parallel to the recent harmonization of procurement procedures at all governmental levels, additional standards regulating procurement of IT goods, supplies and services will be established, to contribute toward standardization and harmonization of IT procurement. To ensure authorities can purchase software on the “good quality and inexpensive” principle – regardless of whether the software is open source or proprietary – a holistic software strategy for public administration will be developed and adopted. With regard to proprietary software, in progress negotiations will continue for the public sector country-wide, regardless of the governmental level, to achieve a considerable reduction in the cost of licenses for enterprise agreement licenses. Additionally, following the practices of developed countries, the possibility of migration to open source software should be seriously considered as soon as possible, including the use of so-called “mixed models”.

4.6.2. Organization and human resources

Unlike other horizontal systems in public administration, a dedicated central institution in charge of IT coordination is still absent at most government levels. This prevents implementation of a systematic and methodological approach toward the optimal use of IT. A strong, capable and independent government IT agency – that will be in charge of developing e-government systems from strategy to realization, and coordinating IT activities performed by the various levels and ministries on BiH-level – should be established as soon as possible. The future Agency for Information Society (AIS), in coordination with centers of IT competence from other levels, will be the main initiator and implementer of IT activities proposed in the Action Plan accompanying this Strategy, and should be operational in the shortest period possible. Centers of IT competence should be established and/or formally

recognized at other levels; and subsequently, some operational IT services should be centralized. These centers should establish close formal links of cooperation with the state-level AIS, as soon as it is established. In order to effectively use currently limited and scattered IT human resources, a valid classification of IT jobs will be created, and a strategy for retaining scarce IT staff will be developed. A clear division will be made between centralized and decentralized IT functions, and IT functions that could be outsourced to private companies.

Rapid development of web technology can help BiH to position itself as an effective and citizen-oriented government – if there is strong political commitment. The potentials of e-governance need to be constantly promoted to government employees and users of government services. Government representatives, private sector, universities, IT professionals and all other interested parties, should also make contributions toward e-governance, through an e-governance forum that will be established. In parallel, e-governance development requires benchmarking systems to measure the advancement of IT use in government, i.e., the percentage of basic public services available online, and the use of online public services by the community (in line with *e-Europe 2005* requirements). At this level of IT introduction in BiH public administration, additional benchmarking systems will be introduced to draw attention to how government, its various agencies and their back-offices, should be adapting and reorganizing to meet the challenges and opportunities presented by IT.

Increased levels of computer literacy of civil servants reduce the need for IT help-desk support; indeed, computer literate civil servants are a precondition toward the overall goal of enhancing efficiency. Existing staff, at each level, will undergo computer literacy testing, and one institution should be responsible for continuous work on IT literacy: organizing a standardized training programme (such as the ECDL programme); introducing e-Learning; performing IT literacy benchmarking; and raising awareness of the importance of self-training. To reduce the high costs of IT training, all newly-employed staff should have basic computer skills, and CSAs will introduce rules regarding the minimum computer literacy required by a civil servant. An adequate budget for continued professional education of IT staff will be secured, and analysis of training needs will be introduced, so that training offers are based on actual needs.

4.6.3. IT infrastructure

Coherent communication, and an information infrastructure that will provide cheap, reliable and safe access to information and allow information exchange, both within the public sector (including across government levels), and externally (between the public sector and the users of public services), is a major precondition – without which, the potential of e-governance cannot be achieved. Building the correct infrastructure is critical for the development and implementation of information systems and specialized applications, in all areas of the administration. To achieve this, all government levels will prioritize the development of this infrastructure, and sufficient budget resources will be secured for this purpose. Initially, an early coordination of all involved stakeholders, in order to avoid any duplication of efforts, will be established. Secondly, analysis of current networks will be performed to optimize the use of existing networks, and avoid irrational spending. In parallel with the development of a national backbone for the use of public administrations, individual networks will be completed; and the infrastructure for a single and ubiquitous Internet access, with joint

services and security solutions wherever possible, will be ensured. Some standard-setting for common workstation configuration, minimally at the level of individual institutions, will also be established and implemented. Easier maintenance, standardization and improved user satisfaction will be the outcomes of these actions, facilitating higher efficiency at a considerably lower cost.

4.6.4. Information systems and e-services

Some cutting edge information systems are already implemented: JMB (citizen identification numbers), passports, identity cards, address data, driving permits, car registrations, business and tax registries. Further efforts are needed to guarantee the interoperability of all registries. The aim is to allow the use of registry content by multiple institutions at different levels of government (i.e. civil, business, land or property registries), to provide better quality data to support public administrative functions, and simultaneously decrease the burden on citizens caused by data collection obligations. To achieve this, a strategy on public registers (including the solutions for harmonization and interoperability), will be developed. In parallel, a priority list will be created for each public register, and unified software solutions will be implemented if possible. The final achievement will be a “one-stop-shop” for citizens. The current European trend is that the interconnectivity, data exchange and service delivery of public sector IT systems is based on interoperability, rather than integration of IT systems. Therefore, the work on the e-government interoperability framework for the BiH public sector, harmonized with the recently published European Interoperability Framework (EIF), will become a long-term priority. Common, open standards for data exchange and technical interoperability between applications (most likely XML-based), will also be produced as soon as possible by the future AIS, and in coordination with centers of IT competence from other levels.

The current public administration institutions’ web pages have variety visual and conceptual identities. In the short run, common criteria for quality of content, and structure of public administration institutions’ web pages, will be introduced. For example, unique Web Content Management System (CMS) will be developed, and uniform concepts of e-services will be defined. Introducing uniform visual and conceptual identities to governmental web pages will be followed by the creation of a BiH portal (only informational initially), which would gradually become a genuine one-stop-shop – with services organized around life events, and spread over various levels of government. To realize this goal, cross-organizational and transactional e-services will be developed and implemented, according to a priority list. This priority list will be based on the current state of the application they run on, expected costs and benefits for public administration and users of services, and in accordance with the practices of developed countries.

Finally, information systems supporting common horizontal functions will be uniformly implemented. Use of the same software solution can automate common procedures in most of the institutions, achieve large budget savings, and avoid duplication of effort and future interoperability problems. The budget for development and implementation of uniform software solutions supporting common horizontal functions will be secured as soon as possible. The implementation will be completed in accordance to agreed priorities and in close cooperation with the institutions playing a central implementing role at each government level. Once implemented, versions of the same information systems in all institutions will be kept synchronized, configuration management will be introduced,

common vocabulary and data definitions will be maintained, and a common knowledge repository for problem-solving during migration and maintenance will be prepared.

4.6.5. Key activities

By 2007:

- There should be a strong, capable, and independent government IT agency at the state level in charge of developing e-government systems, from strategy to realization, and coordinating IT activities performed by the various levels and different ministries.
- Other levels of government should also establish or strengthen centers of IT competence.
- This should be followed by a valid classification of IT jobs, and a clear division between centralized and decentralized IT functions, as well as IT functions that could be outsourced to private companies.
- BiH portal should be created, even if only informative by 2007. In parallel, common criteria for quality of content and structure of public administration institutions' web pages should be developed to ensure uniform visual and conceptual identity.
- Further, the Law on Electronic Signature and e-business and accompanied bylaws should be adopted.
- In the policy area, a software strategy for public administration as whole considering migrations to open source software, a strategy on public registers, IT security and privacy policies and standards that regulate procurements of IT goods, supplies and services should be developed.

In the period between 2008 and 2010:

- There should be national backbone developed for the use of public administration.
- Information systems supporting common horizontal functions should be uniformly implemented in accordance with agreed priorities, and in close cooperation with the institutions playing a central implementing role at each government level.
- E-government interoperability framework should be developed followed by the implementation of public registers and common data repositories to enable 20 e-services from e-Europe 2005 to become cross-organizational and transactional.

These activities are detailed in Part VI of the Action Plan I to the Strategy: IT Actions 1-5.

5. Creation of a basis for the sustainable development of sectorial administrative capacity

5.1. Overview

The reforms reviewed above aim to develop *general* administrative capacity in all branches of the administration. This general capacity is critical; but alone it is not sufficient to create policies and deliver services in multiple sectors, for which the State, Entities and other levels

of government hold responsibility. To achieve that objective, improved general capacity must be complemented by *sectorial* reforms, constructed through programs or plans focused specifically on improving sector capacities.

There is great expectation that these sectorial reforms will rationalize and compact the administration; both within individual government levels – and in some measure, across them. Such expectations are partly connected to an inadequacy of the current organization of public administration, which draws largely on concepts inherited from the pre-war administrative tradition. While the concepts stated are generally sound, they are difficult to apply under the new circumstances; their full implementation is hampered by internal and external factors within the administrative system.

Internal factors include the introduction of a multi-layered federal dispensation; with the previous central administration divided into 14 smaller ones of the State, two Entities, ten Cantons and Brčko District. The overall size of the administration remains relatively contained (it covers less than 3% of total employment; within the lower average of central and eastern European countries). This has meant that the same organizational models were applied to institutions considerably smaller than for those which they had been originally conceived. The option for coalition governments at all levels also had some impact, because of the natural tendency to multiply top positions and, therefore, institutions.

External factors complicating the implementation of organizational criteria included; influence from international decision-makers and donors, whose support to institution-building frequently required securing the independence of new administrations by establishing them as separate bodies. This resulted in a number of smaller institutions, and the introduction of previously unknown organizational models and concepts. According to a trend already observed in the new EU Member States, the process of European integration will most likely generate additional requests for similar “special” arrangements. The State-level administration is the most exposed to this phenomenon.

Today, the result is a public administration fragmented into a large number of institutions, many of which are too small to operate efficiently. This fragmentation negatively affects the level of general administrative capacity. In 2004, the report on the System review observed that nearly half the reviewed institutions, at all government levels, were too small to maintain quality horizontal management systems. In turn, weakness in basic aspects (such as policy-making, budgeting, or HRM capacity), have a negative impact on these institutions’ ability to develop full and sustainable sectorial capacity, and to deal effectively with the substance of their mandate.

This weakness has been acknowledged at all government levels for a substantial period of time. Within the Entities, the number of ministries was first reduced in 2002, with a similar action recently achieved within the FBiH Cantons. In Brčko District, whole-of-government reorganization was launched in 2004. Parallel to this, compacting of administration at each level was matched by inter-governmental transfers to, and consolidation of, responsibilities in the State apparatus. Sectorial restructuring in the defense and custom services was part of this trend. As already mentioned, from 2004 to 2006, the functional reviews – carried out with EU assistance in nine areas (agriculture, environment, returns, health, education, police and justice, economy, and labor and employment) – explored reform potential, with proposals for reorganization both within and across government levels.

The design and implementation of these sectorial reforms is now the responsibility of the concerned ministries and institutions, whose direct knowledge of the issues involved is irreplaceable. The details of such programs are not described here: they will be part of the strategies in the specific policy sectors. However, one main horizontal concern relates to how the achievement of many sectorial reforms in the relatively short-run would impact on the overall organization of BiH governments. *Development and implementation of reforms should be coordinated, in order to secure a coherent final result in sectorial capacity.* The Directorate for European Integration of the BiH Council of Ministers will play the primary role concerning the implementation of individual substantive requirements from the EU *acquis*. The Office of the PAR Coordinator will also assist sectorial reforms. In accordance with the horizontal mandate of the Office, this responsibility will focus on the impact of the reforms on the organization of the administration at all levels.

Objectives

Given the expected scale of sectorial reforms, the objective within this Strategy is to ensure a sufficient degree of coordination to: *preserve the coherence of organizational models; and ensure proper management of organizational change.* These two objectives are essential to maintaining the coherence of the resulting administration in the sectors. To achieve this, *guidance and standardization* will be provided through the Office of the PAR Coordinator.

5.2. Preserving the coherence of organizational models

Strengthening sectorial administrative capacity implies interconnected reform processes dealing with different subjects, spreading across all government levels, and leading to government re-organization on a large scale. While these sectorial processes will be largely independent from each other in their substance, their overall organizational impact will necessitate a degree of coordination. One main objective of such coordination will be to ensure that any re-organization measure, triggered by sectorial re-design, will follow compatible organizational concepts. This refers to the typology of institutions, their mutual relations, and their internal arrangement.

Macro-organizational questions concern the typology of institutions, and examine the opportunity of separating policy-making concerns (typically covered by Ministries), from the focus on policy implementation (a task usually left to other administrative bodies). Organizational concerns also cover the conditions (including critical mass), under which a function could be practically organized into a new ministry or agency, or preferably developed within an existent portfolio. Similarly, macro-type organizational questions examine the institutions' reciprocal position, including relations of subordination and coordination, the modalities of exercising administrative supervision, and the special position of independent regulatory agencies (largely a new category in BiH administrative systems). At the micro-level, key organizational questions concern the difference among diverse types of internal organizational units (e.g. a directorate, or a sector), and the requirements for the establishment of each unit in terms of substantive responsibilities and minimum critical mass.

Required criteria are partly formed within the legislation at each government level (e.g. the Law on Administration and implementing regulations): the application of which, usually falls under the responsibility of the ministries dealing with the general legal framework for the public administration (e.g. ministries of justice, administration and local self-government,

etc.). However, in reality, the application of the rules leaves an ample margin for opportunistic judgments, in relation to which, the Office of the PAR Coordinator will – in consultation with the responsible ministries – exercise a harmonizing function across government levels.

The launch of sectorial re-organization on a large scale, will require reviewing the legislation itself, adapting it to the needs of the new administrative system that differs from those in which the model originated. The Office of the PAR Coordinator, in cooperation with the responsible portfolios at each government level, will review the legislative bases for the organization of public administration and their concrete application (e.g. laws on government, and Rule Books of individual institutions). On this basis, proposals for improvements will be formulated in coordination with the development of sectorial reform processes.

5.3. Securing the management of organizational change

As sectorial reforms are expected to lead to a process of government-wide reorganization, concerns are not limited to the final outcome. A degree of coordination will be needed, regarding the final shape of each sector, and also how the transition from the present organizational system to the desired end-state will be managed.

Concerns will initially focus on ensuring that the overall reform design results in actual reorganization – and not mere duplication. When new capacity for dealing with functions previously allocated to Entities or cantons is created at a more central level, the original mandates and allocations of resources will be revised. A strict approach will be fundamental to the design of all sectorial reforms; avoiding resource waste, and preventing future coordination problems. Further, managing change requires a realistic approach to timing. Change will rarely take place overnight, and transfers of responsibilities need to develop in parallel with the creation of capacity in the new organization. Timing usually requires the adoption of transitional periods, and specific arrangements, linked to the actual transfer of staff and other resources. Concerning the latter, the main concerns include the manner in which reorganizations, cutting across government levels, should deal with existent budgetary allocation and existent staff, including the possibility of redundancies (as mergers often imply economies of scale). All these questions need clear consistent answers, across all sectors involved in reforms.

Although reorganization is a main theme for the public sector in BiH, the rules governing these processes are presently poorly codified. One reason is, that until recently, supervision and management for these processes were secured mainly through international guidance and intervention. In some cases, existent legislation provides some guidance (for instance, State-level civil service legislation includes a basic system for intergovernmental transfers of personnel, following the takeover of responsibilities by the State administration).

The Office of the PAR Coordinator, in cooperation with the responsible institutions at each level of government, will review the existent practice, and the legislation applicable to government reorganization within and across government levels. The Office will coordinate an effort to produce a set of *guidelines* for working groups engaged in sectorial reforms (part of the second Action Plan to the Strategy). It will also participate in the working group to provide advice regarding management of organizational change, to secure overall coordination aimed at a harmonious process of government reorganization.

5.4. Key actions

In the short-term, the key actions are:

- Establishing working groups to start formulating specific proposals for changes to the administrative architecture underpinning the BiH's public administration: including proposals on the optimal allocation of functions within and across government levels; changes to legislation governing the organization of public administration; micro-type organizational questions concerning individual sectors and institutions; formulation of guidelines for working groups engaged in sectorial reforms; and
- Adopting the second Action Plan to this Strategy.

In the medium-term, the administration will start activities to implement the second set of actions included in the second Action Plan to the Strategy, in parallel with the implementation of the first (horizontal) part of the Strategy.

The objective is, ultimately, by 2014, to develop sufficient administrative capacity in the sectors across BiH, to implement the *acquis* requirements.

6. Management of the reform process

Responsible for the delivery of the reform are the heads of governments and institutions on all levels, as well as elected parliamentarians on all levels. Transformations of this scale cannot be achieved quickly or easily. Change will require political leadership, and sustained commitment to reform over a number of years. A *Chart on Implementation of the Reform Process* is included in an Annex to this Strategy.

Political leadership

The political guidance for the implementation of the reform is clearly a responsibility for all governments.

Resistance to change is likely to emerge whenever vested interests and habits are effected. The Council of Ministers, the Entities, and other governments will actively engage in breaking down reform deadlocks *within* their administrative systems.

At the same time, unresolved political differences between various government levels, regarding the direction of reform, can potentially delay the process. Ensuring that this does not happen requires a strong *political steering mechanism* behind the PAR agenda. The *Board for Economic Development and European Integration*,⁶ will provide strategic leadership for the reform across BiH; serving as a mechanism for resolving significant issues (including differences in the areas of the reform, where negotiators with EU will have to

⁶ The role of this Board is to provide strategic leadership. This requires better definition of responsibilities and the process necessary of this high-level work. If the role of the current Board is, in the future, directed by another body, this other body should also play the role of the political steering force for PAR.

present a consistent view). Less substantial disagreements and disputes will be dealt with at lower levels.

Coordination of the reform

Coordination mechanisms are instrumental in helping the process: naturally, without taking away the responsibility of those elected or appointed to government or parliament. A *Chart on Coordination of the Reform Process* is included in an Annex to this Strategy. Some additional details follow below.

The PAR Coordinators

The coordination of the reform has been assigned to the State Coordinator for public administration reform.

The PAR Coordinator's Office will be the "*driving force*" behind the reform. It will consist of civil servants. Sufficient resources will be provided to the Office from the BiH budget, to achieve this ambitious task.

The PAR Coordinator will drive the relations with the Entities and Brčko District Coordinators. It will organize joint meetings on a regular (preferably, monthly) basis, to discuss matters relevant to facilitating the coordination of the administrative reform process across BiH. The Entities and Brčko District governments will ensure that an appropriate official from their administrations is appointed to this coordination task, with devoted time, responsibility, and a sufficient level of seniority.

Given that the outcome of public administration reform is of key importance for the successful negotiation of SAA, and to meet the conditions for membership in the EU, the PAR Coordinator is expected to establish close relations with the DEI, and to participate in the work of the bodies related to EU Integration. Similarly, the Entity- and Brčko-level Coordinators will be represented, or work in close cooperation with, the coordination mechanisms for the EU integration process.

The PAR Task Force

A Task Force for PAR will also meet on a regular basis (preferably, on a quarterly basis), or more often (if required), upon the adoption of this Strategy. In addition to the PAR Coordinator and the Entities and Brčko District Coordinators, this Task Force for PAR will include the DEI and the responsible institutions for European Integration at Entity-level, the Heads of Government Secretariats and Legislative Offices from the State and Entity levels, Ministers of Justice in BiH and FBiH, Minister of Administration and Local Self-Governance in RS, State and Entity-level Ministers of Finance (or senior officials authorized to act on their behalf), and a representative of the Brčko District government. In this composition, this Task Force for PAR will include relevant ranking of authority from all governance levels. In addition, to the relevant ministries from each level with horizontal responsibilities for PAR, and the Ministries of Finance, it will include the government Secretariats which are (or should be) responsible for coordinating work plans and policy proposals of the ministries to meet PAR priorities. The presence of the Offices of Legislation will ensure that proposals for

legislative change, one of the main tools to implement the PAR Strategy, will be adequately dealt with. Additionally, the presence of DEI, and the relevant Entity-level bodies, will ensure links to European Integration. PAR Task Force meetings will necessitate a full composition with the presence of all members; or as required, only primary/leading institutions.

Members of the Task Force will discuss matters in relation to: monitoring and evaluation of PAR activities; harmonization of work plans and agendas; needs for financial resources and technical assistance; collection of information and data that will enable decision-makers to improve processes; communication with the governments, and with the general public; organization of promotion activities and public events; and obtaining political approval for further PAR steps and measures. The staff of the Office of the PAR Coordinator, in cooperation with the Entities and Brčko District Coordinators, will guarantee necessary support and follow-up to meetings of the PAR Task Force. The degree to which the Task Force for PAR meets the needs of the PAR process will be evaluated on a regular basis, and necessary adjustments will be made.

To enable a fully coordinated approach on PAR issues, the PAR Coordinator, the Entities and Brčko District Coordinators, and all other members of the PAR Task Force, will ensure regular reporting and adequate flow of information to their respective government levels. Reports will be provided on a quarterly basis, or more often if needed, to enable each government level to have sufficient insight into the achievements made so far, and to take necessary corrective measures. The PAR Coordinator will also provide monthly updates, and an annual report on the overall progress and future challenges. These reports will be based on the inputs from the Entity and Brčko District Coordinators, and the work of the institutions and the larger PAR Task Force. They will be presented to the Chairperson of the BiH CoM. The annual report will be also publicly available.

Working Groups

On an operational level, *Working Groups* with representatives of responsible institutions for the implementation of the Strategy and its Action Plans will meet as often as necessary to discuss implementation measures, and formulate specific proposals for change. The PAR Coordinator will initiate the formation of these Working Groups, and will provide necessary support for their work. These Working Groups will also review M&E reports, and propose necessary adjustments to the planned activities, including developing further Action Plans for the implementation of the Strategy. Advice on the reform process will also be sought from *reputable* individuals who are active in the private, non-governmental and academic sectors.

The reform will generally depend on a strong commitment to change *within* the implementing institutions. The reform task has to be prioritized by the institution's management. This necessitates internal processes for implementation, monitoring and reporting on progress within each institution. Individual ministries may establish *internal committees* within that institution to guide the reform process, or *assign* such tasks to the institution's senior management.

It is important to stress that implementation of the reform is feasible only if the reform activities become an organic part of the administration's official agenda. For example, Action Plans are 'imported' into government and institutional programs, annual work plans, and reporting procedures.

The PAR Fund

In response to the Paris Declaration on Aid Effectiveness (2005), in which participating governments committed to more effective collaboration both between donor agencies and the recipient authorities, a strategic PAR Fund for BiH will be created through the joint cooperation of several bilateral donors, the EC Delegation and the Governments in BiH.

The founding donors, the UK (DFID), Sweden (SIDA) and The Netherlands, have each committed to contributing the equivalent of 1.5m Euro in establishing the Fund. The contribution of the EC Delegation to this initiative consists of the Technical Assistance to the Office of the PAR Coordinator (also 1.5m Euro). The aim is to provide more focused and harmonized support for the reform of public administration in BiH, managed directly through the Governments of BiH, via the Office of the PAR Coordinator. Other donors will be actively encouraged to join this initiative, so the PAR Fund can evolve into a fully-fledged Sector-Wide Approach for PAR.

Improved harmonisation of funding, and identified activities by the donors and the BiH authorities, will ensure that the funding available can be spent more effectively, and in-line with cross-BiH priorities. It is expected that this will reduce the bureaucratic burden placed on recipient institutions, and lead to an improved capacity of local institutions and their staff to identify, deliver and monitor development projects.

The PAR Fund will operate on the basis of a Memorandum of Understanding (MoU) between the donors that participate in the PAR Fund, and the BiH authorities. The MoU specifies the details of coordination arrangements, goals, organization and decision-making, contributions, procedures on procurement and disbursement, reporting, and other obligations under the PAR Fund.

The Office of the PAR Coordinator will identify projects, and develop project proposals on the basis of this Strategy and action plans, in close coordination with the relevant institutions of BiH and the donor community. The priorities will be defined clearly – according to the needs for the specific reform assistance – and coordinated within the overall reform.

The PAR Fund is expected to play an important role in supporting the implementation of the PAR Strategy. Assistance from the PAR Fund will supplement funds available from the government budgets to finance the public administration reform efforts.

Monitoring and Evaluation

The PAR Coordinator is responsible for monitoring the PAR Strategy and Action Plans implementation. The PAR Coordinator's Office will set up a system for Monitoring and Evaluation (hereinafter: M&E system) to track the progress toward achievement of the objectives. The M&E data and analysis will support decision-makers to improve policy design, optimize resource allocation and refine planned activities.

Overview of System Elements. The system will serve as an easy-to-use instrument to monitor implementation under the Strategy. The system will consist of two information-generating modules, and a reporting module. Information-generating modules are:

- 1) **Output Monitoring:** Output monitoring will track the Action Plan implementation and show if implementation is achieved, according to plan or not. It will reveal backlogs, and differences in implementation across various government levels.
- 2) **Outcome Monitoring:** Outcome monitoring will generate information on whether the implementation of the actions effectively supports the accomplishment of the strategic goals. It will track progress towards achieving the Strategy vision, and inform how far implemented actions contributed to success.

Information from the M&E activities should lead to corrective actions by the institutions when Strategy implementation falls behind plan, or when outcome monitoring reveals that actions are not helpful in achieving planned strategic goals. It will also create, on the decision-making level, a better understanding of the process, progress, problems and action needs.

Output Monitoring. The proposed monitoring procedure will separately analyze the implementation of all main parts of each Action Plan across all government levels (BiH, FBiH, RS, BD) (i.e., Action Plan I has six parts); and compare respective implementation progress.⁷ This enables the PAR Office to easily identify serious backlogs in one strategic dimension or government level that might otherwise be overlooked in the long-run, particularly during the overall Action Plan implementation.

Output monitoring will allow monitoring of the progress from implementation commencement to a defined date, and also within a given period. This monitoring occurs in total, and as a percentage of planned implementation. It will rely as completely as possible on quantitative, objectively verifiable indicators (OVIs); that are connected to Action Plan elements. According to their relative importance, a value expressed in a percentage will be assigned to each OVI. The degree of implementation will be described as the ratio of the OVI value sum of all implemented actions, to the OVI value sum of all actions planned to be implemented during the observation period.

An Output Monitoring Tree Chart is included as an annex to the Strategy.

Outcome M&E. This process will define a set of key outcome indicators to describe Strategy implementation successes in the main fields of action. This will be complemented by a data collection and analysis mechanism. As far as possible, outcome indicators will be quantified.

The outcome indicators will be based on independent (external) data, that usefully describe the degree of Strategy implementation. Such data may be sourced from opinion polls, customer and employee surveys, statistics, budget and staff data, and other sources identified by the PAR Office. The system will also take into account other available data, such as past or periodic reports or other studies (on BiH or in the region), benchmarks set by international organizations, and other data sources.

A very important aim of outcome monitoring will be to evaluate the effectiveness of the actions taken in achievement of the desired outcomes. It will inform whether the chosen

⁷ The approach follows the principles of the “Balanced Scorecard“ model which is well known in the private sector management; see for example: www.balancedscorecard.org/basics/bsc1.html. For public sector application see also: Koetz, A.G., *Balanced Scorecard Models in the Non Profit Sector*, Proceedings of the 8th International Conference on Problems of Management and Modeling in Complex Systems, Samara (Russian Federation) 2006

actions have effectively contributed to Strategy implementation. This will give a feedback for later updates of the Action Plans.

Reporting. The PAR Office will develop a consistent, simple reporting format for its regular reports. The reports will include easy-to-understand graphs, and related comments and proposals by the PAR Office. An annex will give details about Action Plan implementation and results of the outcome monitoring analysis.

Model implementation. A simple database software will be used for the output monitoring system. Programming of the model will be completed in the beginning of 2007. This will include initial modelling with Action Plan and financial data. After the programming, permanent control will be through the PAR Office, which will also be responsible for implementation and evaluation of the outcome monitoring system and preparation of reports. The PAR Coordinator's office will set up a program of continuous data gathering and analysis.

Output monitoring reports will be delivered quarterly. Annual reports will also be produced: they will include results from both output and outcome M&E. The reporting period will start with the adoption of the Strategy and the first Action Plan. The first output reports are expected to be delivered by the first quarter of 2007; and the first overall reports by the fourth quarter of 2007.

ANNEXES

Annex 1: Note on Terminology

Annex 2: Implementation of the Reform Process Chart

Annex 3: Management of the Reform Process Chart

Annex 4: Output Monitoring Tree Chart

Annex 5: Action Plan I to the PAR Strategy

Annex 1: Note on Terminology

Policy

Policy is a complex term, with multiple meanings, which does not even exist in all languages. In this strategy, the term is used in a restricted sense, focusing on policy that is developed and implemented by the *executive* branch of government.

A useful working definition for our purposes is:

“A policy is an approach to solving a problem or improving a situation. It is often embedded in a law or a regulation, or even in a number of laws and regulations, but it may not be.”

Based on a strategic priority of the government, the responsible ministry, in cooperation and consultation with other ministries and institutions with interest in the subject area, will analytically develop an adequate policy proposal (very often formulated as a law or other sort of regulation, and often as a set of laws and other regulations). The head of the institution submits the proposal to the government for consideration. At this point, the policy may be fully adopted, with certain changes, or the government may reject it.

Several distinctions are necessary:

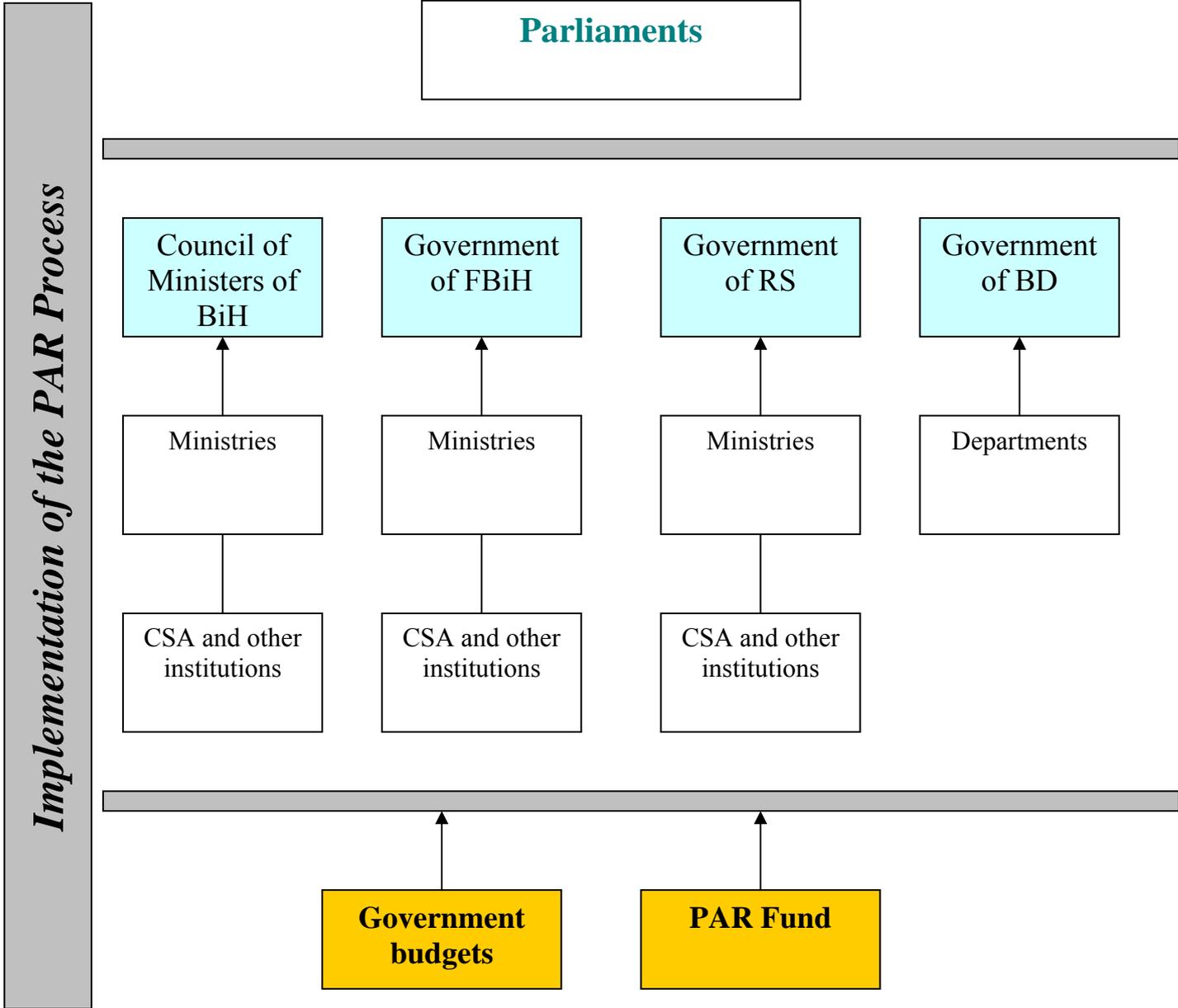
- It is necessary to distinguish between the terms “*policy*” and “*strategy*”. Both are commonly used. Usually the term “*strategy*” is used to refer to documents with *broad objectives* that cut across a number of ministries and have at least a medium-term horizon. In this sense, a strategy cannot be directly implemented. Rather, in order for its goals to be achieved, a strategy requires a *number of policies* and pieces of legislation to be developed and passed. Consequently, an economic development strategy would have a time horizon of, say, five to ten years, and would require that a large number of ministries develop policies and legislation that, taken together, would promote the objectives of the strategy.
- It is also difficult to distinguish between the terms “*policy*” and “*politics*”. Many languages do not even have separate terms for these two concepts. It is useful to distinguish them by using the term “*politics*”, to refer to the considerations and activities of politicians that are directed towards their attempt to get elected or re-elected, and to create personal and group alliances among themselves. “*Policy*”, on the other hand, is what is implemented in the course of governance.
- Policies constitute the output of the policy system, and they are almost always embodied in legal acts. It is important to realize that every legal act embodies policy, even where the policy is not clearly or coherently stated. It is possible to distinguish between *a policy* and *a legal draft*; and between activities related to policy development, and those related to legal drafting. Simply put, the policy is the content, or substance; and the legal draft is the embodiment of this substance in a legal language and format. Policy development is the process of deciding what should be achieved, what should be done to achieve it, how to do it, who should do it, etc. All these steps are part of policy development. Once there is a decision on the option(s) to follow, the legal drafting can begin, putting the selected option or options into language that fits the legal tradition, the constitution, etc. In reality the distinction is

much more blurred; given that legal considerations themselves are often an important aspect of substance, it is useful to note these differences.

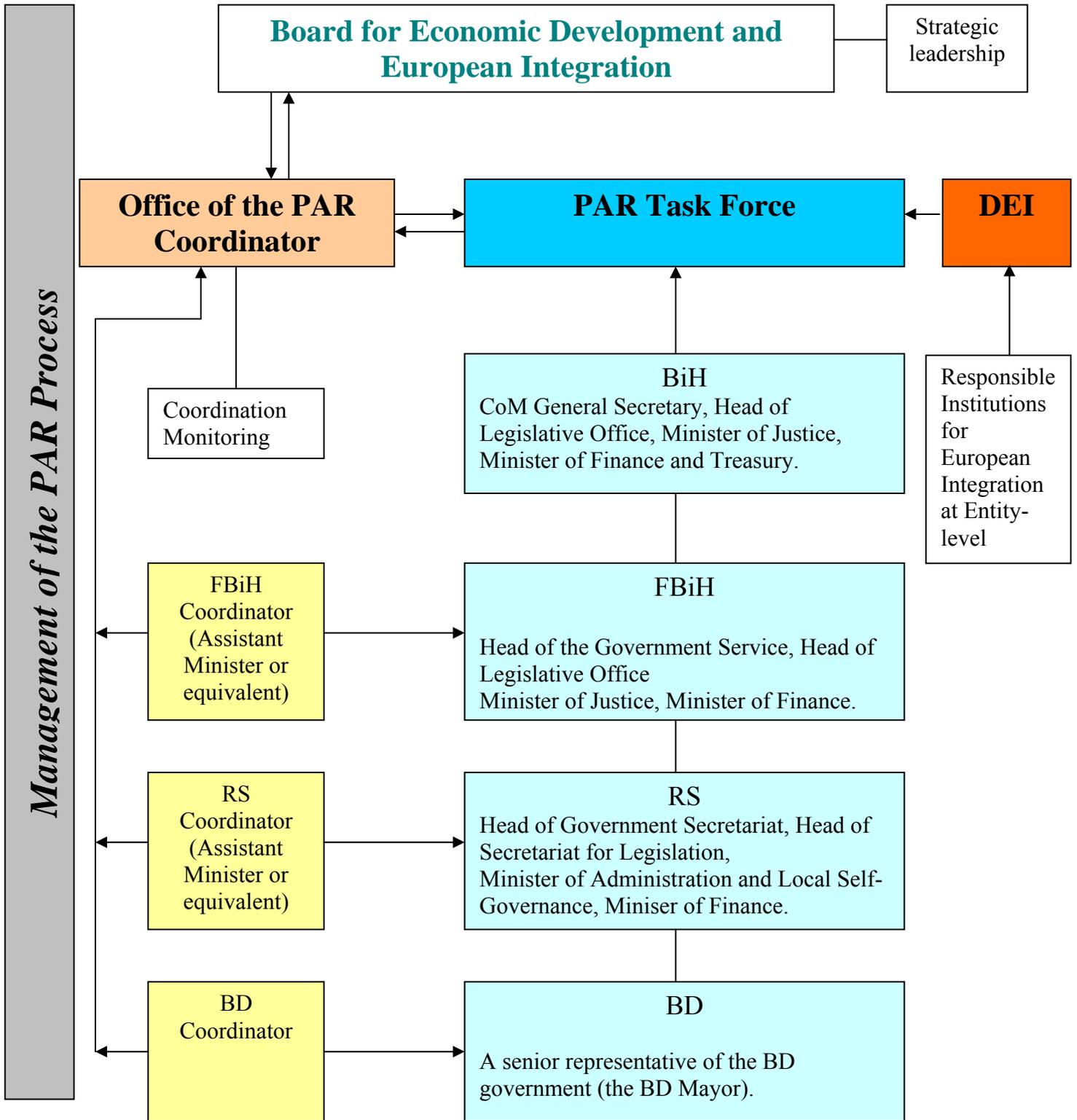
Policy process

Policy is produced by the *policy process*, which is normally conceptualized as a cycle. It is normally initiated by a political decision (usually in the form of general policy objectives), followed by detailed policy development that produces options for more specific political decisions on the policy instrument to be enacted (passed). Once enacted, the instrument is implemented and subsequently assessed, which in turn leads to further policy development (and possibly amendments to the instrument), or even to reconsideration and modification of the initial political decision. It should be highlighted that these steps are not always deliberate and orderly, or of high quality. Nevertheless, they always happen to one degree or another, in a conscious or unconscious way. Hence, the policy-making process encompasses cyclical stages; including priority-setting, policy development, decision-making, and M&E.

Annex 2: Implementation of the Reform Process Chart

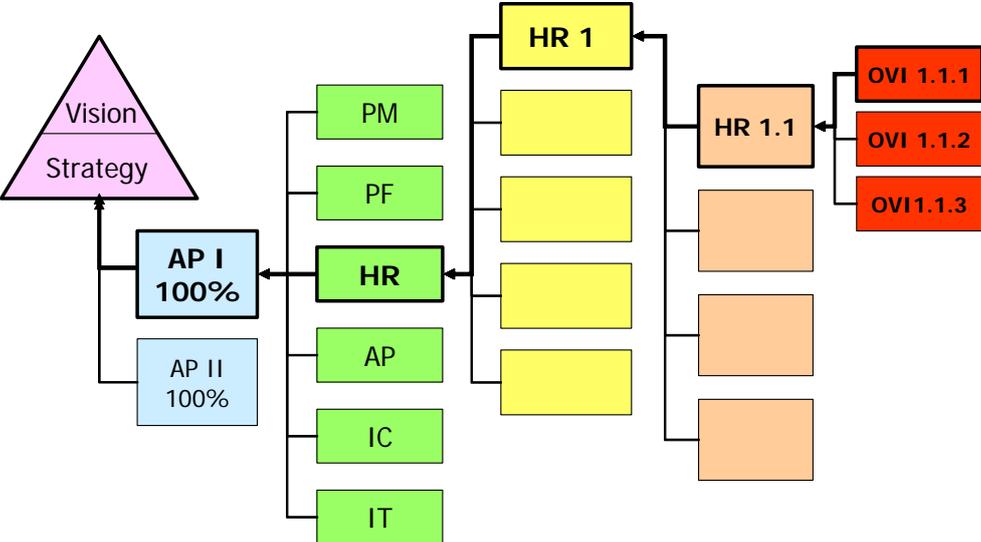


Annex 3: Management of the Reform Process Chart



Annex 4: Output Monitoring Tree Chart

Output Monitoring Tree



THE PUBLIC ADMINISTRATION REFORM PROCESS: USEFUL SOURCES

- European Partnership for BiH, at: <http://www.dei.gov.ba>
- Program for the Realization of the European Partnership, at: www.dei.gov.ba
- European Commission, Bosnia and Herzegovina 2005 Progress Report, at: europa.eu.int/comm/enlargement
- Strategy for European Integration, at: <http://www.dei.gov.ba>
- Mid-Term Development Strategy for BiH (2004-2007), at www.eppu.ba
- Office of the Coordinator for Public Administration Reform – System Review of Public Administrations in BiH, at: www.delbih.cec.eu.int
- Office of the Coordinator for Public Administration Reform – Sector Reviews, at: www.delbih.cec.eu.int.
- European Commission, DG for Enlargement, “Guide to the Main Administrative Structures Required to Implement the Acquis”, at: europa.eu.int/comm/enlargement
- OECD/EC SIGMA Programme - Control and Management System Baselines for European Union Membership (1999 version), at: www.oecd.org
- OECD/EC SIGMA papers: “Preparing Public Administrations for the European Administrative Space” (SIGMA papers No: 23); “European Principles for Public Administration “ (SIGMA papers: No 27); “Coordination at the Centre of Government: The Functions and Organization of the Government Office” (SIGMA paper: No.35, 2004); “The Role of Ministries in the Policy System” (August, 2005)

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