

IPA National Programme 2010 – Bosnia and Herzegovina

Fiche 8 "Public Administration Reform"

1. Basic information

1.1 CRIS Number: 2010/022-259

1.2 Title: Coordination of policy making capacities and public financial management

1.3 ELARG Statistical code 01.34 Political Criteria / Institutions

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: The European Union represented by the European Commission for and on behalf of the beneficiary country

1.6 Implementing Agency: N.A.

1.7 Beneficiary:

For Component 1:

Public Administration Reform Coordinator's Office - PARCO

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General Secretariats of the State, Entity and Brcko District Governments; Legislation Offices of State, Entity and Brcko District Governments

For Components 2 and 3:

Ministry of Finance and Treasury of Bosnia and Herzegovina

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Financing:

1.8 Overall cost (VAT excluded): EUR 3 000 000

1.9 EU contribution: EUR 3 000 000

1.10 Final date for contracting: Two years following the date of the 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

To contribute to a reformed and efficient public administration in Bosnia and Herzegovina, capable of supporting the country's EU integration process by enhancing capacities of the state and entity administrations in the area of policy making and coordination and public financial management and control.

2.2 Project purpose

-To enable the Council of Ministers of Bosnia and Herzegovina, entity governments and the government of the Brcko District to build a system for policy making and management in a coherent and harmonised manner, so as to develop modern structure, capacities, and procedures of policy management in their central bodies and ministries.

-To improve the fiscal policy quality and the link between policy-making and budget planning procedures, and strengthening the public internal financial control system.

2.3 Link with AP/NPAA / EP/ SAA

European Partnership (EP) with Bosnia and Herzegovina 2008:

Short terms priorities/ Key Priorities: "Implement the 2006 Public Administration Reform Strategy in Bosnia and Herzegovina and ensure that State-level ministries and institutions are adequately financed, operational and properly equipped, especially in terms of premises and staff". "Ensure structured and institutionalised State/Entity coordination by establishing functioning mechanisms for political, legislative and technical coordination between the State and the Entities."

Economic criteria: "Strengthen macroeconomic stability by ensuring a sustainable fiscal stance and using prudential policy instruments to preserve financial stability in the light of rapid development in financial intermediation."

Medium-term priorities:

Political criteria/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."

Stabilisation and Association Agreement (SAA)

Art.90 stipulates that the "Cooperation between parties shall be oriented towards the priorities of the EU *acquis communautaire* in the area of internal financial control in public sector (PIFC) and external audit. (...)" Implementation of the PIFC model in the area of internal financial control with EU assistance will directly contribute to the fulfilment of the cooperation requirement under this article of the SAA.

Art. 111: "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. Cooperation in this area shall focus mainly on institution building... and the strengthening of the policy making process. Cooperation shall cover all levels of public administration in Bosnia and Herzegovina".

2.4 Link with MIPD

The Multi-Annual Indicative Planning Document (MIPD) 2009-2011 specifies:

2.2.1. Strategic objectives and choices for IPA assistance during the period 2009-2011

... “The continuing challenge for Bosnia and Herzegovina is to increase the effectiveness of the executive and legislative bodies and to strengthen institutions and the co-ordination between State and Entities.”

....”*Slippages in public spending create obstacles to social and economic recovery. Public finances are overstrained. The challenges for Bosnia and Herzegovina are to stabilise the macro-economic environment, to reduce public spending and to improve its quality (i.e. to ensure that preference is given to public spending that stimulates economic growth).*

2.2.2. Strategic choices for IPA assistance during the period 2009-2011 - Political criteria

“Supporting the Reform of the Public Administration. 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.”

2.5 Link with National Development Plan

Bosnia and Herzegovina has completed drafting of the National Development Strategy 2008 - 2013 and Social Inclusion Strategy that will serve as basis for the National Development Plan. Both strategies are expected to be adopted at the beginning of 2010.

The project is linked to the first strategic goal of National Development Strategy: *Macroeconomic Stability*, and sub-goal 1.2. *Public Finance*.

2.6 Link with national/sectoral investment plans

Not applicable.

3. Description of project

3.1 Background and justification

Increased policy making capacities are crucial for the performance of every administration. This project is supposed to contribute to it by implementing the proposed measures of the country's key underlying documents – the Strategy for Public Administration Reform, the policy papers for Public Internal Financial Control (PIFC), adopted at the state level in December 2009, and taking further the achievements of the Centre of Government Project phase I. Although the success of policy making ultimately depends on political will and cooperation, the project will contribute to the capacity of the administration to provide informed proposals to the decision-makers on important policies through their increased and institutionalised cooperation, to be followed by appropriate budget planning process and ultimately, internal control of budget spending.

This project is organized around three main components that are mutually interlinked. **Component 1** relates to support to policy making and coordination – implementation of “Blueprint for the central bodies of governments in Bosnia and Herzegovina-Phase II”, **Component 2** relates to strengthening Public Expenditure/Finance Management (PFM) in Bosnia and Herzegovina, and **Component 3** relates to strengthening of PIFC system in Bosnia and Herzegovina.

Component 1 – “Blueprint of development of central bodies of governments - Phase II”

The Public Administration Reform Coordinator’s Office (PARCO) in Bosnia and Herzegovina prepared the **Strategy for the Public Administration Reform in Bosnia and Herzegovina** and its Action Plan, which was adopted in 2006 by the four governments (Council of Ministers of Bosnia and Herzegovina, Government of Federation of Bosnia and Herzegovina, Government of Republic of Srpska and the Government of the Brcko District of Bosnia and Herzegovina). One of the central objectives of the Strategy is the improvement of structure, capacities, procedures and results of the central bodies of governments (“secretariats”), so as to strengthen the systems for policy making and coordination on all levels of executive authority.

Analysis related to the reform of the central bodies of governments has pointed out that none of the governments currently have suitable support from their central structures, which are fragmented, and consist of units which are rather independent from each other and between which there is very little coordination. On all levels of authority, capacity for strategic planning, policy coordination and monitoring is very limited. Links and coordination between different levels of executive authority throughout Bosnia and Herzegovina are also limited, although formal presuppositions for them are being established.

Building on the Public Administration Reform (PAR) Strategy, an implementation document was prepared by the PARCO and the SIGMA experts, entitled “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”, which was adopted by all four governments/Council of Ministers (CoM). It identified the shortcomings in the secretariats of the governments/the CoM in Bosnia and Herzegovina, especially their lack of expertise for coordination of priority setting, work planning, policy coordination, monitoring, and coordination of strategic communication. The secretariats should have the capacity to deal with coordination of issues related to European integration but also to coordinate the relations between the bodies of executive authority, more importantly because of the multi-level administration structure of Bosnia and Herzegovina.

Therefore, this project has been especially designed to assist the governments in Bosnia and Herzegovina to implement the model of public administration development as described in the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”. The “Blueprint” provides concrete recommendations on how to develop the Secretariats on the level of the State, the entities and the Brcko District into full-service institutions capable to manage policy system on behalf of the governments in accordance with the best European practice.

In terms of overcoming the noted shortcomings, the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina” presents a general model for all four governments/the CoM in Bosnia and Herzegovina, with emphasis on their future structures, their main functions and activities they are supposed to implement within a reformed system of policy management. Phase I of the project, which should assist the implementation of the “Blueprint”, has been prepared and the Terms of References for this project was approved by the four governments. This phase will be financed by the multi-donor PAR Fund which is managed by the PAR Coordination Office. Pending the completion of the contracting procedure, the first Phase will be underway in the beginning of 2010 and it is intended to cover thorough reforms of the centres of governance (CoG’s). The second phase, which is proposed under this IPA 2010 project, will support concrete implementation and ensure sustainability of the reform.

It should be noted that experience in other countries that have reformed their policy systems, suggests that the full reform process takes at least four years, whereby the governance system as complex as the one in Bosnia and Herzegovina will require substantially longer time, especially since there have been no attempts earlier to reform together four CoG's in a coordinated manner. Therefore, it is of great importance that the Phase II is ensured in order to complete the work and maximise and sustain the results of the first phase.

Component 2 –Strengthening Public Expenditure Management in Bosnia and Herzegovina

Despite significant improvements in recent years, capacities for efficient PFM at all levels in Bosnia and Herzegovina remain in need for improvement. More effective PFM will enable Bosnia and Herzegovina to allocate its scarce budget resources more effectively, enabling the country to provide better public services and achieve better value for money which in the longer term reduces the need for ongoing external assistance. In the past period, there have been donor projects with technical assistance in the area of public finance, especially the UK Department for International Development's (DFID) project, which has been providing support to all Ministries of Finance (MoFs) in Bosnia and Herzegovina since 2005 with aim to further institutionalise and deepen the budget planning process and link that process to the policy making process across all levels of government.

Having in mind that the public finance reform introducing programme budgeting is extremely complex and has taken up to a decade even in the most developed countries, it is essential to continue with donor technical assistance to Ministries of Finance as to finalise the reform and to embed it in budget legislation and political decision-making processes. It is thus crucial to ensure that the momentum for reform, which has been built through the previous projects, is not lost and to continue with the EU technical assistance.

The proposed project, by strengthening the effectiveness, efficiency and equity of public expenditure management will provide significant economic benefits to Bosnia and Herzegovina by improving the link between economic policy priorities (objectives that are linked to the national priorities of Bosnia and Herzegovina, sector strategies and other annual action plans agreed to by governments) and budget allocations and promote more efficient and effective use of Government resources.

Component 3- Strengthening PIFC system in Bosnia and Herzegovina

Parallel with strengthening the effectiveness, efficiency and equity of public expenditure management, Bosnia and Herzegovina has commenced a reform of public administration. An important part of that reform has been dedicated to public finances, and the key elements in this area are development and strengthening of system and procedures of PIFC. This component is also important for support to the structure of a decentralised implementation system, currently being established for the needs of the EU fund management, and as support to the practical implementation of adopted Laws on Internal Audit (in the institutions of Bosnia and Herzegovina and entities).

Introduction and strengthening of wide PIFC system in Bosnia and Herzegovina will address key functions in financial management of the all governmental levels, enhance satisfactory functioning of decentralisation on overall use of funds (public and EU funds), allowing proper use of public and EU funds and protect Bosnia and Herzegovina and EU's financial interests. The objective of this reform is primarily to strengthen internal control by managers at all public sector levels. Establishing and functioning of the PIFC shall be supported by the principle of managerial accountability under which the managers are directly responsible for establishing of internal control and internal audit procedures, and by further supporting the changes in public management culture focussed on economy, efficiency and effectiveness of

all activities maintaining at the same time an absolute level of compliance with law. Such a reform also implicates re-examination of managerial structure, which should be the first issue related to efficiency and effectiveness.

All proposed interventions will leave behind new or improved implementing legislation and modernised practices in inter-governmental coordination and budget-preparation and control processes thereby ensuring sustainability and ownership of the proposed actions.

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

Component 1

This Project will ensure adequate policy preparation, strategic planning, inter-ministerial consultations, policy review and coordination, policy monitoring and the support for the Governments and their working bodies by the Centre of Government (General Secretariats, Legislative Secretariats, Cabinets of political leaders, etc). In addition, final outcomes of the project will include a coherent approach to policy-making and coordination between the state and the entities and development of capacity of central policy-making structures.

At the level of policy-making and allocation of resources, the governments within any multi-level governance system are closely connected and their legal and practical capacity to develop and implement policy and legislation are highly interdependent. Therefore, implementation of this project will establish and support extensive and regular methods for intergovernmental co-ordination at multiple levels. This includes management of the interrelations from the centre of government and also networks of sector ministries. This issue is crucial to the success of progress of European integration in general, and of the SAA in particular. The project will further support the implementation of the “Memorandum on Mutual Cooperation” (signed in February 2009) which represents a platform for consultation and information-sharing mechanism between secretaries of the four governments.

On the basis of positive experience and with regard to specific internal state organization, the project will help governments to stabilize legal frame – help them to deal adequately with the various aspects of policy preparation (strategic planning, impact assessment, inter-ministerial consultations, policy review, coordination, etc.) and policy enforcement on a sustainable and professional basis.

Component 2

This Project will ensure full implementation of the programme budgeting based on performance measures in Bosnia and Herzegovina and development of control environment and control procedures. In this way, the Project will prepare the state and entity levels of government for the next stage of the reform – official adoption and execution control by both economic and programme classification. In other words, budget will be allocated not only by economic categories (wages, allowances, goods and services and capital expenditure), but also by programs, according to specific activities and results which will be achieved with the resources (for example, Court of Bosnia and Herzegovina would get the resources specifically towards realising the goal of increasing the number of cases or shortening the procedures).

Therefore, full implementation of programme budgeting based on performance measures will facilitate the allocation of the funds towards the specific goals and targeted results and thus will allow the budget allocation decisions to be based on Governments’ highest strategic policy priorities where the poor-performing programmes will be also identified. This will be

of special importance in the next period of decrease in fiscal capacities, not only due to economic crisis in short-term period, but also in medium term period, due to expected fall of revenues based on decreasing custom tariffs on country's road to EU and expected reach of the maximum capacities in terms of bringing the grey economy to official fiscal system.

Sustainability of the activities under this Component will be ensured by extensive training and on-job training and capacity building of the staff Budget Sectors of state and entity Ministries of Finance, as well as further training of financial officers of all budget users. In addition to direct capacity building of the staff, Project will leave comprehensive training material in program budgeting to Ministries of Finance, including induction training materials for new staff of the Ministries of Finance, as well as induction training materials for new staff of the budget users.

Component 3

Considering the government's budget as the major policy tool of a government, the improvement of control environment and control procedures will have impact on all levels of decision-making and management of public funds in Bosnia and Herzegovina. This will also have positive flow on effects to other reforms aimed at EU integration as it will improve the capacity, processes and transparency related to governmental decision-making, as well as administrative and financial absorption capacity of EU funds. Full implementation of the PIFC concept will enable that sound internal controls are in place by all budget users and thus, will further increase the oversight of public spending and simultaneously create the preconditions for decentralisation of management of EU funds by giving assurances of a sound control system in place.

Capacity building and training will lead to development of sustainable capacity in the ministries necessary for conducting the activities related to financial management and control by using the internal control tools and measures to be described in the manuals and procedures by the project's TA. In addition to implementation of pilot internal audit and trainings, the planned awareness of the authorities will be achieved and strengthened. Furthermore, project will provide model training programmes and training materials for future trainers on internal control and internal audit. The project is expected to lead to increase in the managerial awareness and sensitivity in terms of utilisation of public resources and strengthening of control environment.

3.3 Results and measurable indicators

In relation with Component 1, the expected overall result is the effective coordination of policies between state and entity level governments, measured by regular exchange of work plans and work plan execution reports, expected to be achieved by the end of the project. In particular, the following sub-results are expected:

Result 1.1. Detailed Second Implementation Plan of the "Blueprint of development of central bodies of governments in Bosnia and Herzegovina" drafted and submitted for adoption to all the governments/the CoM included in the project.

Indicators:

- The Implementation Plan from Phase I is reviewed, identifying any gaps remaining for full implementation of the "Blueprint of development of central bodies of governments in Bosnia and Herzegovina"

- Analysis showing amendments to the Implementation Plan, if any, to be filled by Phase II submitted for adoption to all the governments/the CoM
- Project gap assessment and training needs assessment available
- Second Implementation Plan available
- Adoption of the Second Implementation Plan by four governments/CoM

Result 1.2. Regulatory Impact Assessment (RIA) implementation by ministries and other relevant institutions at the state and the entity level improved.

Indicators:

- 4 decisions on Regulatory Impact Assessment (RIA) system drafted and submitted for adoption by the four governments/the CoM
- RIA material drafted including specific methodologies, specific forms, training needs assessment, training manuals
- At least 4 RIA training modules delivered to the staff in central institutions and ministries
- RIA forms and documents prepared and submitted for at least four legislative acts proposals.

Result 1.3. Strategic planning activities improved.

Indicators:

- Positive monitoring reports on quality of planning;

Result 1.4. Communications networks established at the level of each government/CoM and a communications strategy produced at each level.

Indicators:

- 4 communications networks operating
- 4 communications strategies available

Result 1.5. Closer cooperation between and within central governments' institutions at the state, entity and the Brcko District level facilitated.

Indicators:

- Procedures for joint meetings and inter-governmental consultations established and operational
- Joint meetings facilitated regularly on a quarterly basis
- Shared information system developed and in function

In relation with Component 2, the expected overall result is the full implementation of the programme budgeting based on performance measures and development of control environment and control procedures, in particular by delivering the following sub-results:

Result 2. 1. State and entity Ministries of Finance staff perform all phases of high-quality Budget Framework Paper (BFP) and budget preparation process based on fully harmonized procedures at all three levels and make recommendations for budget allocation on the basis of program-based and performance-based requests, using budget users' input in the best

possible way.

Indicators:

- The Budget planning and preparation process is based on clear definition of each stage of budget planning process and harmonised on each governmental level (state and two entities). This will be measured and ensured through quarterly meetings of Budget sectors of Ministries of Finance and reported by Project's experts located in each of three Ministries of Finance;
- Recommendations of Ministries of Finance (using budget users' input made on the program-based and performance-based requests) are made to four Governments for budget allocation in Draft Budgets and adopted by four Governments;
- Workshops programme and training materials for Budget staff of the Ministries of Finance prepared and delivered. On-the-job training of the Budget Sector staff will be held full time by experts who will be located within ministries. Quarterly joint training of all Budget Sectors will be organized by Project;
- Manuals and procedures of budget planning process, including international best practice examples of MoFs' management of the budget process, prepared and delivered.

Result 2.2. Budget Users at state and entity submit higher quality budget requests in programme format.

Indicators:

- Budget instructions for budget users designed with Project's assistance and distributed to all budget users by Ministries of Finance. Instructions are disbursed in line with budget calendar – twice a year (in January for Budget Framework Papers and in July for Annual Budgets);
- The budget users' requests analysed by budget analysts in Budget Sectors of Ministries of Finance with Project's assistance in line with above-mentioned deadlines and according to the analysis template provided by technical assistance;
- Rate of return of budget requests to budget users decreased;
- Semi-annual workshops (total of six per year) for budget users organised by the Budget Sectors of Ministries of Finance with Project's technical assistance;
- Annual consultations, which will take place in August of each year prior to preparation of Draft Annual Budgets, with each budget user, organised and held by Budget Sector (comprising of Budget Sector Minister Assistant and budget analysts) in Ministries of Finance and with technical assistance of experts

Result 2.3. Synergy and full complementariness of budget planning processes within Ministries of Finance with the PARCO Project of introduction of Government Budget Management Information System (BMIS) is ensured

Indicators:

- Semi-annual meetings of Budget Sector Assistant Ministers of state and entity ministries of Finance with PARCO Project staff and Government Budget Management Information System Implementation Team. Project will facilitate the meetings;
- New budget instructions which will be implemented through BMIS project in use.

In relation with Component 3 of the Project, the increased capacity of internal auditors in internal audit units at the state and entity level administrations is the expected result that will contribute to an improved control environment across all activities. The awareness on financial management controls raised, measured in the number of trained financial managers that

corresponds to the number of budgetary users (state and entity level institutions, excluding sub-entity level), a positive outcome of self assessment checks and audit reports will be the indicators of success. Other results include:

Result 3.1. Legal framework in line with EU standards and practices improved.

Indicators:

- Gap analysis report prepared and delivered;
- Changes and amendments to existing laws drafted;
- Positive opinion by the EC on the drafts obtained.

Result 3.2.: Internal control standards, manuals and written procedures for development of internal control tools and measures prepared and in use throughout beneficiary institutions; Strategic and annual audit plans and working documents prepared and in use.

Indicators:

- Internal control standards prepared and incorporated in draft changes and amendments of existing laws and regulations not later than the end of the second quarter of the first year of the project;
- Relevant manuals and procedures for the development of internal control prepared and delivered not later than the end of the second quarter of the first year of the project;
- Quality Assurance Programme for harmonisation of Financial Management and Control System in Bosnia and Herzegovina prepared, delivered and agreed with Project Managers not later than the end of the first year of the project;
- Strategic and annual internal audit plans prepared, delivered and agreed with project managers not later than the end of the first year of the project;
- Working documents for internal audit pilot trial in selected line ministries prepared, delivered and agreed with project managers not later than the end of the first quarter of the second year of the project;
- Draft of Internal control applications and internal control evaluation reports developed and delivered to the project managers no later than the end of the first year of the project.

Result 3.3. Administrative Capacity of Ministry of Finance and Treasury of Bosnia and Herzegovina, Ministry of Finance of Republic Srpska, Ministry of Finance of Federation of Bosnia and Herzegovina and Finance Directorate of Brcko District for PIFC strengthened.

Indicators:

- Pilot internal audit trial performed during the second quarter of the second year of the project;
- At least 100 staff trained (CHUs, Internal Auditors, Managers and Officers in charge for financial management and control of selected ministries, to be identified later, on the basis of their size and budgets);
- Specific training on quality assurance and risk assessment given to at least 10 staff of CHUs for Financial Management and Control (FMC);
- Model training programmes and training materials for future trainers on internal audit and internal control (including risk assessment/management, formalisation of procedures, monitoring, quality approach of the FMC, etc.) developed and delivered by the end of the second year of the project.

3.4 Activities

Component 1 -“Blueprint of development of central bodies of governments – Phase II” requires one service contract of an indicative amount EUR 1 000 000.

Activities related to accomplishment of the Result 1.1:

A1.1.1. Conduct a detailed review of Phase I of the Project to assess the level of achievement of and the gaps still remaining for full implementation of the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”. The review should cover the legal basis, the structures of central bodies, and staff capacity.

A1.1.2. Prepare detailed Second Implementation Plan of the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”. This detailed Plan should take account of any changes that have taken place since the beginning of Phase I of the project and indicate the activities still needed for full implementation of the “Blueprint”. The plan should show who is responsible for each activity and the timeframe for their performance.

A1.1.3. Support provided to the Central Bodies of Governments in Bosnia and Herzegovina as to enable them to perform all activities specifically assigned to the Project in the Second Implementation Plan, and to assist in activities under the responsibility of others to the extent possible.

Activities related to accomplishment of the Result 1.2:

A1.2.1. Develop an approach for implementation of RIA by all ministries at all levels, and consequently prepare a decision to be adopted by governments/CoM as to require RIA in all relevant cases. As much as possible, ensure that the same text of the decision is adopted by all the governments/the CoM.

A1.2.2. Prepare specific methodologies for conducting RIA in line with the governments’/the CoM’s decision. The methodologies should include the necessary forms to be filled in by the ministries when preparing impact assessment, and should be supported by explanatory and training material. Prepare relevant training needs assessment.

A1.2.3. Deliver at least 4 training modules to the staff in central institutions and ministries of the four governments/the CoM, in order to improve their capacity to carry out and supervise the preparation of Regulatory Impact Assessments. Where possible, conduct joint training across the various levels.

A1.2.4. Provide ongoing support and assistance to the ministries preparing the regulatory impact assessments and to central institutions which are responsible for ensuring the quality of these assessments.

Activities related to accomplishment of the Result 1.3:

A1.3.1. Work closely and regularly with the central institutions, prepare training material and conduct training of their staff so as to progressively improve the quality of policy coordination, planning and monitoring carried out by these institutions.

Activities related to accomplishment of the Result 1.4:

A1.4.1. Work with the government/the CoM communications personnel/spokespersons to establish networks of communicators across each government/CoM. Provide assistance in development and implementation of communications strategy at each level.

Activities related to accomplishment of the Result 1.5:

A1.5.1. Create opportunities for cooperation among central institutions of the governments/the CoM such as to facilitate convening of regular joint meetings; develop procedures for the cooperation, set up a system for information sharing as well as other

cooperation tools. Seek occasions to develop common approaches, methodologies and training material whenever possible in order to improve the mutual cooperation.

Components 2 and 3 require one service contract of an indicative amount EUR 2 000 000 with two distinct components as follows:

Component 2 – Public Financial Management

Activities related to accomplishment of Result 2.1:

- A2.1.1.** Analyse and assess budget preparation process in Ministries of Finance;
- A2.1.2.** Provide the recommendations on harmonisation of budget planning procedures;
- A2.1.3.** Organise regular meetings and workshops for all three of the Budget Sectors to ensure that budget planning procedures are fully harmonised at all three levels;
- A2.1.4.** Assist Ministries of Finance to deliver comprehensive budget documentation on the results of Government programmes, which are to be submitted to Parliaments;
- A2.1.5.** Two one-week study visits to different member states observing general fiscal policy and budget preparation practices and internal fiscal coordination;
- A2.1.6.** Provide Manuals and procedures of budget planning process including international best practice examples of MoFs' management of budget process.

Activities related to accomplishment of Result 2.2:

- A2.2.1.** Provide technical assistance to the Ministries of Finance in the design of budget instructions which are to be sent to the budget users;
- A2.2.2.** Provide technical assistance to the Ministries of Finance in the analysis of the incoming budget requests submitted by the budget user;
- A2.2.3.** Provide technical assistance to the Ministries of Finance in organisation and holding of the regular budget consultations, which the Budget Sector will hold with each of the user;
- A2.2.4.** Assist Ministries of Finance in organising and holding the workshops for the budget users;
- A2.2.5.** Provide individual on-the-job assistance to the budget users when necessary.

Activities related to accomplishment of Result 2.3:

- A2.3.1** Provide trainings and workshops to the Ministries of Finance to explain how the program budgeting process and subsequent budget instructions will be transformed into the BMIS;
- A2.3.2.** Provide on-the-job training to the Budget Sector staff in preparation of the new budget instructions, which will be implemented through the BMIS.

Component 3 – Public Internal Financial Control

Activities related to accomplishment of Result 3.1:

- A3.1.1.** Carry out a gap assessment of institutions of Bosnia and Herzegovina, entities and Brcko District's FMC legal framework, including on the spot analysis of how PIFC is being implemented within the terms of the law, identifying good practices and those that are to be modified or changed;
- A3.1.2.** Draft the changes and amendments of existing FMC legislation based on gap assessment.

Activities related to accomplishment of Result 3.2:

- A3.2.1.** Assistance in preparation of Manual for FMC and development of managerial responsibilities;

A3.2.2. Support to drafting of internal control standards by combining international standards and existing relevant rules and good practices;

A3.2.3. Support to the development of internal control tools and measures, such as adequate manuals and written procedures, risk assessment and management instruments, control self-assessment as appropriate, checklists, delegation and supervision tools, information and communication;

A3.2.4. Assistance in preparation of Quality Assurance Programme for harmonisation and coordination of the FMC system in Bosnia and Herzegovina;

A3.2.5. Support to the production of strategic and annual audit plans of budget users;

A3.2.6. Working documents and working good practices to be tested against current practices in Bosnia and Herzegovina in the course of pilot audits.

Activities related to accomplishment of Result 3.3:

A3.3.1. General training on internal control concepts and its implementation for staff of CHUs and FMC (state, entity and Brcko District level) delivered;

A3.3.2. Preparation of training programmes for managers and FMC staff within the budget users;

A3.3.3. Training on managerial responsibilities and FMC (managers of institution/line ministries and FMC staff of state, entity and Brcko District level);

A3.3.4. Conduct pilot activities for improvement of internal control, including pilot risk assessments, control self-assessments, definition of key controls, writing procedures, as well as in development of information and communication skills;

A3.3.5. Preparation of training programmes for internal auditors;

A3.3.6. Training of internal auditors of selected institutions/budget users;

A3.3.7. Support to pilot audit activities with main focus on financial, system based, performance audits and IT audits as the case may be;

A3.3.8. Development of the model training programmes and training materials for future trainers on internal control and internal audit (including risk assessment and management, formalisation of procedures, monitoring, quality approach to FMC);

A3.3.9. Introduction of new concept of functional independence for the internal auditor and of the risk assessment and management policies, both for financial control and internal audit activities.

A3.3.10. Provide 3 one-week study visits to different member states in order to observe general internal control practices and relationships between CHU and FMC staff.

Because of the absence of *acquis*-related measures in Components 1 and 2 of the project and the high number of institutions on different governance levels that are expected to benefit from the projects, it is considered that service contracts are a more appropriate tool for the delivery of assistance than twinning with Member States.

3.5 Conditionality and sequencing

The main conditionality for the implementation of the project is the continuous determination of the authorities to implement the concept of accountable public administration. This has been reflected over the past years in the adoption of the relevant documents and legislation necessary for the conduct of the public administration reform. It is expected that by the start of this Project, the Phase 1 of the Centre of Government project will be completed and the result of institutionalised cooperation of central governments secretariats and other permanent bodies of governments achieved.

By spring 2011, the first phase of introduction of PIFC will be completed which will help develop the necessary implementing legislation for the functioning of internal audit units and

help establish cooperation through the Coordination Board of the CHUs as to develop training plans for internal audit and financial management and control principles. By spring 2011, the SPEM III project financed by DFID will have ended, leaving behind elaborate methodology for the budget planning process for the state and sub-state level Ministries of Finance.

The main conditionality of the proposed intervention is the successful completion of the above projects that will have laid the foundations for a continuation of the reforms. The start of the three different components under this project shall coincide with the end of the previous phases of the activities mentioned above. However, phase-in activities can start before and allow for a smooth transition and a continuation of support to these important functions of a public administration.

3.6 Linked activities

- Twinning project between the General Secretariat of the Council of Ministries of Bosnia and Herzegovina (CARDS No. BA04-IB-OT-05; March 2006 – December 2007) and France and Slovenia was aimed towards building capacity for coordination of policy-formulation and decision-making activities. It contributed to the strengthening of the Secretariat General of the Council of Ministers and proposed measures to transform it into an institution with an organisation, management structure, staff capacity and legal mandate, able to support the government's responsibility for policy formulation and preparation, co-ordination and policy making.
- Support for Improvement in Governance and Management (SIGMA) is a joint EU-OECD initiative principally financed by the EU with the aim of supporting public administration reform in SAP and ENPI countries. SIGMA activities aim to strengthen public governance institutions in countries benefiting from the EU's Instrument for Pre-Accession Assistance (IPA) in order to facilitate European integration through the Accession and Stabilisation and Association processes by assisting administrative reforms so as to consolidate capacities to continue reforms after possible accession and creating conditions for effective, efficient and reliable use of EU funds.
- UNDP project "Strengthening National capacities for Strategic Planning and Policy Development (SPPD) is a broad-based project to strengthen planning, analytical work and public resources management by defining, providing and institutionalising organisational and human resource capacities for strategic planning and policy development, and improve linkages between planning and budgeting in line ministries at the state and entity levels. This project started in July 2008 and will last for 2.5 years.
- The project "Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina - Implementation of phase I" (See chapter 3.1 Background and justification).
- Technical support to PARCO was financed from CARDS 2004 ("Support to the PARCO", Contract No. 2005/105-897, September 2005 – January 2008) and provided assistance to the Office of the PAR Coordinator in preparation of the PAR Strategy and in developing of capacities of this Office to implement it. Current assistance is financed from IPA 2007 ("Further Support to the PARCO - Capacity building of the PARCO in support of the PAR Strategy implementation and donor coordination", Contract No. 2009/210-480, September 2009 to March 2011) and is providing technical assistance to the PARCO for their capacity building, implementation and monitoring of the PAR Strategy, development of the 2nd Action Plan of the PAR Strategy, management of the multi-donor PAR Fund and donor coordination.

- Strengthening Public Expenditure Management (SPEM I, II, III) a DFID project. This project has been providing the technical assistance to all Ministries of Finance in Bosnia and Herzegovina since 2005, with an aim to implement a comprehensive, integrated medium-term budget planning and preparation framework, and designed to improve consistency between Government policy objectives and budget allocations. This assistance is coming to an end in spring of 2011.
- Development and implementation of an integral Bosnia and Herzegovina wide PIFC Strategy (IPA 2007). The project is expected to last 12 months with purpose to strengthen the financial control environment of the public administration (spring 2010 – spring 2011).

Coordination between different PAR donors is ensured through monthly meetings of the PAR Fund Management Board and separate PAR donors meetings with donors outside the Fund. With the phasing out of donors from the Fund and DfID projects in the public finance area in 2011, this sector will be in need of greater attention of the EU.

3.7 Lessons learned

One important lesson learned from previous assistance in public administration and finance reform efforts is that ownership is best ensured if all actors addressed by the reform are continuously consulted and involved in the process. Therefore, intensive presence of expert advisers will need to be ensured at the beneficiary institutions which include PARCO, as the coordinator of Public Administration Reform activities, their entity counterparts – entity PAR coordinators, the Ministries of Finance of the state and entities and their central harmonisation units, and the secretaries-general of the state and entity governments. Additional beneficiaries may include other standing bodies or services of the governments such as the Directorate for European Integration, the offices for legislation of the governments, and, exceptionally parliamentary committees for budget and finances. Corresponding services from the Brcko District shall be associated to project activities whenever possible. Based on the previous experiences, the complex political and administrative structure of the country would require exploring the cost-efficient institutional solutions that at the same time will preserve the political nature and balance of intra- and inter institutional relationship.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA EU 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)
Activities 1.1-1.10	X		1 000 000	1 000 000	100							
Service contract 1.1	-	-	1 000 000	1 000 000	100							
Activities 2.1.1-3.3.10	X		2 000 000	2 000 000	100							
Service contract 2.1	-	-	2 000 000	2 000 000	100							
TOTAL IB			3 000 000	3 000 000	100							
TOTAL INV												
TOTAL PROJECT			3 000 000	3 000 000	100							

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

Contracts	Start of Tendering	Signature contract	of	Project Completion
Service Contract 1.1	Q1/2011	Q3/2011		Q3/2013
Service Contract 1.2	Q4/2010	Q2/2011		Q2/2013

6. Cross cutting issues

6.1 Equal Opportunity

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

6.2 Environment

N/A

6.3 Minorities

N/A

6.4 Good governance and fight against corruption

The project will support activities within public administration reform which is necessary requirement in country's accession strategy into European Union. It will further improve the performance of public authorities by creating a favorable climate for sustaining the good governance and indirectly by fighting the corruption. In addition to serving the best interest of citizens on the basis of open and transparent procedures, the reformed public administration will be an initiator of continuous and sustainable socio-economic development.

ANNEXES

- I Log frame in Standard Format
- II Amounts contracted and Disbursed per Quarter over the full duration of Programme
- III Description of Institutional Framework
- IV Reference to laws, regulations and strategic documents
- V Details per EU funded contract

ANNEX I: Logical framework matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name : IPA National programme 2010 -Bosnia and Herzegovina Fiche 8 “Public Administration Reform”		
		Contracting period expires: Two years following the date of the conclusion of the Financing Agreement		Disbursement period expires: One year following the end date for the execution of contracts
CRIS Number:		Total budget : EUR 3 000 000	IPA budget: EUR 3 000 000	
Overall objective	Objectively verifiable indicators	Sources of Verification		
To contribute to a reformed and efficient public administration in Bosnia and Herzegovina, capable of supporting the country’s EU integration process by enhancing capacities of the state and entity administrations in the area of policy making and coordination and public financial management and control.	<ul style="list-style-type: none"> -Achievements of the Stabilisation and Association Process; -New structure within CoG; -Established effective policy management and cooperation among CoG; -Fiscal management improved and link between policy making and budget planning processes increased; Financial control environment of public administration in Bosnia and Herzegovina enhanced 	<ul style="list-style-type: none"> -Reports on the progress of the Stabilisation and Association Process; -Law on Government, -Rules of Procedure of the Government; -Rulebook on Internal Organisation and Systematisation; -European Commission Annual Progress Reports; -European Commission EFP assessment report; -Regular reviews by the other international organisations relevant in the area of public finance-most notably the - International Monetary Fund and World Bank. 		
Project purpose	Objectively verifiable indicators	Sources of Verification		Assumptions
For Component 1 To enable the Council of Ministers of Bosnia and Herzegovina, entity governments and the government of the Brcko District to build a system for policy making and management in a coherent and harmonised manner, so as to develop modern structure, capacities, and procedures of policy management in their central bodies and ministries.	-During the 3 rd quarter of 2013 “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina ”- Phase II implemented	<ul style="list-style-type: none"> -Decisions on adoption of the document which resulted from the “Blueprint of Development of Central Bodies of Governments”; -Consultant’s Inception, Quarterly, Interim and Final Reports; -Monitoring / Report review. 		The Governments of the State of Bosnia and Herzegovina and the constituent Entities and Brcko District of Bosnia and Herzegovina shall accept their responsibilities under the SAA, and work constructively in order to create a legislative, economic, social and secure environment, which supports the cooperation on institution building, in accordance with the requirements of the European

<p>-----</p> <p>For Components 2 and 3</p> <p>To improve the fiscal policy quality and the link between policy-making and budget planning procedures, and strengthening the public internal financial control (PIFC) system.</p>	<p>-----</p> <p>2 and 3</p> <ul style="list-style-type: none"> -Medium Term Expenditure Frameworks, Annual Budgets and Economic and Fiscal Programmes are based on sound fiscal policies and concrete strategic policies; -Capacity of Budget Sectors of state and entity MoFs strengthened; -FMC system based on international standards and EU practices developed and fully implemented in the pilot institutions; -Capacity of CHU Coordinating Board and administrative capacity of CHUs strengthened. 	<p>-----</p> <p>2 and 3</p> <ul style="list-style-type: none"> -Medium term Expenditure Frameworks, Annual Budgets and - Economic and Fiscal Programmes; -Project Report; -Primary and secondary legislation; -National official publications; -Annual reports of MoFs on state and entity level, -European Commission Annual Progress Reports, -European Commission EFP assessment report; 	<p>Partnership with Bosnia and Herzegovina 2008.</p> <p>-----</p> <p>2 and 3</p> <p>Sufficient commitment of the state and entity Ministries of Finance and their cooperation with each other in terms of ensuring harmonisation of the technical processes at all three levels (both have been exhibited during the DFID’s Strengthening Public Expenditure Management in Bosnia and Herzegovina).</p> <p>The Parliaments, governments, Council of Ministers and different level administration are committed to improve PIFC system.</p> <p>Collaboration and participation of CHU Coordinating Board, CHUs staff and administrative staff in strengthening and improving of PIFC</p>
<p>Results</p>	<p>Objectively verifiable indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>For Component 1: 1.1. Detailed Second Implementation Plan of the “Blueprint of development of central bodies of governments in Bosnia and Herzegovina” drafted and submitted for adoption to all the governments/the CoM included in the project.</p>	<p>1</p> <ul style="list-style-type: none"> - The Implementation Plan from Phase I is reviewed, identifying any gaps remaining for full implementation of the “Blueprint of development of central bodies of governments in Bosnia and Herzegovina”. -Analysis showing amendments to the Implementation Plan, if any, to be filled by Phase II submitted for adoption to all the governments/the CoM; -Project gap assessment and training needs assessment available - Second Implementation Plan available - Adoption of the Second Implementation Plan by four governments/CoM 	<p>1</p> <ul style="list-style-type: none"> -Consultant’s Inception, Quarterly, Interim and Final Reports; -New or revised legal framework/regulations; -Decision on Regulatory Impact Assessment (RIA); -RIA Training material (manuals, specific forms on preparing impact assessment); -Participating records and training evaluation records; -Meeting minutes; 	<p>1</p> <p>The governments are willing to cooperate and are staffed appropriately.</p> <p>Governments to work constructively and effectively towards proposed activities.</p>

<p>1.2. Regulatory Impact Assessment (RIA) implementation by ministries and other relevant institutions at the state and the entity level improved.</p> <p>1.3. Strategic planning activities improved.</p> <p>1.4. Communications networks established at the level of each government/CoM and a communications strategy produced at each level</p> <p>1.5. Closer cooperation between and within central governments' institutions at the state, entity and the Brcko District level facilitated</p>	<ul style="list-style-type: none"> - 4 decisions on Regulatory Impact Assessment (RIA) system drafted and submitted for adoption by the four governments/the CoM - RIA material drafted including specific methodologies, specific forms, training needs assessment, training manuals - At least 4 RIA training modules delivered to the staff in central institutions and ministries - Positive monitoring reports on quality of planning - 4 communications networks operating; - 4 communications strategies available. - Procedures for joint meetings and inter-governmental consultations established and operational - Joint meetings facilitated regularly on a quarterly basis; - Shared information system developed and in function. 		
<p>-----</p> <p>-</p> <p>For Component 2:</p> <p>2.1. State and entity Ministries of Finance staff perform all phases of high-quality Budget Framework Plan and budget preparation process based on fully harmonized procedures at all three levels and make recommendations for budget allocation on the basis of program-based and performance-based requests, using budget users' input in the best possible way.</p>	<p>-----</p> <p>2</p> <p>-The Budget planning and preparation process is based on clear definition of each stage of budget planning process and harmonised on each governmental level (state and 2 entities). This will be measured and ensured through quarterly meetings of Budget sectors of Ministries of Finance and reported by Project's experts embedded in each of three Ministries of Finance;</p> <p>-Recommendations of Ministries of Finance (using budget users' input made</p>	<p>-----</p> <p>2</p> <ul style="list-style-type: none"> -Assessment report on budget preparation process; -Recommendations on the budgeting process harmonisation; -Manuals and procedures for budget planning process; -Beneficiaries' feedback on delivered manuals; -Project reports; -Study visit reports; -Training material and regular meeting programmes; -Participating records and training evaluation records; -Trainee satisfactory survey; -Budget Framework Documents quality report with 	<p>-----</p> <p>2</p> <p>Sufficient commitment of the state and entity Ministries of Finance and their cooperation with each other in terms of ensuring harmonisation of the technical processes at all three levels (both have been exhibited during the DFID's Strengthening Public Expenditure Management in Bosnia and Herzegovina). Sufficient commitment of all budget users.</p> <p>Successful and in time</p>

<p>2.2. Budget Users at state and entity submit higher quality budget requests in programme format.</p>	<p>on the program-based and performance-based requests) are made to four Governments for budget allocation in Draft Budgets and adopted by four Governments;</p> <p>-Workshops programme and training materials for Budget staff of the Ministries of Finance prepared and delivered. On-the-job training of the Budget Sector staff will be held full time by experts who will be located within ministries. Quarterly joint training of all Budget Sectors will be organized by Project;</p> <p>-Manuals and procedures of budget planning process, including international best practice examples of MoFs' management of the budget process, prepared and delivered.</p> <p>-Budget instructions for budget users designed with Project's assistance and distributed to all budget users by Ministries of Finance. Instructions are disbursed in line with budget calendar – twice a year (in January for Budget Framework Papers and in July for Annual Budgets);</p> <p>-The budget users' requests analysed by budget analysts in Budget Sectors of Ministries of Finance with Project's assistance in line with above-mentioned deadlines and according to the analysis template provided by technical assistance;</p>	<p>recommendations for further improvement.</p> <p>-Designed budget instructions;</p> <p>-Report on analyses of budget requests;</p> <p>-Project reports;</p> <p>-Training materials and programmes;</p> <p>-Participation records and training evaluation records</p> <p>-Trainee satisfactory survey.</p>	<p>implementation of the PARCO's project.</p> <p>Cooperation of CHU Coordinating Board and CHUs staff with project team and participation CHU</p> <p>Coordinating Board in drafting the legislation.</p> <p>Collaboration and participation of CHU Coordinating Board, CHUs staff and administrative staff in strengthening and improving of PIFC system.</p> <p>Participation in the trainings for managers and staff at all levels (institutions/line ministries) is ensured.</p>
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<p>2.3. Synergy and full complementariness of budget planning processes within Ministries of Finance with the PARCO Project of introduction of Government Budget Management Information System (BMIS) is ensured</p>	<ul style="list-style-type: none"> - Rate of return of budget requests to budget users decreased; -Semi-annual workshops (total of six per year) for budget users organised by the Budget Sectors of Ministries of Finance with Project's technical assistance; -Annual consultations, which will take place in August of each year prior to preparation of Draft Annual Budgets, with each budget user, organised and held by Budget Sector (comprising of Budget Sector Minister Assistant and budget analysts) in Ministries of Finance and with technical assistance of experts. -Semi-annual meetings of Budget Sector Assistant Ministers of state and entity Ministries of Finance with PARCO Project staff and Government Budget Management Information System Implementation Team. Project will facilitate the meetings; -New budget instructions which will be implemented through BMIS project in use. 	<ul style="list-style-type: none"> -Training materials on the system implementation and operation from the perspective of the way in which programme budgeting process and subsequent budget instructions will be transformed into the BMIS; Drafted new budget instructions; Project Report; -Meeting Minutes between Ministries of Finance and PARCO Project staff and feedback of MoFs staff; -Participation records and training evaluation records -Trainee satisfactory survey 	
<p>----- For Component 3: 3.1. Legal framework in line with EU standards and practices improved</p>	<p>----- 3 <ul style="list-style-type: none"> -Gap analysis report prepared and delivered; -Number of changes and amendments of existing laws drafted - Positive opinion by the EC on the drafts obtained. <ul style="list-style-type: none"> -Internal control standards prepared and </p>	<p>----- 3 <ul style="list-style-type: none"> -Gap analysis report, -Changes and amendments of existing laws adopted and published in Official Gazette of Bosnia and Herzegovina and entities. -Project report. -Written Internal control standards. </p>	<p>----- 3 Cooperation of CHU Coordinating Board and CHUs staff with project team and participation CHU Coordinating Board in drafting the legislation.</p>

<p>3.2. Internal control standards, manuals and written procedures for development of internal control tools and measures prepared and in use throughout beneficiary institutions; Strategic and annual audit plans and working documents prepared and in use.</p>	<p>incorporated in draft changes and amendments of existing laws and regulations not later than the end of the second quarter of the first year of the project;</p> <p>-Relevant manuals and procedures for the development of internal control prepared and delivered not later than the end of the second quarter of the first year of the project;</p> <p>-Quality assurance programme for harmonisation of Financial Management and Control System in Bosnia and Herzegovina prepared, delivered and agreed with Project Managers not later than the end of the first year of the project;</p> <p>-Strategic and annual internal audit plans prepared, delivered and agreed with project managers not later than the end of the first year of the project;</p> <p>-Working documents for internal audit pilot trial in selected line ministries prepared, delivered and agreed with project managers not later than the end of the first quarter of the second year of the project;</p> <p>-Draft of Internal control applications and internal control evaluation reports developed and delivered to the project managers no later than the end of the first year of the project.</p> <p>-Pilot internal audit trial performed</p>	<p>-Manuals and procedures of internal control tools and measures including risk assessment and management instruments, control self-assessment, checklists, delegation and supervision tools, information and communication;</p> <p>-Project report;</p> <p>-Beneficiaries' feedback report on delivered manuals.</p> <p>-Programme for quality assurance;</p> <p>-Strategic and annual audit plans.</p>	<p>Collaboration and participation of CHU Coordinating Board, CHUs staff and administrative staff in strengthening and improving of PIFC system.</p> <p>Participation in the trainings for managers and staff at all levels (institutions/line ministries) is ensured.</p>
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<p>3.3. Administrative Capacity of Ministry of Finance and Treasury of Bosnia and Herzegovina, Ministry of Finance of Republic of Srpska, Ministry of Finance of Federation of Bosnia and Herzegovina and Finance Directorate of Brcko District for PIFC strengthened</p>	<p>during the second quarter of the second year of the project;</p> <ul style="list-style-type: none"> -At least 100 staff trained (CHUs, Internal Auditors, Managers and Officers in charge for Financial Management and Control of selected ministries); -Specific training on quality assurance and risk assessment given to at least 10 staff of CHUs for Financial Management and Control (FMC); -Model training programmes and training materials for future trainers on internal audit and internal control (including risk assessment/management, formalisation of procedures, monitoring, quality approach of the FMC etc.) developed and delivered by the end of the second year of the project. 	<ul style="list-style-type: none"> -Working documents for pilot audits; -Training materials and programmes (in print and electronic format including explanatory texts); -Participation records and evaluation records ; -Supreme Audit Institution (SAI) reports; -Pilot audit activities reports; - Trainee satisfaction survey; -Project report; -Study visit reports. 	
Activities	Means	Costs	Assumptions
<p>For Component 1:</p> <p>Activity related to Result 1.1.</p> <p>1.1.1. Conduct a detailed review of Phase I of the Project to assess the level of achievement of and the gaps still remaining for full implementation of the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”. The review should cover the legal basis, the structures of central bodies, and staff capacity.</p> <p>1.1.2. Prepare detailed Second Implementation Plan of the “Blueprint of Development of Central Bodies of Governments in Bosnia and Herzegovina”. This detailed Plan should take account of any changes that have taken place</p>	<p>Technical Assistance (Service Contract 1.1.)</p> <p>For details see Annex V</p>	<p>Contract 1.1 - EUR 1 000 000</p> <p>(100% IPA contribution)</p>	

<p>since the beginning of Phase I of the project and indicate the activities still needed for full implementation of the “Blueprint”. The plan should show who is responsible for each activity and the timeframe for their performance.</p> <p>1.1.3. Support provided to the Central Bodies of Governments in Bosnia and Herzegovina as to enable them to perform all activities specifically assigned to the Project in the Second Implementation Plan, and to assist in activities under the responsibility of others to the extent possible.</p> <p>Activity related to Result 1.2.</p> <p>1.2.1. Develop an approach for implementation of RIA by all ministries at all levels, and consequently prepare a decision to be adopted by governments/CoM as to require RIA in all relevant cases. As much as possible, ensure that the same text of the decision is adopted by all the governments/the CoM.</p> <p>1.2.2. Prepare specific methodologies for conducting RIA in line with the governments’/the CoM’s decision. The methodologies should include the necessary forms to be filled in by the ministries when preparing impact assessment, and should be supported by explanatory and training material. Prepare relevant training needs assessment.</p> <p>1.2.3. Deliver at least 4 training modules to the staff in central institutions and ministries of the four governments/the CoM, in order to improve their capacity to carry out and supervise the preparation of Regulatory Impact Assessments. Where possible, conduct joint training across the various levels.</p> <p>1.2.4. Provide ongoing support and assistance to the ministries preparing the regulatory impact assessments and to central institutions which are</p>			
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<p>responsible for ensuring the quality of these assessments.</p> <p>Activity related to Result 1.3.</p> <p>1.3.1. Work closely and regularly with the central institutions, prepare training material and conduct training of their staff so as to progressively improve the quality of policy coordination, planning and monitoring carried out by these institutions.</p> <p>Activity related to Result 1.4.</p> <p>1.4.1. Work with the government/the CoM communications personnel/spokespersons to establish networks of communicators across each government/CoM. Provide assistance in development and implementation of communications strategy at each level.</p> <p>Activity related to Result 1.5.</p> <p>1.5.1. Create opportunities for cooperation among central institutions of the governments/the CoM such as to facilitate convening of regular joint meetings; develop procedures for the cooperation, set up a system for information sharing as well as other cooperation tools. Seek occasions to develop common approaches, methodologies and training material whenever possible in order to improve the mutual cooperation.</p> <p>-----</p> <p>For Component 2:</p> <p>Activities related to Result 2.1. :</p> <p>2.1.1. Analysing and assessment of budget preparation process in Ministries of Finance;</p> <p>2.1.2 Provide the recommendations on harmonisation of budget planning procedures;</p> <p>-----</p>			
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<p>2.1.3. Organise regular meetings and workshops for all three of the Budget Sectors to ensure that budget planning procedures are fully harmonised at all three levels;</p> <p>2.1.4. Assist Ministries of Finance to deliver comprehensive budget documentation on the results of Government programmes, which are to be submitted to Parliaments;</p> <p>2.1.5. Two one-week study visits to different member states observing general fiscal policy and budget preparation practices and internal fiscal coordination;</p> <p>2.1.6. Provide Manuals and procedures of budget planning process including international best practice examples of MoFs' management of budget process.</p> <p>Activities related to Result 2.2.</p> <p>2.2.1. Provide technical assistance to the Ministries of Finance in the design of budget instructions, which are to be sent to the budget users;</p> <p>2.2.2. Provide technical assistance to the Ministries of Finance in the analysis of the incoming budget requests submitted by the budget users;</p> <p>2.2.3. Provide technical assistance to the Ministries of Finance in organisation and holding of the regular budget consultations, which Budget Sector will hold with each of the user;</p> <p>2.2.4. Assist Ministries of Finance in organisation and holding of the workshops for the budget users;</p> <p>2.2.5. Provide individual on-the-job assistance to the budget users when necessary.</p> <p>Activities related to Result 2.3.</p> <p>2.3.1. Provide trainings and workshops to the Ministries of Finance to explain how the program</p>	<p>2 & 3</p> <p>For Components 2 and 3</p> <p>Technical Assistance (Service Contract 2.1.)</p> <p>For details see Annex V</p>	<p>2 & 3</p> <p>For Components 2 and 3</p> <p>Contract 2.1 – EUR 2 000 000</p> <p>(100% IPA contribution)</p>	
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<p>budgeting process and subsequent budget instructions will be transformed into the BMIS;</p> <p>2.3.2. Provide on-the-job training to the Budget Sector staff in preparation of the new budget instructions, which will be implemented through the BMIS.</p> <p>-----</p> <p>For Component 3:</p> <p>Activities related to Result 3.1. :</p> <p>3.1.1. Carry out a gap assessment of institutions of Bosnia and Herzegovina, entities and Brcko District's FMC legal framework, identifying good practices and those that are to be modified or changed;</p> <p>3.1.2. Draft the changes and amendments of existing FMC legislation based on gap assessment.</p> <p>Activities related to Result 3.2.:</p> <p>3.2.1. Assistance in preparation of Manual for FMC and development of managerial responsibilities;</p> <p>3.2.2. Support to drafting of internal control standards by combining international standards and existing relevant rules and good practices;</p> <p>3.2.3. Support to the development of internal control tools and measures, such as adequate manuals and written procedures, risk assessment and management instruments, control self-assessment as appropriate, checklists, delegation and supervision tools, information and communication;</p> <p>3.2.4. Assistance in preparation of Quality Assurance Programme for harmonisation and coordinate FMC system in Bosnia and Herzegovina;</p> <p>3.2.5. Support to the production of strategic and annual audit plans of budget users;</p> <p>3.2.6. Working documents and working good</p>			
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<p>practices to be tested against current practices in Bosnia and Herzegovina in the course of pilot audits.</p> <p>Activities related to Result 3.3. :</p> <p>3.3.1. General trainings on Internal control concepts and its implementation for staff of CHUs and FMC (state, entity and Brcko District level) delivered;</p> <p>3.3.2. Preparation of training programmes for managers and FMC staff within the budget users;</p> <p>3.3.3. Training for managerial responsibilities and FMC (managers of Institution/line ministries and FMC staff of state, entity and Brcko District level);</p> <p>3.3.4. Conduct pilot activities for improvement of internal control, including pilot risk assessments, control self-assessments, definition of key controls, writing procedures, as well as in development of information and communication skills;</p> <p>3.3.5. Preparation of training programmes for internal auditors;</p> <p>3.3.6. Training of internal auditors of selected institutions/budget users;</p> <p>3.3.7. Support to pilot audit activities with main focus on financial, system based, performance audits and IT audits as case may be;</p> <p>3.3.8. Development of the model training programmes and training materials for future trainers on internal control and internal audit (including risk assessment and management, formalisation of procedures, monitoring, quality approach of FMC);</p> <p>3.3.9. Introduction of new concept of functional independence for the internal auditor and of the risk assessment and management policies, both for financial control and internal audit activities;</p> <p>3.3.10. Provide 3 one-week study visits to different member states in order to observe</p>			
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general internal control practices and relationships between CHU and FMC staff.			
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ANNEX II: Amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1/2013	Q2/2013	Q3/2013
Service contract 1.1		1 000 000								
Service contract 2.1	2 000 000									
Cumulated	2 000 000	3 000 000								
Disbursed										
Service contract 1.1	300 000	200 000		200 000		200 000		100 000		
Service contract 2.1		600 000		400 000		400 000		400 000		200 000
Cumulated	300 000	1 100 000	1 100 000	1 700 000	1 700 000	2 300 000	2 300 000	2 800 000	2 800 000	3 000 000

ANNEX III: Description of Institutional Framework

Component 1 - one service contract (TA)

The Public Administration Reform Coordinator's Office - PARCO in Bosnia and Herzegovina has been established by the Decision of the Council of Ministers in October 2004, following the recommendation of the Feasibility Study for Bosnia and Herzegovina. Establishment of the Office was a response to the needs of citizens for more efficient and more accountable public administration on all the levels of government, capable to accept the obligations in the process of European integrations of Bosnia and Herzegovina. The office is a driving force of the public administration reform in Bosnia and Herzegovina, and its most important role is to coordinate reform activities between the Council of Ministers, entity governments and government of Brcko District of Bosnia and Herzegovina, closely cooperating with the Delegation of the European Union in Bosnia and Herzegovina.

One of the tasks of the PARCO is also the management of the Public Administration Reform Fund. The PARCO is the first institution of Bosnia and Herzegovina which is entrusted with foreign donor funds to manage. The assets of this Fund will serve as a supplement to available budget resources which would finance the public administration reform.

Components 2 and 3 – one service contract (TA)

The main beneficiaries of the Project are Ministry of Finance and Treasury of Bosnia and Herzegovina, Ministry of Finance of Federation of Bosnia and Herzegovina, Ministry of Finance of Republic of Srpska and Directorate for Finance of Brcko District.

-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 Ministry 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 Bosnia and Herzegovina
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-Social Federative Republic of Yugoslavia and Management of Bosnia and Herzegovina 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

-Ministry of Finance of Federation of Bosnia and Herzegovina

Federal Ministry of Finance is the governmental administrative body within the Government of Federation of Bosnia and Herzegovina (entity level) whose internal organisational structure

according to Rulebook on Internal Organization of the Federal Ministry of Finance is set up 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 under the jurisdiction of the Ministry of Finance are:

1. Tax Administration of Federation of Bosnia and Herzegovina
2. Finance Police of Federation of Bosnia and Herzegovina

-Ministry of Finance of Republic of Srpska

Ministry of Finance of Republic of Srpska is the Governmental administrative body within the Government of Republic of 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

Administrations under jurisdiction of the Ministry:

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

-Directorate for Finance of Brcko District of Bosnia and Herzegovina

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

- Director Office
- Treasury
- Tax Administration

ANNEX IV: Reference to laws, regulations and strategic documents

Component 1

Bosnia and Herzegovina

- The Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina (“Official Gazette of Bosnia and Herzegovina”, No. 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09);
- The Law on the Council of Ministers of Bosnia and Herzegovina (“Official Gazette of Bosnia and Herzegovina”, No. 38/02, 42/03);
- The Rules of Procedure of the Council of Ministers of Bosnia and Herzegovina (“Official Gazette of Bosnia and Herzegovina”, No. 22/03).

Federation of Bosnia and Herzegovina

- The Law on Federal Ministries and Other Bodies of Federal Administration (“Official Gazette of the Federation of Bosnia and Herzegovina”, No. 58/02, 19/03, 38/05, 2/06, 8/06 and 61/06);
- The Law on the Government of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of Bosnia and Herzegovina”, No. 1/94, 8/95, 58/02, 19/03, 2/06 and 8/06);
- The Rules of Procedure of the Government of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of Bosnia and Herzegovina”, No. 25/03).

Republic of Srpska

- The Law on the Government of the Republic of Srpska (“Official Gazette of the Republic of Srpska”, No. 3/97, 3/98, 29/00);
- The Law on the Ministries of the Republic of Srpska (“Official Gazette of the Republic of Srpska”, No. 70/02, 33/04, 118/05, 33/06);
- The Rules of Procedure of the Government of the Republic of Srpska (“Official Gazette of the Republic of Srpska”, No. 14/01).

Brcko District of Bosnia and Herzegovina

- The Law on the Government of the Brcko District of Bosnia and Herzegovina (“Official Gazette of the Brcko District of Bosnia and Herzegovina”, No. 19/07, 36/07, 38/07, 2/08, 17/08, 23/08);
- The Rules of Procedure of the Government of the Brcko District of Bosnia and Herzegovina (“Official Gazette of the Brcko District of Bosnia and Herzegovina”, No. 31/07).

Other reference documents:

- Action Plan 1 of the Public Administration Reform Strategy in Bosnia and Herzegovina;
- MIPD 2009-2011 (Political Criteria - Public Administration Reform).

Components 2 and 3

Bosnia and Herzegovina

- The Law on Financing of Institutions of Bosnia and Herzegovina (“Official Gazette of Bosnia and Herzegovina”, No. 61/04 and 49/09);
- Annual Laws on Budgets;
- Law on Treasury of Bosnia and Herzegovina Institutions (“Official Gazette of Bosnia and Herzegovina”, No. 27/00);
- Law on the Auditing of Bosnia and Herzegovina Institutions (“Official Gazette of Bosnia and Herzegovina”, No. 12/06);
- Law on Internal Audit of Bosnia and Herzegovina Institutions (“Official Gazette of Bosnia and Herzegovina”, No. 27/08).

Federation of Bosnia and Herzegovina

- The Law on Budgets of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of Bosnia and Herzegovina”, No. 19/06);
- Annual Laws on Budget Execution;
- Law on Treasury of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of Bosnia and Herzegovina“, No. 19/03);
- Law on the Auditing Institutions in Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of Bosnia and Herzegovina“, No.22/06).

Republic of Srpska

- The Law on Budget System of the Republic of Srpska (“Official Gazette of the Republic of Srpska”, No. 54/08, 126/08 and 92/09);
- Annual Laws on Budget Execution;
- Law on Treasury (“Official Gazette of the Republic of Srpska“, No. 16/05);
- Law on the Auditing Public Administration of the Republic of Srpska (“Official Gazette of the Republic of Srpska“, No. 98/05);
- Law on Internal Audit in Public Administration of the Republic Srpska (“Official Gazette of the Republic of Srpska“, No. 17/08).

Brcko District of Bosnia and Herzegovina

- Law on Directorate for Finance of the Brcko District of Bosnia and Herzegovina (“Official Gazette of the Brcko District of Bosnia and Herzegovina “, No. 19/07);
- Law on the Auditing of Public Administration and Institutions in the Brcko District of Bosnia and Herzegovina (“Official Gazette of the Brcko District of Bosnia and Herzegovina“, No. 40/08);
- Law on Treasury of the Brcko District of Bosnia and Herzegovina (“Official Gazette of the Brcko District of Bosnia and Herzegovina“, No. 19/07, 2/08).

ANNEX V: Details per EU funded contract:

Component 1

The contractor is expected to establish a strong project implementation office, with a team leader and an office manager, and two key experts. The requirements for the team leader and the experts include university degree in a relevant field and at least five years of intensive experience in providing technical assistance in one the following areas: public administration reform, policy making and coordination capacities, administrative decision-making, public policy, training, legislation drafting. A number of non-key experts will be engaged to complement the required expertise. It will be expected that a project sub-office is established in Banja Luka to closely cooperate with the authorities in Republic of Srpska. The experts will provide support in drafting policy papers and implementing legislation, procedures manuals, organisation of trainings, support in negotiations, presentations at workshops, facilitation of working groups, discussions with policy-makers and make themselves available for on-the-job training and advice to the project beneficiaries in situations the latter cannot independently overcome.

Component 2

The contractor is expected to establish a strong project implementation team with three key experts, one for each of the three Ministries of Finance where one of them will be a team leader. Key experts will be located in Budget Sectors of each Ministry of Finance, to ensure continuous capacity building and on-the-job training.

The requirements for the team leader and the experts include university degree (and preferably postgraduate/advanced degrees) in a relevant field and at least five years of experience in one the following areas: public finance, macroeconomics, policy making and coordination capacities, public policy, training, legislation drafting. If necessary, non-key experts will be engaged to complement the required expertise. The experts will provide support in organisation of extensive training and capacity building of the staff of Budget Sectors, of state and entity Ministries of Finance, as well as further training of financial officers of all budget users. In addition to direct capacity building of staff, Project will leave comprehensive training material in program budgeting to Ministries of Finance, including induction training materials for new staff of Ministries of Finance, as well as induction training materials for new staff of budget users. The experts will also provide support in drafting policy papers, budget instructions, procedures manuals, presentations at workshops, facilitation of meetings of Budget Sectors of Ministries of Finance.

Component 3

The contractor will establish an implementation team of three key experts (one of them a team leader) each with university degree in relevant field and at least five year practical experience in the area of development and implementation of PIFC legal and institutional aspects. If necessary, non-key experts, who have required education and experience in related fields, will be engaged.

The experts will provide support the CHUs in changing and amending the existing laws and regulations, drafting the Internal control standards, manuals and procedures, development of internal control tools and measures, working documents and through comprehensive trainings and training materials contribute to increasing of the managerial awareness and sensitivity in terms of utilization of public resources and strengthening of the control environment.