

**IPA National programme 2009 Part II – Bosnia and Herzegovina**

**Fiche 10 “Economic and Fiscal Policy”**

**1. Basic information**

**1.1 CRIS Number:** 2009 / 021-650

**1.2 Title:** Support to Economic and Fiscal Policy

**1.3 ELARG Statistical code:** 03.17 European Standards / Economic and Monetary Policy

**1.4 Location:** Bosnia and Herzegovina

**Implementing arrangements:**

**1.5 Contracting Authority:** European Commission

**1.6 Implementing Agency:** European Commission

**1.7 Beneficiary:**

Ministry of Finance and Treasury of Bosnia and Herzegovina

Name: Ms. Radmila Pustahija

Position: Head of Department for EU Integrations and Programming of EU Assistance

Post Address: Trg BiH No. 3, 71000 Sarajevo, Bosnia and Herzegovina

Tel: +387 33 703 019

Fax: +387 33 703 138

E-mail address: rpustahija@trezorbih.gov.ba

Other beneficiaries:

Central Bank of Bosnia and Herzegovina

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Ministry of Finance of Federation of Bosnia and Herzegovina

Ministry of Finance of Republic of Srpska

Brčko District Department for Finance

**Financing:**

**1.8 Overall cost (VAT excluded):** EUR 2 000 000

**1.9 EU contribution:** EUR 2 000 000

**1.10 Final date for contracting:** Two years following the date of conclusion of the Financing Agreement

**1.11 Final date for execution of contracts:** Two years following the end date of contracting

**1.12 Final date for disbursements:** One year following the end date for the execution of contracts

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective**

Enhance the quality of public finance management in Bosnia and Herzegovina and its transparency and accountability.

### **2.2 Project purpose**

To support the ministries of finance both at state and entity level, Brčko District Department for Finance and other beneficiaries in providing reliable and inter-institutionally harmonised data on Public Finance on the basis of accrual accounting and in line with internationally recognised, in particular EU principles, standards and practices.

### **2.3 Link with AP/ NPAA/ EP/ SAA**

#### ***Link with Stabilization and Association Agreement (SAA)***

Implementation of the project will contribute to the fulfilment of Article 111 item one - Public administration reform- of the SAA which states: “Cooperation will aim to further the development of an efficient and accountable public administration in Bosnia and Herzegovina, building on the reform efforts undertaken to date in this area”.

#### ***Link with European Partnership of Bosnia and Herzegovina***

The Council of EU Decision 2008/211/EC on February 18, 2008 on principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina for 2007 and repealing Decision 2006/55/EC, stipulates following priorities addressed to the beneficiaries of this project:

Short-term priorities - Key priorities:

Strengthen administrative capacity in preparation for implementing Stabilization and Association Agreement (SAA) and Interim Agreement (IA) commitments.

Economic criteria: Develop fiscal surveillance mechanisms based on fiscal rules and institutional cooperation that promote fiscal discipline within Entities and between Entities and State institutions; ensure the adequate environment for institutional cooperation within the framework of a properly functioning National Fiscal Council.

Medium-term priorities:

Public Administration: Implement the public administration reform and ensure its sustainability. Increase the capacity for progressive legal harmonization and implementation of the acquis.

Economic criteria: Improve the quality of public finances by reducing public expenditure relative to GDP, restructuring spending towards growth-enhancing categories and strengthening the economic policy planning capacity.

### **2.4 Link with MIPD**

The project aims to contribute the meeting of the following priorities of the MIPD 2009-2011:

2.2.2. Political criteria: IPA will support the public administration reform... The emphasis will be on institution building. It will support domestic efforts on the constitutional reform process. Bosnia and Herzegovina will be supported in implementing these reforms in a fiscally responsible way i.e. through assistance to identify and implement savings at all levels of Government.

2.3.1.2. Economic criteria: Economic Development: Support the development of improved and coordinated economic and fiscal and trade policies.

Expected results and indicators: Economic and Fiscal Policies: Capacity building of the Ministry of Finance, the National Fiscal Council, the Indirect Tax Authority (ITA), and other relevant bodies leads to improved and coordinated economic and fiscal policies. [...] Development and cooperation of the relevant bodies and government institutions is enhanced.

## **2.5. Link with National Development Plan**

Draft National Development Strategy 2008-2013 is currently in its final phase of preparation.

## **2.6. Link with national/ sectoral investment plans**

*Public Administration Reform Strategy:* The policy aspect of public finance is integral part of overall government policy and strategic goals of Bosnia and Herzegovina. Thus the introducing of strong policy coordination mechanism (Fiscal Council), in country where the authority for fiscal policy is spread across different levels of government is of significant importance. A strong Fiscal Council will assist in the goals of attaining macroeconomic stability and reaching development targets. The Fiscal Council 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-economic framework for BiH, and the second is the consolidated government account.

*National Action Plan for Implementation of the Terms of Interim Agreement and SAA:*

No 88 - "...developing a statistical system capable of providing comparable, reliable, objective and accurate data needed to plan and monitor the process of transition and reform in BiH."

*National Action Plan for Implementation of the priorities from European Partnership document for the period 2008-2012:*

"EP3.SP.149

To develop reliable economic statistics and institutional capacities for production and publishing basic statistical allied with European standards, particularly in the area of national accounts."

## **3. Description of project**

### **3.1 Background and justification**

In 2001 a regular economic fiscal surveillance was established for the candidate countries. It aims at preparing countries for the participation in the multilateral surveillance and economic policy co-ordination procedures currently in place in the EU as part of the Economic and Monetary Union. The Pre-Accession Economic Programmes (PEPs) are part of these

procedures. The PEPs have developed, since their start in 2001, into increasingly important platforms for the authorities to develop and communicate appropriate economical, fiscal and structural policies over the medium term, consistent with their EU membership aspirations.

For this reason a similar, though slightly reduced, exercise was started in 2006 with the potential candidate countries through the submission and assessment of annual Economic and Fiscal Programmes (EFPs) as an important element. The EFPs are gradually enabling the authorities to develop and communicate consistent platforms of economic, fiscal and structural policies over the medium-term. The EFPs preparation serves a twofold purpose: to strengthen economic planning capacity in the countries as such and to specifically prepare them for the participation in the economic policy coordination and budgetary surveillance mechanisms of Economic and Monetary Union (EMU). Consequently the EFPs, even though more limited in scope, follow the Pre-Accession Economic Programmes (PEPs).

Bosnia and Herzegovina started preparing the EFP in 2006 and has shown certain progress. Analysing the Economic and Fiscal programme of BiH for 2007-2009 the EU Commission assesses that the programme broadly complies in terms of content, form and data with requirements stated in the outline but further improvements are necessary. Although progress was achieved in providing the required data, some tables were missing or not filled in properly. The next EFP for 2008-2010 presents for the first time a consolidated fiscal framework for BiH, which represents an improvement compared to the previous programme but, at the same time, leaves out the presentation of the individual fiscal frameworks of the main entities and the state budget, which would facilitate the interpretation of developments, as well as the explanations of the key policy measures and their impact on the budgets. As a consequence, the main weakness of the programme relates to its very scarce description and quantification of the fiscal and other structural reforms on which the fiscal targets are based. Fiscal data was processed in order to comply with the GFS 2001 accounting standards (although the methodology is not fully harmonised between various budgets) representing a good starting point for transition to ESA 95.

In its assessment of the EFP for the period 2009-2011, the Commission states that the programme broadly complies with the content and form required, but the data provided is often scarce and further improvements can be made. The document presents a consolidated fiscal framework for the whole country as well as for the state level and the entities, which enhances its comprehensiveness compared to the previous programme. However, some of the tables were missing or not filled in properly.

In 2008, for the needs of the Economic and Fiscal Programme of BiH the compilation of data for the period 2009-2011 was done by the Central Bank of BiH, in accordance with IMF methodology for compilation of government finance statistics GFSM 2001 and on the basis of the Framework Budget Documents (FBD) of the Institutions of BiH, the Federation of BiH, the Republic of Srpska and the Brčko District of BiH. Consolidated accounts of the public sector were made in 2008, although it is not clearly defined whether it is within the competency of the Central Bank or the Department for Macroeconomic Analysis within the Management Board of the Indirect Taxation Administration of BiH (DMA). The Central Bank of BiH has published since 2002 consolidated budget data of different levels of authority in accordance with the methodology of GFSM 2001 on a yearly basis, covering budgets of the institutions of BiH (including payments of foreign debt), central governments of both entities and the Brčko District of BiH (including off-budget funds of all levels of authority in BiH and excluding directorates for roads and projects of foreign assistance on all levels of authority). Central Bank of BiH publishes consolidated data also on a quarterly basis, but excluding municipalities. The Department for Macroeconomic Analysis (DMA) has

published since 2005 consolidated data on budget execution on a monthly term. These data include the level of institutions of BiH, the Government of the FBiH (including cantons, municipalities and funds in the FBiH), the Government of the RS (including municipalities and funds of the RS) and the budget of the Brčko District of BiH.

In 2008 the Fiscal Council of BiH was established and based on the law acquired legal competency for the adoption of a common macroeconomic and fiscal framework for BiH named „Global Framework of Fiscal Balance and Policies in BiH“, which is being adopted every year by May 31<sup>st</sup>, and will be the basis for FBDs of all levels of authority in BiH. The adoption of a comprehensive macro-fiscal framework of consolidated incomes and outflows is expected on all levels of authority in BiH (including cantonal, municipal and funds levels). For making appropriate and informed decisions as well as developing policies, the authorities in BiH need reliable, timely, objective and accurate statistical data. The establishment of an effective and sustainable statistic system, with the purpose of producing objective and exact data necessary for planning, monitoring and carrying out the process of transition and reform is one of the priority areas of cooperation between the EC and Bosnia and Herzegovina. Based on the mentioned facts in the following period, for the needs of the Fiscal Council, as well as needs of reporting on the fiscal trends and plans to the European Commission, it will be necessary to establish official competency and procedures of consolidation of data and on fiscal plans of all levels of authority in BiH.

The accounting reform, within the project, includes a framework chart of accounts and budget classification based on the International Monetary Fund Government Financial Statistics Manual (GFSM 2001) for all governmental units defined in the general government sector. In close collaboration with the relevant governmental units the goal is to develop the capacities for publishing general government statistics on a quarterly basis.

Within the priority of Action Plan I of the Public Administration Reform Strategy capacity building sets out objectives that should be fulfilled in the area of Public Finance. Referring to the improvement of the quality of public finance statistics, one of the expected results of the support to Bosnia and Herzegovina should be the production of public finance statistics in accordance with the latest EU and international standards.

The establishment of an accounting and reporting system in conformity with international standards and the ability for producing EFP required data needs the development of a bridge table between the existing chart of accounts for budget statistics and accounting structure required by ESA 95; the development of GFS 2001 statistics linking together fiscal items with their ESA 95 counterparts and technical expertise on transforming accounting data into statistical tables. Part of the project will be support in preparation of EFP tables in compliance with ESA 95 and preparation of statistical tables in accordance with GFS methodology.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact**

Result 1: The project results will contribute to producing public finance statistics essential for making appropriate and decisions based on exact data as well as developing policies.

Result 2: The project will have an impact in creating sustainable co-ordination mechanisms between institutions involved in the production and dissemination of tables and enhance the availability of data for all other institutions within the scope of the General Government.

Result 3: The project will evaluate of the current classification of Government accounts and chart of accounts and initiating the harmonisation with ESA95 and provide recommendations upon which changes in accounting legal framework for applying accrual recording in all

public institutions at central and local level covering detailed chart of accounts can be initiated.

Result 4: Availability of accurate and reliable information will enable government agencies and donors alike will be able to assess the economic performance of the sector as a whole

Result 5: The production of exact data is necessary for planning, monitoring and carrying out the process of transition and reform, and will be presented in strategic documents such as the Global Framework of Fiscal Balance and Policies in BiH, the Economic and Fiscal Programme and other strategic documents.

Result 6: Within the scope of the project a gap assessment with regards to the needs for technical training will be prepared. Furthermore, a pilot survey on EFT tables simulation will be carried out with recommendations for revision. Based on the above a number of training courses on GFS-2001 and in accordance with ESA95 will be provided, thereby raising the overall standard and technical capacity of staff to utilise the methodology.

### **3.3 Results and measurable indicators**

Under the project the following results will be achieved:

- Result 1: Public finance statistics produced according to ESA 95.
- Result 2: Contract/Agreement/Memorandum on co-operation mechanism between the beneficiaries signed.
- Result 3: Changes in accounting legal framework prepared.
- Result 4: Government accounting and reporting standards applicable to public bodies prepared.
- Result 5: Methodologies and guidelines for producing statistical tables prepared.
- Result 6: Curriculum developed and implemented for the training in all elements necessary for compilation of fiscal statistics.

#### **Indicators:**

- Framework chart of accounts applicable for all government levels established;
- European standards concerning Government Accounting and Reporting adopted;
- Methodologies concerning the production of statistical tables, in particular EFP tables, from accounting data in line with ESA 95 and international standards adopted;
- Changes in legislation and internal regulation and practice adopted;
- Sustainable coordination mechanisms between institutions evolved in producing and dissemination of data established;
- Full and accurate compilation of EFP tables carried out;
- Number (50) of staff trained.

### **3.4 Activities**

To fulfil the above specific objective the following activities will be undertaken:

#### Activities related to Result 1:

- Determining the scope of General Government in order to find out which institution should be included or not;
- Identifying each statistic data applying the data consolidation system;
- Transmit the know-how for converting budget (flows and stocks) items into the ESA 95 compatible items;
- Publishing data in accordance with the European System of Accounts ESA95.

#### Activities related to Result 2:

- Clear defining of ESA 95 criteria for institutional units allocation by different ESA 95 sectors and sub- sectors;
- Defining the units for compilation of government statistics within the Ministries of Finance ( state and entity level ) and Brčko District;
- Establishing sustainable co-ordination mechanisms between the institutions involved (entities Ministries of Finance, BiH Ministry of Finance and Treasury, Brčko District Department for Finance, Central Bank of Bosnia and Herzegovina and Macroeconomic Unit of the Governing Board of the Indirect Tax Authority) based on formal contract/agreement/memoranda defining responsibilities, including tables which have to be produced and disseminated by each stakeholder.

#### Activities related to Result 3:

- Evaluation of the current classification of Government accounts and chart of accounts and initiating the harmonisation with ESA95;
- Analysis of the current chart of accounts and preparation of a bridge table between the existing chart of accounts (state and entity level and DB) and GFSM 2001 classification;
- Overall review of the current internal rules, procedures and practices and initiating proposals concerning the harmonisation with ESA95;
- Initiating the changes in accounting legal framework for applying accrual recording in all public institutions at central and local level covering detailed chart of accounts.

#### Activities related to Result 4:

- Determining the accounting and reporting standards applicable to public bodies falling within the category GG;
- Development of a database for institutional units;
- Review and presentation of the classification of government accounts and framework charts of accounts.

#### Activities related to Result 5:

- Preparing guidelines which will define the practical method of accrual recording for all entities within the scope of GG;
- Preparation of models of consolidated financial statements based on the reviewed classification of government accounts and charts of accounts (state and entity level and BD);
- Adopting methodologies for producing statistical tables, in particular for the EFP in line with ESA 95 and international standards;

- Preparing guidelines which will define the practical method of accrual recording for all entities within the scope of GG;
- Preparing and updating full sequence of accounts for GG in compliance with ESA 95 requirements which will include explanations and method/time of recording for each item of sequence of accounts;
- Preparation of new models of the consolidated financial statements.

Activities related to Result 6:

- Training courses on GFS-2001 statistics and in according to ESA 95;
- Simulation of EFS tables in accordance with produced methodologies and guidelines;
- Carrying out a pilot survey on EFP tables simulation and making suggestions for gap revision;
- Conducting workshop for the presentation and discussion of the new models of the consolidated financial statements;
- Initiating the compilation of EFP tables in order to practice on ESA95 system;
- Other suggestions and activities to provide further analysis, to have a full collaboration between different institutions , to establish a continuous co-operation between different institutions to simulate and prepare updated EFP tables for their presentation to the Commission;
- Gap assessment and preparing a report on the technical and practical proposals.

### **3.5. Conditionality and sequencing**

There is no conditionality foreseen for the implementation of this project.

### **3.6 Linked activities**

Implementation of this project contributes to the creation of a synergic effect with the implementation of the CARDS project “Supporting the capacity building of the Ministry of Finance and Treasury in Implementing of DIS”; IPA project on “Development and Implementation of a BiH wide PIFC Strategy”; DFID project “Strengthening Public Expenditure Management” as well as PARCO project “Budget management information system”, that all fall under the Public Administration Reform. All of these projects contribute added value and lead to the improvement of public administration efficiency.

### **3.7. Lessons learned**

The previous projects in the area of Public Finance provided comprehensive capacity building over medium-term time span and proceeded successfully with effective participation and smooth cooperation and support from beneficiary institutions authorities and their staff. The projects demonstrate the expertise and ability of the ministries of finance staff (state and entity level) working with international experts in all the relevant technical areas helping them to develop a clear view of current and future needs.

One of the specific lessons learned was the importance of using the TA availability to get as much practical experience as possible related to the project work and to make positive contributions towards activities such as training, preparation of manuals and internship. Given



the positive experience of these projects, activities for continuation of improvements of the ministries of finance staff work will be undertaken in the proposed IPA 2009 project to ensure further external support needed for implementation of the road map for BiH.

#### 4. Indicative Budget (amounts in EUR)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		2 000 000	2 000 000	100							
contract 1 (service)	X		2 000 000	2 000 000	100							-
TOTAL IB			2 000 000	2 000 000	100							
TOTAL INV												
<b>TOTAL PROJECT</b>			<b>2 000 000</b>	<b>2 000 000</b>	<b>100</b>							

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1- TA services	Q2 2010	Q4 2010	Q3 2012

## 6. Cross cutting issues

### 6.1. Equal Opportunity

The issues of gender equality and human rights will be considered very highly and therefore be respected through the project.

### 6.2 Environment

The project has no implication to the issues of environment.

### 6.3 Minorities

N/A

## ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents (EC and BiH)
- 5- Details per EU funded contracts:

**ANNEX I: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX Project Fiche		<b>Programme name and number</b> IPA National programme 2009 Part II – Bosnia and Herzegovina Fiche 10 - “Economic and Fiscal Policy”  CRIS number: 2009 / 021-650		
<b>Support to Economic and Fiscal Policy</b>		<b>Contracting period expires:</b> two years following the date of conclusion of the Financing Agreement		<b>Disbursement period expires:</b> one year following the end date for the execution of contracts
		Total budget: EUR 2 000 000		IPA budget: EUR 2 000 000
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of verification</b>		
Enhance the quality of public finances management in Bosnia and Herzegovina	Number of decision taken on the basis of appropriate data in the field of Public finance	Governments reports concerning Public Finance		
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of verification</b>	<b>Assumptions</b>	
Support the ministries of finance both on state and entity level, Brcko District Department for Finance and other beneficiaries to provide reliable and inter-institutionally harmonized data on Public Finance on the basis of accrual accounting and in line with internationally recognized, in particular EU principles, standards and practices	Number of macroeconomic indicators in the field of Public Finance available.	EFP supplemented with all required and fulfilled tables;  Governments reports concerning Public Finance.	Adequate co-operation between the beneficiaries of the project.	

<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of verification</b>	<b>Assumptions</b>
<p>1. Public finance statistics produced according to ESA 95</p> <p>2. Contract/Agreement/Memorandum on co-operation mechanism between the beneficiaries signed.</p> <p>3. Changes in accounting legal framework prepared.</p> <p>4. Government accounting and reporting standards applicable to public bodies prepared.</p> <p>5. Methodologies and guidelines for producing statistical tables prepared.</p> <p>6. Curriculum developed and implemented for the training in all elements necessary for compilation of fiscal statistics.</p>	<p>-Framework chart of accounts applicable for all government levels established;</p> <p>-European standards concerning Government Accounting and Reporting adopted</p> <p>-Methodologies concerning the production of statistical tables, in particular EFP tables, from accounting data in line with ESA 95 and international standards adopted;</p> <p>-Changes in legislation and internal regulation and practice adopted.</p> <p>-Sustainable co-ordination mechanisms between institutions evolved in producing and dissemination of data established.</p> <p>- Full and accurate compilation of EFP tables carried out.</p> <p>-Number (50) of staff trained.</p>	<p>-Draft of accounting law changes prepared for adoption; all changes in secondary law prepared and adopted;</p> <p>-The S.13 list (all entities within the scope of GG) in compliance with ESA 95 requirements published</p> <p>-Prepared Guidelines and models of consolidated financial statements;</p> <p>-Methodologies for producing statistical tables prepared and adopted;</p> <p>-Contract/Agreement/Memorandum on cooperation.</p> <p>-Project reports;</p> <p>-Gap assessment report;</p> <p>-PSC agreed minutes;</p> <p>-A number of issued regulations on public accounts.</p> <p>-Training documents, seminar and training reports</p>	<p>Working group for making the methodology proposals nominated.</p> <p>Effective cooperation between the project partners (Working group and TA experts) in exchanging the information</p>
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>

<p><u>Activities related to result 1:</u></p> <ul style="list-style-type: none"> <li>-Determining the scope of General Government in order to find out which institution should be included or not;</li> <li>-Identifying each statistic data applying the data consolidation system;</li> <li>-Transmit the know-how for converting budget (flows and stocks) items into the ESA 95 compatible items;</li> <li>- Publishing data in accordance with the European System of Accounts ESA95.</li> </ul> <p><u>Activities related to result 2</u></p> <ul style="list-style-type: none"> <li>-Clear defining of ESA 95 criteria for institutional units allocation by different ESA 95 sectors and sub- sectors;</li> <li>-Defining the units for compilation of government statistics within the Ministries of Finance (state and entity level) and Brcko District;</li> <li>-Establishing sustainable co-ordination mechanisms between the institutions involved (entities Ministries of Finance, BiH Ministry of Finance and Treasury, Brčko District Department for Finance, Central Bank of Bosnia and Herzegovina and Macroeconomic Unit of the Governing Board of the Indirect Tax Authority) based on formal contract/agreement/memoranda defining responsibilities, including tables which have to be produced and disseminated by each stakeholder.</li> </ul> <p><u>Activities related to result 3:</u></p>	<p>TA Contract for 24 months</p> <p>At least 3 LTE</p>	<p>EUR 2 000 000</p>	
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<p>-Evaluation of the current classification of Government accounts and chart of accounts and initiating the harmonisation with ESA95;  -Analyses the current chart of accounts and preparation of bridge table between existing chart of accounts (state and entity level and DB) and GFSM 2001 classification;  -Overall review of the current internal rules, procedures and practices and initiating proposals concerning the harmonisation with ESA95;  -Initiating the changes in accounting legal framework for applying accrual recording in all public institutions at central and local level covering detailed chart of accounts.</p> <p><u>Activities related to result 4:</u></p> <p>-Determining the accounting and reporting standards applicable to public bodies falling within the category GG;  -Development of database for institutional units Allocation;  -Review and presentation of the classification of government accounts and framework charts of accounts.</p> <p><u>Activities related to result 5:</u></p> <p>-Preparing guidelines which will define the practical method of accrual recording for all entities within the scope of GG;  -Preparation the models of consolidated financial statements based on the reviewed classification of government accounts and charts of accounts (state and entity level and BD);  -Adopting the methodologies for producing</p>			
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<p>statistical tables, in particular EFP in line with ESA 95 and international standards;</p> <ul style="list-style-type: none"> <li>-Preparing guidelines which will define the practical method of accrual recording for all entities within the scope of GG;</li> <li>-Preparing and updating full sequence of accounts for GG in compliance with ESA 95 requirements which will include explanations and method/time of recording for each item of sequence of accounts;</li> <li>-Preparation of new models of the consolidated financial statements.</li> </ul> <p><u>Activities related to result 6:</u></p> <ul style="list-style-type: none"> <li>-Training courses on GFS-2001 statistics and in according to ESA 95;</li> <li>-Simulation of EFS tables in accordance with produced methodologies and guidelines;</li> <li>-Currying out a pilot survey on EFP tables simulation and making the suggestions for gap plugging;</li> <li>-Conducting workshop for presentation and discussion of the new models of the consolidated financial statements;</li> <li>-Initiating the compilation of EFP tables in order to make practice on ESA95 system;</li> <li>-Other suggestions and activities to provide further analysis, to have a full collaboration between different institutions , to establish a continuous co-operation between different institutions to simulate and prepare updated EFP tables for their presentation to the EC);</li> <li>-Gap assessment and preparing report on the technical and practical proposals.</li> </ul>			
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**ANNEX II. Amounts (in EUR) Contracted and disbursed by quarter for the project**

Contracted	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012
Contract 1	2.000.000								
Cumulated	2 000 000								
Disbursed									
Contract 1	600 000		350 000		350 000		350 000		350 000
Cumulated	600 000		950 000		1 300 000		1 650 000		2 000 000

## **ANNEX III – Institutional framework**

### **3.1. Ministry of Finance and Treasury of Bosnia and Herzegovina**

The Ministry of Finance and Treasury of Bosnia and Herzegovina is administrative body within the Council of Minister of Bosnia and Herzegovina whose structure is regulated by the Rulebook on Internal Organization of the Ministru of Finance and Treasury. The following administrative organizations have been set up for the performance of the activities in the scope of the Ministry:

1. Cabinet of the Minister of Finance and Treasury
2. Cabinet of the Deputy Minister of Finance and Treasury
3. Cabinet of the Secretary of Ministry
4. Department for Legal, Personnel, Common and Financial Affairs
5. Department for Budget of the Institutions of BiH
6. Department for Relations with Financial Institutions
7. Department for Public Debt
8. Department for Treasury Transactions
9. Department for Implementation of Succession of ex-SFRJ and Management of BiH Property
10. Department for Fiscal Affairs
11. Central Financing and Contracting Unit
12. Central Harmonisation Unit
13. Internal Audit Unit
14. Department for Coordination of Economic Aid

### **3.2. Ministry of Finance of Federation BiH**

Federal Ministry of Finance is the Governmental administrative body within the Government of Federation of BiH (entity level) whose internal organisational structure, defined by the Rulebook on Internal Organization of the Federal Ministry of Finance, is as follows:

1. Cabinet of Minister of Finance
2. Cabinet of Secretary of Ministry
3. Sector for Economic Finance and Accounting System
4. Sector for Banking, Financial Intercession, Provision and Control and Coordination of Developing Funds
5. Sector for Fiscal and Taxation Policy
6. Sector for Budget
7. Sector for Legal Issues
8. Sector for Treasury
9. Sector for Debt management
10. Department for Joint Issues
11. Department for Internal Audit

The Bodies belonging the Ministry of Finance are:

1. Tax Administration FBiH
2. Finance Police FBiH

### **3.3. Ministry of Finance of Republika Srpska**

Ministry of Finance of Republika Srpska is the Governmental administrative body within the Government of Republika Srpska (entity level) whose internal organisational structure is as follows:

1. Cabinet of Minister of Finance
2. Secretariat of the Ministry
3. Central Unit for Internal Audit Harmonization
4. Internal Audit Unit
5. EU Integration Unit
6. IT Unit
7. Department for Fiscal System
8. Department for Financial System
9. Department for Budget and Public Finance
10. Department for Debt Management
11. Treasury Department
12. Department for Public Investments
13. Department for Legal Affairs

Within the Ministry the following Administrations exist:

1. Tax Administration of Republika Srpska and Republic Foreign Exchange Inspectorate;
2. Republika Srpska Institute of Statistics

### **3.4. Directorate for Finance of Brčko District**

Directorate for Finance was established by Law on Directorate for Finance of Brčko District BiH. For the performance of the activities in the scope of Directorate the following units have been set up:

1. Director Office
2. Treasury
3. Tax Administration

### **3.5. Macroeconomic Unit of the Governing Board of the Indirect Tax Authority**

Macroeconomic Unit was established on May 1<sup>st</sup>, 2005 in accordance with the decision of the Indirect Tax Authority Governing Board. The Unit has been established with the aim to provide technical support to the Indirect Tax Authority Governing Board and fiscal authorities of Bosnia and Herzegovina, in process of achieving fiscal sustainability for all levels of administration and state.

Basic tasks of the Unit are:

- Collection of data on consolidated revenues and expenditures for all levels of administration (state, entity, cantons, municipalities and funds), preparation of reports based on collected and processed data, with the aim to monitor execution of revenues, expenditures and budget;
- Preparing macroeconomic and fiscal projections of revenues and budget, preparing consolidated fiscal balance for all levels in the country, preparing proposals on allocation of targeted consolidated balance between levels of administration;

- Analyzing revenues, expenditures, foreign debt, government investments and borrowing, analysis of VAT introduction macroeconomic effects, providing proposals for redefining tax policy in the field of indirect taxes etc.

### **3.6. Central Bank of Bosnia and Herzegovina**

The Central Bank of Bosnia and Herzegovina was established in accordance with the Law adopted at the Parliament of Bosnia and Herzegovina on 20 June 1997. The Central Bank started its operation on 11 August 1997.

The main goals and tasks of the Central Bank are defined by the Law and in accordance with the General Peace Agreement in Bosnia and Herzegovina. Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement (1 KM: 0,51129 EURO) with full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 KM: 0,51129 EURO. Central Bank defines and controls the implementation of monetary policy of Bosnia and Herzegovina. Central Bank supports and maintains appropriate payment and settlement systems. It also co-ordinates the activities of the BH, Entity Banking Agencies which are in charge of bank licensing and supervision.

The senior body of the Central Bank of Bosnia and Herzegovina is the Governing Board, which is in charge of establishing and supervision of monetary policy, organization and strategies of the Central Bank, all according to the powers given to the Board by the Law. During the first six years, the Governing Board consisted of the Governor, who was Chairman of the Governing Board, and three members, out of which two members (Bosniak and Croat) were from Federation of BiH and one (Serb) from Republika Srpska. After that, according to the Law on CBBH, the Governing Board consists of five persons that are appointed by the BH Presidency for a six-year mandate. The Governing Board appoints one of its members as Governor.

The Executive Management of the Central Bank consists of the Governor and three Vice Governors, who have been appointed by the Governor with the approval of the Governing Board. The Management is responsible for the operational management of the Central Bank. The CBBH employees are organized in three sectors, which Vice Governors are in charge of. The Head Office of the Central Bank office in Sarajevo. Central Bank of BH has three main units and two branches. The main units are the Main Unit Sarajevo, Main Bank of Republika Srpska Banja Luka and Main Unit Mostar. The branches are Brcko District and Pale.

#### **ANNEX IV: Reference to laws, regulations and strategic documents**

Stabilisation and Association Agreement	Page 55 – Article 111
Instrument for Pre –accession Assistance ( IPA)	MIPD 2009-2011, page 16
European Partnership with Bosnia and Herzegovina	EU Council Decision 2008/211/EC on February 18, 2008
Strategy on integration of BiH in EU published in 2006	Page 231
PAR Strategy , Action Plan I	Page 30

#### **Strategy of Integration of Bosnia and Herzegovina in European Union**

The European Integration Strategy is adopted by Council of Ministries of Bosnia and Herzegovina in 2006. In part 2 of the document which relates to the association criteria it is stated that strategic goal of BiH should be the public administration reform resulting in achieved international standards and codes which were adopted and in use in EU, World Bank and International Monetary Fund.

## **ANNEX V: Details per EU funded contract**

### **Contract 1:**

#### **Key experts**

At least 3 Long Term Experts: 22 months

Pool of Short Term Experts – based on specified activities (to be decided by TA)

The project will be implemented through Technical Assistance Contract.

The contractor shall support ministries of finance both at state and entity level, Brčko District Department for Finance and other beneficiaries in providing reliable and inter-institutionally harmonised data on Public Finance on the basis of accrual accounting and in line with internationally recognised, in particular EU principles, standards and practices .

For more details on specific tasks to be performed please refer to 3.4.