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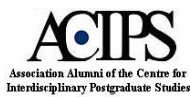
**IMPROVEMENT OF PUBLIC SPENDING SYSTEM OF STATE LEVEL
GOVERNMENTAL INSTITUTIONS IN BOSNIA AND HERZEGOVINA**

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Reports made by the Audit Office of the Institutions of Bosnia and Herzegovina in the previous couple of years often emphasized the faults of the public spending system for current expenditures.¹ We have, regularly, been witnessing the media headlines and the statements made by the state institutions' officials referring to the inadequate, and often, excessive budget spending by the state officials.

While conducting the analysis of the spending for the individual current expenditures (hospitality expenses, use of official vehicles, telephone costs) we have established a whole line of inadequacies related to the way this domain has been organized. Similar analysis could be conducted for the expenditures related to wages and reimbursements for the employees of the state institutions.

The system of spending for current expenditures could be enhanced through introduction of the universal, state level rules for this type of spending. In that regard we recommend that the Budget Act of Bosnia and Herzegovina (The Law on the Execution of Budget of the Institutions of Bosnia and Herzegovina and the International Liabilities of Bosnia and Herzegovina) should be changed and amended in order to standardize the way that the budget users are spending funds for current expenditures. These amendments would impose the obligation to adopt a single, common rulebook, as well as insuing regulations that would be used and applied by all of the state institutions.

¹ Def: Current expenditure represents an expenditure needed for the current operations of the institutions of Bosnia and Herzegovina, according to the classification and defined within the Budget; definition taken from: *The Report on Audit of the Institutions of Bosnia and Herzegovina for 2005 – Abridged Version.*

0. Introduction

Currently there are no standardized and unified regulations that would completely regulate the financial operations of the institutions of Bosnia and Herzegovina. The lack of standardized approach is especially visible in regard to the current expenditures – spending of current budget funds. For example, there is no Law on Wages and Reimbursements at the state level although these expenditures represent between 65 and 70% of the total current expenditures. Neither the spending referring to other current expenditures (reimbursements and privileges that the employees are entitled to) – use of official vehicles, phone costs and hospitality expenses has been uniformly and adequately regulated.

Within this study, we have analyzed the way that the phone costs, hospitality expenses and the costs referring to the use of official vehicles by the state officials have been regulated. Similar analysis could be conducted for the expenditures related to wages and reimbursements.

Conducted study is based on the analysis of audit reports, statements published in printed media, discussions with relevant representatives of state institutions as well as the analysis of the existing regulations referring to the public spending within the state institutions. Thus, we have identified a whole line of deficiencies and were able to give recommendations on how to enhance the system.

The Law on Funding of the Institutions of Bosnia and Herzegovina² is used as the basis for the annual Laws on the Execution of Budget of the Institutions of Bosnia and Herzegovina and the International Liabilities of Bosnia and Herzegovina. The later defines that each of the state level institutions should draft their own rulebooks on material and financial operations, the Internal Rulebook (or a set of internal rulebooks), regulating spending within the current expenditures line.³

While analyzing the internal rulebooks regulating current expenditures we came to a conclusion that they differ considerably - both related to the amounts approved by individual budget lines, but also related to rights to use these privileges and the details that the rulebooks are covering.⁴

We recommend that the existing Law on the Execution of Budget of the Institutions of Bosnia and Herzegovina and the International Liabilities of Bosnia and Herzegovina should be

² The Law on Funding of the BiH Institutions, BiH Official Gazette number 61/04

³ The Law on the Execution of Budget of Institutions of Bosnia and Herzegovina and International Liabilities of BiH is being drafted and adopted for each fiscal year.

⁴ Research Team of ACIPS Center for Policy Research had sent a request asking for copies of the relevant rulebooks to 33 institutions; only 7 of the state institutions responded.

amended in order to regulate the use of funds for current expenditures of budget users. These amendments would enable the adoption of a common rulebook as well as regulations to be used by all of the state institutions. That would effectively put an end to the 'rule of rulebooks' and provide for the 'rule of rules'.

1. Problem description

Reports of the Audit Office of the Institutions of Bosnia and Herzegovina, statements made by various officials, frequent headlines in printed media, all reported of the use of funds for current expenditures by the state institutions' officials, and they are showing a clear and visible trend. Such reporting trend, according to our findings, refers to possible irregularities and ambiguity related to the use of mobile phones, maintenance and use of official vehicles as well as the hospitality expenses.

1.1 Use of mobile phones

The audit reports are frequently noting the problem of excessive use of mobile phones by the state officials. According to these reports, costs for the use of mobile phones - for the Presidency of Bosnia and Herzegovina only - in 2005 mounted up to 128.844 BAM.⁵ The auditors have stated that 'the individual officials have been making and signing decisions about the justifiability of overdrafts made for these purposes - approving these higher costs that they made - for themselves', thus causing this excessive spending.⁶

Similar situation is noted at the Human Rights Commission within the Constitutional Court⁷ and the Ministry of Civil Affairs of Bosnia and Herzegovina - the audit report noted the overdrafts related to mobile phones expenditures.⁸ When it comes to the Council of Ministers, the Audit Office of the Institutions of Bosnia and Herzegovina is stating that the high costs for the use of the cell phones occur due to the fact that:

In certain cases where the monthly limits for the mobile phone costs within the Cabinet of the Chairman of the Council of Ministers of Bosnia and Herzegovina were exceeded, they were not approved in written and there was no request submitted along with the phone bills that would contain the justification of such overdrafts.⁹

⁵ The Audit Office of the Institutions of BiH, *Report on Audit of Institutions of Bosnia and Herzegovina for 2005 - Abridged Version*.

⁶ *Ibid.* 42.

⁷ *Ibid.* 47.

⁸ The Audit Office of the Institutions of BiH, *Report on Audit of the Ministry of Civil Affairs of BiH for 2005*, 11 and 12.

⁹ The Audit Office of the Institutions of BiH, *Report on Audit of the Secretariat General, Offices and Services of the Council of Ministers of BiH for 2005*, 8.

Substantial attention in audit reports has been given to this excessive use of mobile phones, and therefore, it caused a lot of attention in the newspapers and magazines. One of such articles for example, refers to the Presidency – it states that the costs of fixes and mobile phones in 2005 mounted up to 267.631 BAM.¹⁰ Considering that, during that year, Presidency had 72 employees, it is easy to calculate that each of them, starting from the Presidency Chairman all the way to bodyguards, using fixed and mobile phones, has spent more than 400 BAM per month.¹¹ This means that each of the employees working in the Presidency Building is spending two average monthly pensions or 40 times the 10 BAM – an amount that is being paid every month to the poorest pensioners as a measure to mitigate the consequences of the VAT.¹²

Statements made by the officials from the state institutions can be used to additionally illustrate the lack of harmonized regulation when it comes to the use of cell phones. Ranko Šakota, an Assistant Minister in the Ministry of Finance and Treasury at that time, stated that 'the Ministry of Treasury of BiH does not have precise information when it comes to the costs of use of mobile phones made by parliament members, Council of Ministers Chairman and the ministers, however, monthly payments to only one of the three operators in Bosnia and Herzegovina mainly mount to some 200.000 BAM'.¹³ Or, the statement made by the Deputy Chairman of the Administration Committee of the House of Representatives of the Parliamentary Assembly of BiH at that time, Vinko Zorić who said that:

[t]he Chairmen and the Vice Chairmen of both House of Representatives and the House of Peoples of the BiH Parliament have been discriminated since their costs for the use of mobile phones have been limited to 300 BAM per month, while there are no such limits when it comes to ministers and deputy ministers. Therefore we have decided to enable the unlimited use of mobile phones, since, until now, these officials have been discriminated.¹⁴

It is obvious from audit reports, articles from the printed media as well as the statements of the officials that the use of phones by state officials is not sufficiently regulated. Amounts limiting the use of telecommunication services vary from one institution to another, thus adding to the situation described. It also seems that the internal controls are not able to adequately monitor this area.

¹⁰ Start, August 8, 2006

¹¹ Start, August 8, 2006

¹² *Ibid.*

¹³ Nezavisne Novine, 'Izjava Ranko Šakota', - 'Statement by Ranko Šakota' October 25, 2005

¹⁴ Nezavisne Novine, 'Izjava Vinko Zorić' – 'Statement by Vinko Zorić', October 25, 2005

1.2 Maintenance and use of official vehicles

Audit reports as well as the articles from the printed media are indicating the inefficient and unviable use of vehicles as well as the ambiguities related to privileges related to use official vehicles and maintenance and servicing. This results in disproportionately high costs.

Amounts allocated for official vehicles and their maintenance require significant funds. The Audit Office of the Institutions of Bosnia and Herzegovina has, on several occasions, underlined this problem. It was therefore, for example been suggested to the Ministry of Foreign Affairs of Bosnia and Herzegovina that it is necessary to:

[i]mprove the internal rules in order to use the official vehicles of the Ministry – some 100 of them in a cost-efficient way. Expenditures related to procurement of materials and repair of these vehicles in 2004 mounted to 412.690 BAM. The auditors have noted that the repairs and maintenance were done by a different company and not the one selected by the Procurement Commission of the Council of Ministers of BiH. While analyzing the underlying reasons we were given an explanation that the company that did repairs and maintenance was an authorized service while the second one was not, and was not actually qualified for such a job. This reason may not be a valid one, however, it is our opinion that the Ministry of Foreign Affairs was supposed to publish a public procurement notice for the servicing and maintenance of its car pool.¹⁵

The BiH Presidency has equally unregulated records for the fuel consumption as well as the records for the maintenance and servicing of its vehicles. In 2004, it spent 366.000 for that purpose.¹⁶ Auditors noted that the top state management has vehicle available per every two of its employees. The existing records on use of vehicles and fuel consumption orders do not provide for the appropriate monitoring of the use of cars and are therefore increasing the risk of uncontrolled consumption and spending.¹⁷

The auditors have already been warning the BiH Presidency regarding the use of their official vehicles. The Audit Office of the Institutions of Bosnia and Herzegovina has, i.e. stated that the 'high fuel costs for the official vehicles came as a result of a large number of vehicles in use at the Presidency (36 vehicles for 75 employees), as well as a result of creating of these liabilities by the Cabinets without regulated procedures of the fuel consumption control'.¹⁸

¹⁵ The Audit Office of the Institutions of BiH, *Report on Audit of the Ministry of Foreign Affairs for 2004*

¹⁶ The Audit Office of the Institutions of BiH, *Report on Audit of the Institutions of BiH for 2005 – an abridged version.*

¹⁷ *Ibid.*

¹⁸ The Audit Office of the Institutions of BiH, *Report on Audit of the BiH Presidency for 2004*

Findings related to spending related to current expenditures and used for this specific purpose are of the most interest to the public at large.¹⁹ Therefore, the newspaper articles related are frequent and often very descriptive, for example:

[b]ased on bills collected we get the data that the Cabinet of the specific Presidency Member consumes over four thousand liters of fuel per month! If we take into consideration that the average car consumes some 10 liters of fuel per hundred kilometers, it is easy to determine that a single Presidency Member and his suite cover up to 40 thousand kilometers per month. That is, a well known length of the Equator. By using simple mathematical formulas we can see that the BiH Presidency travels three times around the Earth every month.²⁰

Information collected and the statements referring to the use and maintenance of the official vehicles indicate that this type of spending has not been regulated in an adequate way, primarily due to lack of defined rules related to rights and privileges regarding the use of official vehicles.

1.3 Hospitality expenses

Auditors paid special attention to the hospitality expenses within the current expenditures of the state institutions also. Their reports indicate the disproportionately high hospitality expenses of the majority of the state level institutions.²¹

Audit reports are describing that the 'hospitality expenses within the Ministry of Civil Affairs of Bosnia and Herzegovina have not been precisely defined, in order to be rationalized' – this has a direct impact on the amounts of funds spent for this purpose.²² While auditing the hospitality costs of the BiH Presidency, auditors noted numerous weaknesses that significantly contributed to the amount spent for the protocol and hospitality costs – total of 194.237 BAM in 2005.²³ Having in mind the high amount stated, the audit report is stating that: 'It is our opinion that these costs could be streamlined by introducing changes to the existing rules of spending and adjusting them'.²⁴ Auditors also noted the irregularities related to the operations of the Secretariat General of the Council of Ministers of BiH. They are stating that the

¹⁹ Having in mind the number of civil servants that are entitled to to use the official vehicles, citizens can see them on daily basis. Therefore such type of spending and current expenditures is by far the most visible one.

²⁰ Start, August 8, 2005

²¹ The Audit Office of the Institutions of BiH, *Report on Audit of the Institutions of BiH for 2005 – Abridged Version, Report on Audit of the Institutions of BiH for 2004 – Abridged Version*

²² The Audit Office of the Institutions of BiH, *Report on Audit of the Ministry of Civil Affairs of BiH for 2005*, 12.

²³ The Audit Office of the Institutions of BiH, *Report on Audit of the Institutions of BiH for 2005 – Abridged Version*; weaknesses noted refer to the Decision on Hospitality and Protocol Expenses number 01-011-971-43/05 from June 22, 2005. The Decision does not include the definition of what is being considered as hospitality expenses nor the terms of their use. There is no precisely defined obligation of submitting a written report on the expense made that would clearly indicate that the funds are being used for the appropriate purposes. It does not clearly state who, both in the Secretariat and in the Cabinets, has the right to these hospitality expenses.

²⁴ *Ibid.*

'hospitality costs according to the accounts of the GTS (General and Technical Service) of BiH, when it comes to the Cabinet of the Chairman, were not specified per persons that incurred them, instead, they have been given as a total, lump sum'; therefore it was not possible to establish if the employees who were granted the right to such expenses exceeded the limits foreseen.²⁵

The audit reports are listing numerous irregularities related to the hospitality expenses and therefore, it does not come as a surprise that the printed media were often reporting about these issues in BiH institutions. Media, for example, stated that the:

Management of the State Border Service had adopted a decision limiting the hospitality expenses; however, the audit established that this decision did not always apply. The limits were exceeded by payments made to the following restaurants: 'Park prinčeva' Sarajevo –an amount of 738 BAM, 'Stela' Mostar – an amount of 1.853 BAM, and the 'Džet set' Lukavica – an amount of 642 KM.²⁶

Auditors were often reporting findings related to the current expenditures such as:

The Rulebook on Gifts and Hospitality Expenses of the Ministry of Civil Affairs states that the hospitality expense is every expense occurring during regular operations of the Ministry, aimed to create and maintain good will and relations within and outside the BiH institutions, marking important events, holidays, anniversaries, cases of death, enhancing the interests of the Ministry and is being used together with the Ministry's clients and partners. The Rulebook also provides a definition of clients and partners. These are: national and international government officials – from any level, representatives of the international organizations, representatives of the non-governmental organizations, persons representing BiH in sports, science and culture and the private sector representatives – when they are officially meeting with the representatives of the Ministry. According to this Rulebook, the persons allowed to make hospitality expenses are the Minister and the persons authorized by the Minister. As we were told by Assistant Minister of the Ministry of Civil Affairs, Franjo Markota, it is the Minister who is authorizing other persons to make these expenses when the Ministry is organizing different conferences, seminars, negotiations related to different bilateral and multilateral agreements. Except for lunches, the hospitality expenses can be used to cover the cost of coffees, juices, teas and mineral water served during or after the meeting. This leaves an extremely open space for possible misuse.²⁷

There is no doubt that the system of current expenditures making within the budget users at the state level has numerous flaws and that this area of operations needs to be regulated in a more adequate way. There are numerous ambiguities and inconsistencies referring to the amounts allowed in specific budget lines and items as well the rights to use certain privileges.

²⁵ The Audit Office of the Institutions of Bosnia and Herzegovina, *Report on Audit of the Secretariat General, Offices and Services of the Council of Ministers of BiH for 2005*, 8.

²⁶ *Nezavisne Novine*, June 6, 2004

²⁷ *START*, September 9, 2005

Having in mind that the use of current funds is regulated by the individual internal rulebooks on material and financial operations of state institutions, it is necessary to conduct their full analysis. An overview of these rulebooks will allow us to identify the weaknesses within the system, and thus, provide an explanation on why some of the institutions and individuals are frequently present in the media headlines.

2. Rulebooks analysis

Funds allocated for the use of phones, use and maintenance of official vehicles and the hospitality expenses are all regulated by the rulebooks on material and financial operations. All of the state level institutions have their internal rulebooks regulating the use of funds for current expenses. Some of these institutions have single rulebooks regulating all of their current expenditures while others are using a whole set of rulebooks in order to regulate these.

We have analyzed five of the rulebooks on material and financial operations of different institutions for each of the areas we mentioned – the use of mobile phones, official vehicles and hospitality expenses. The participating institutions are those who actually delivered their rulebooks upon a request from our research team. Seven out of 33 institutions that were asked to send us their relevant documents actually delivered them.

2.1 Rulebooks on use of phones for official purposes

Previous analysis of the reports made by the Audit Office of the Institutions of Bosnia and Herzegovina and articles published in the newspapers and magazines is indicating the possibility of flaws and inadequacies of the rulebooks regulating current expenditures. Therefore, we have conducted their analysis. The *Rulebook on Terms of Use of Internal and External Services* of the Parliamentary Assembly provides an illustration of inadequacies related to the way that the use of phones for official purposes has been regulated:²⁸

- in case that the fixed lines costs are not in line with usual operations, PTT shall be asked to deliver the list of all the phone calls made.²⁹

- if, based on the list delivered, it is clear that the costs occurred due to private phone calls made by civil servants or employees, the head of the

²⁸ Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services – Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006

²⁹ Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services – Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006, Article 19, Paragraph 2

relevant organizational unit shall warn the person, or persons who caused costs that do not fit into their scope of operations.³⁰

- the fixed phone lines costs shall be monitored in a 6 months period of time. If, based on lists of phone calls, control establishes that the costs occurred as a result of private phone calls made by civil servants and employees of the organizational unit in case, the overdraft amount shall be deducted from the salaries of the employees of that organizational unit.³¹

- if the phone costs do not comply with the criteria established by the Parliamentary Assembly, the head of the General and Technical Service of the Parliamentary Assembly Secretariat shall accordingly, inform the Committee for Finances and Administration of the House of Peoples and the Administration Committee of the House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina.³²

It is evident that the rules set out in the Parliamentary Assembly Rulebook referring to the use of fixed phones for official purposes are not detailed enough and are not setting out the ceiling for this type of costs. The existing Rulebook does not include the criteria defining if the cost is justifiable or not, meaning if it is really related to the activities that the employee is in charge of. Furthermore, the employees are given a 6 months period of time to 'correct their conduct' in order to avoid being sanctioned. In other words, any employee of the Parliament can, for a month or two, however, not for six months in a row, make private phone calls, without any sanctions, except for the 'verbal warning'.

When it comes to mobile phones, the comparison of the relevant parts of the internal rulebooks of some of the institutions regarding the use of mobile phones, we have identified a whole line of faults referring to the amounts approved for some of the items, rights and privileges related to their use as well as the level of details of rulebooks that were analyzed (Table 1).

³⁰ *Ibid.* Article 19, Paragraph 3

³¹ *Ibid.* Article 19, Paragraph 4

³² Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services – Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006, Article 20

Table 1: Articles from the rulebooks regulating the use of mobile phones

Civil Service Agency ³³	CIPS Project Directorate ³⁴	Court of BiH ³⁵	Parliamentary Assembly ³⁶	Ministry of Transport and Communications ³⁷
<p>Article 3 The Director is establishing which of the employees are entitled to use the official mobile phones</p> <p>Article 3 The Director is entitled to an unlimited mobile phone use</p> <p>Article 3 The Director is, by a separate Decree, establishing the limit for the mobile phone costs of the Agency employees</p>	<p>Article 7 The Director is establishing who is entitled to use the official mobile phones</p> <p>Article 8 Costs are controlled and approved by the Director and the Assistant Directors</p> <p>Article 10 The Director has the right to an unlimited mobile phone use</p> <p>Article 10 Assistant Directors - mobile phone costs limited to up to 200 BAM per month</p> <p>Article 11 Overdraft, if justifiable is to be approved by the Director</p>	<p>Article 1 President of the Court, judge on call and the driver of the President of the Court are entitled to use the official mobile phones</p> <p>Article 2 President of the Court - mobile phone costs limited to 150 BAM</p> <p>Article 2 Mobile phone costs are not limited for the judge on call.</p> <p>Article 2 Driver of the President of the Court - mobile phone costs limited to 40 BAM</p> <p>Article 4 Overdraft can be approved based on a written explanation</p>	<p>Article 21 Collegium Members - unlimited use</p> <p>Article 22 Commission Chairs and the Chairs of Clubs of Representatives - 100 BAM per month for the mobile phone costs</p> <p>Article 24 Employees of the Public Relations Department - costs limited to 80 BAM per month</p> <p>Article 24 Protocol specialist and interpreter - costs limited to 300 BAM per month</p>	<p>Article 2 The Minister and the Deputy Minister - entitled to an unlimited use of mobile phones</p> <p>Article 2 Secretary General of the Ministry - use of mobile phones limited to up to 200 BAM per month</p> <p>Article 2 Assistant ministers - costs of the mobile phone use limited to up to 150 BAM per month</p>

It is evident that no standard template was used in order to draft aforementioned rulebooks. Therefore, their structure, outline and the level of details they are covering vary. There are no general limits and standards referring to use and costs - this prevents their proper interpretation. The amounts approved, for example, for the use of mobile phones vary among the institutions and between the officials at the same service levels. Frequently, it is up to the Directors to make decisions referring to privileges of the employees related to the use of mobile phones.

³³ Civil Service Agency, *The Rulebook on Use of Mobile Phones*, May 13, 2005

³⁴ CIPS Project Directorate, *Procedures for Creation of Liabilities, Material and Financial Operations and the Measures for the Rationalization of Expenditures*, June 1, 2006

³⁵ Court of BiH, *Decision on Use of Official Mobile Phones and Reimbursement of their Costs*, January 19, 2005

³⁶ Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services - Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006

³⁷ Ministry of Transport and Communications of BiH, *Decision on Use of Official Mobile Phones and on the Expenses Related to their Use*, January 5, 2004

2.2 Rulebooks on use and maintenance of official vehicles

Budget users, meaning the BiH institutions, are making significant expenditures related to maintenance and use of their official vehicles. By comparing relevant articles from the rulebooks, it is possible to identify the basic insufficiencies of the system of spending of current funds for this purpose (Table 2).

Table 2: Articles from the rulebooks regulating the use and maintenance of official vehicles

BiH Presidency ³⁸	The Audit Office of the Institutions of BiH ³⁹	Parliamentary Assembly ⁴⁰	CIPS Project Directorate ⁴¹	Court of BiH ⁴²
<p>Article 6 Presidency Members – entitled to constant use of the official vehicle</p> <p>Article 6 Other employees of the Presidency – with the approval of the Presidency Members (Cabinet Chiefs) – Presidency has some 22 cars and 79 employees</p>	<p>Article 2 Defines the official tasks and duties of the Auditor General and AG Deputies as well as other employees of the Office entitling them to use the official vehicle</p> <p>Article 3 Use of the official vehicle has to be approved by the Auditor General, and AG Deputies or an authorized employee of the Audit Office.</p> <p>Article 5 Official vehicle can be used only if the task to be conducted requires it and if the task can not be completed successfully by using the public transportation available</p>	<p>Article 34, paragraph 1 Collegium members – entitled to constant use of the official vehicle</p> <p>Article 34, paragraph 2 - when the Collegium member is using the official vehicle to visit his family, his/her driver is entitled to daily allowances</p>	<p>Article 5 The official vehicles of the Directorate can be used for official purposes only, meaning in order to complete the tasks and duties in the interest of the Directorate, and, exceptionally, for other purposes – based on an approval that needs to be issued by the Director, Assistant Directors and the persons authorized by the Director. The Director, Assistant Directors as well as other persons authorized by the Director are to decide about the use of official vehicles.</p>	<p>Article 1 Vehicles with or without driver are to be provided depending of the need and their availability. These vehicles can be use (driven) by the drivers of the Court and the employees that have their request to use the vehicles approved by the President of the Court, Vice President or the Secretary General of the Court.</p> <p>Article 4 If the vehicle is not used by the driver, but by another employee, the driver has to inspect the vehicle that s/he is using before the trip and has to report on any malfunction before s/he starts using the car. If it is necessary to refill the fuel, the bill needs to be delivered along with the report on costs</p>

³⁸ BiH Presidency, *The Rulebook on Use of Official Vehicles of the Presidency*, September 19, 2002

³⁹ The Audit Office of the Institutions of BiH, *The Rulebook on Terms and Use of Vehicles*, January 23, 2003

⁴⁰ Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services – Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006

⁴¹ CIPS Project Directorate, *Procedures for Creation of Liabilities, Material and Financial Operations and the Measures for the Rationalization of Expenditures*, June 1, 2006

⁴² Court of BiH, *Decision on Modalities and Terms of Use of Official Vehicles*, May 10

				and all the relevant data – registration number and the kilometers crossed at the moment the fuel was refilled.
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Insufficiencies and weaknesses of the rulebooks regulating the maintenance and use of official vehicles are identical to those referring to the phone. We have noted that these regulations vary in their structure and form as well as in their scope and depth of details they are covering. They are not detailed enough, while frequently there is an open space – discretionary right given to the head of the institution to establish the rules for this type of expenditures.

2.1 Rulebooks regulating hospitality expenses

Discrepancies related to the high hospitality costs that a large number of employees in the institutions of Bosnia and Herzegovina are entitled to, is caused by the fact that the existing rulebooks do not fully regulate this area. We have noted certain shortcomings referring to the hospitality expenses (Table 3).

Table 3: Articles from the rulebooks regulating hospitality expenses

Parliamentary Assembly⁴³	BiH Presidency⁴⁴	Ministry of Transport and Communications⁴⁵	CIPS Project Directorate⁴⁶	Court of BiH⁴⁷
Article 3 Collegium members (PA Chair and Vice Chairs as well as the Chair of the House of Peoples and Vice Chairs – 6 Collegium members) are entitled to internal hospitality expenses up to the amount of 250 BAM per month	Article 4 - Presidency Members – 2500 BAM per month - Chiefs of cabinets and advisors – 1000 BAM per month - Presidency Secretariat General – 1600 BAM per month	Article 1 Each year an annual amount of the hospitality expenses during different receptions is being established Article 3 - Minister is entitled to up to 1000 BAM in hospitality expenses per month - Deputy Minister is entitled to up to	Article 1 Hospitality expense in terms of this Decision is any expense that usually occurs during the usual – everyday operations of the CIPS Project Implementation Directorate Article 2 Persons entitled to internal and	Article 2 Hospitality expense in terms of this Decision is any expense that usually occurs during the usual – everyday operations of the Court Article 4 President of the Court is entitled to hospitality expenses up to

⁴³ Parliamentary Assembly of BiH, *The Rulebook on Modalities and Terms of Use of Internal and External Services – Hospitality Expenses, Telecommunication Services, Official Vehicles, Official Attire, Newspapers and Magazines and the Professional Literature*, October 2006

⁴⁴ BiH Presidency, *Decision on Hospitality Expenses and Records of Gifts – Received and Given*, December 27, 2006

⁴⁵ Ministry of Transport and Communications of BiH, *Decision on the Amounts of the Hospitality Expenses within the Ministry*, December 28, 2006

⁴⁶ CIPS Project Directorate, *The Rulebook on Gifts and Hospitality Expenses*, June 6, 2006

⁴⁷ Court of BiH, *Decision on Modalities and Terms of Hospitality Expenses*, September 3, 2004

<p>Article 4 Chairs of the PA Commissions – 100 BAM per month</p> <p>Article 7 - Collegium members – entitled to external hospitality expenses up to an amount of 250 BAM per month</p> <p>Articles 9 and 10 - Chairs of the PA commissions – also entitled to external hospitality expenses – Collegium approves it - Secretary of the General and Technical Service of the PA, Secretary of the House of Peoples and Secretary of the House of Representatives - also entitled to external hospitality expenses – which have to be approved by the Collegium and both Parliament Houses</p>		<p>500 BAM in hospitality expenses per month - Secretary General of the Ministry is entitled to up to 300 BAM in hospitality expenses per month - Other services are entitled to hospitality expenses in amounts from 100 to 300 BAM per month - Overdrafts are to be deducted from the salary of the official or an employee – if the Minister does not decide that the overdraft was justified</p>	<p>external hospitality expenses are the Director, Assistant Directors and the persons authorized by the Director</p> <p>Article 2 Internal hospitality expenses for persons authorized by the Director are limited to 150 BAM, while no limits are set for the Director and Assistant Directors</p>	<p>following amounts: - internal hospitality expenses - 150 BAM - hospitality expenses outside the Court – 500 BAM - hospitality expenses abroad – 600 BAM - amounts of hospitality expenses in all other cases are to be determined by the President of the Court</p>
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These rulebooks do not cover relevant details in an appropriate level – this especially refers to entitlements. They do not define ceilings; they are frequently mentioning unlimited amounts. If, for example, we assume that average lunch costs 20 BAM, we can see that the Presidency Members are entitled to 375 lunches a month or 4500 lunches a year. It is almost impossible that so many representatives of the foreign state delegations are really visiting Bosnia and Herzegovina. The situation in the Ministry of Transport and Communication is identical – with the Rulebook that entitles the Minister to 600 lunches a year.

It is quite visible from the very definition of the hospitality expenses given in a Rulebook of the Court of Bosnia and Herzegovina, how insufficiently regulated this area is. It defines hospitality expenses as 'any cost that usually occurs during the regular, everyday activities of the Court'.⁴⁸ From this Rulebook we can also see that the President of the Court is entitled to spend up to 1250 BAM. In case that these costs are exceeded, President of the Court still has the right to approve such a cost.

⁴⁸ Court of BiH, *Decision on Modalities and Terms of Hospitality Expenses, September 3, 2004*

The existing Rulebook clearly shows that the situation in the CIPS Project Directorate is quite similar. The Rulebook states that the 'Director, his Assistants as well as other employees of the Directorate are entitled to hospitality expenses within and outside the Directorate's HQ'.⁴⁹ Naturally, the costs here are, similar to some other institutions, not limited and the Director has the right to *acquit* all the employees, including himself, if they exceed the non-existing limits of spending.

3. Recommendations

The rulebooks regulating spending of funds for current expenditures do not provide a high quality system of management and use of funds. While analyzing the internal rulebooks regulating the use of funds for current expenditures we came to a conclusion that there are large differences between the individual rulebooks. These differences relate to limits – the amounts allowed within the specific expenditure categories, right to these as well as the level of details that the rulebooks are covering. This shortcoming could be prevailed through the establishing of the legislative framework. Thus we give the following, fundamental recommendation of this study:

Adoption of the amendments to the Law on the Execution of Budget and the International Liabilities of Bosnia and Herzegovina for 2007. The existing Article 20 should be amended – new paragraphs should be added. These would **impose the adoption of the common rulebook or regulation on use of funds for current expenditures**.⁵⁰ While analyzing the rulebooks that we have received, we came to a conclusion that there is an underlined need to introduce a common rulebook, or at least to adopt organic principles and standards for drafting of the rulebooks on expenditures in the state level institutions in BiH. This way it would be possible to harmonize the rulebooks - their structure, form and the level of details they are covering. Thus, it would be possible to set limits and standards of spending for different purposes. This common rulebook would help to harmonize the differences related to funds used for hospitality expenses, telecommunications costs and maintenance of the car pools, etc.

The amendments adopted would be used as the basis for drafting the common rulebook on material and financial operations. The main recommendation related to this activity would be

⁴⁹ CIPS Project Directorate, *The Rulebook on Gifts and Hospitality Expenses, June 6, 2006*

⁵⁰ Currently, this is defined by the following provisions of the Law: Paragraph 1 – The Budget user shall establish the internal procedures referring liability-making; Paragraph 2 – The internal procedures described within the Paragraph (1) of this Article shall specifically define the procedures, activities and persons in charge of recording, entering and approval of liabilities of Budget user. These are to be delivered to the Ministry of Finance and Treasury of BiH.

that this, ***common rulebook should have to be far more detailed***. More detailed and precise instructions referring to the use of funds would prevent the possibility of arbitrary interpretations. Rulebooks which would follow this rule can be easily interpreted and easily implemented. Therefore, they would prevent the misuse and provide for the more efficient use of budget funds as well as the organization of work, and that is exactly the very reason why such rulebooks are being made. To put it simply, the generic rulebooks can not serve their purpose.

3.1 Use of phones

The system of use of phones for official purposes can be improved by applying several measures. The possibility to use the mobile phone and be reimbursed for the costs made from the budget for certain ranks of civil servants would be abolished, since it is obvious that the drivers and the interpreters have the right to use these phones. Second measure would be to make those who are using the official phones, after receiving the lists of the phone calls made, single out the phone numbers they called for official purposes and separate them from the private calls. The costs of the official phone calls would be paid by the budget user, while the costs of the private phone calls would be paid by the users themselves. In that regard, it would be necessary to establish an interim body (commission for example) that would, from time to time, when it is visible that the mobile phone costs are significantly higher than the average from the last three months, simply check all the lists of phone calls delivered in order to establish if there was any misuse in that period of time.

It is necessary to regulate the right to the unlimited use of mobile phones that the heads of certain institutions are entitled to; there has to be a limit for the mobile phone costs - no matter the function of the specific official – as it exists for the Auditor General or the President of the Court of BiH. The limits can be representative and in accordance with the function.

3.2 Use of official vehicles

It is necessary to define the relation between the function of a certain political official or a civil servant in all of the institutions mentioned and the need to use the official vehicle. High quality management over a certain number of vehicles of different classes could, in a sufficient way cover all the activities of all of the employees. The protocol for carpool available to the state institutions of BiH should be integrated in order to reduce the costs of management and use.

The mandatory use of travel orders for the use of official vehicles has to become a rule. The way that the use of the official vehicle is being approved has to be guided by the principles of

good management. In addition, the provisions of the Law on Public Procurements have to be fully applied in the process of selection of the contractor for the carpool maintenance services.

3.3 Hospitality expenses

Not a single one of the rulebooks we analyzed provides for the adequate regulation of the hospitality expenses. Therefore, the entire system has to be developed in details. Different institutions are usually treating the hospitality costs in a similar way; therefore it should not be too hard to find common solutions. When it comes to the hospitality expenses to be made outside the institution, the rulebooks have to clearly define the criteria for the selection of the restaurants. The lower level civil servants can not be allowed to spend the same amounts of the tax payers' money as managers. The experience of Republic of Croatia shows that this area can be regulated as well, and that the officials can act in accordance with these rules.

When it comes to the hospitality costs that are made internally, these rulebooks have to clearly define the limits as well as the rigorous criteria for the possible overdrafts. If it is quite easy to justify the overdraft – and thus to avoid to pay for them from your own pocket, the entire system will make no sense. The new solutions should avoid the non-transparent solutions according to which certain managers have an arbitrary right to approve these overdrafts, even to themselves.

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