



## Strengthening Public Financial Management in BiH

This project is funded by the European Union



### **Round Table Meeting “Public Finance Management in BiH - Strategic Planning, Budgeting and Public Investments”: input from the project “Strengthening Public Financial Management in BiH” (SPFM)**

The **The overall objective of the project** is 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. The purpose of this contract is to improve the quality of fiscal policy and the link between policy-making and budget planning procedures, and to strengthen the public internal financial control system.

The **main results to be achieved** shall cover all levels of government and consist for Component 1 (“Public Financial Management”) in strengthening the MoFs’ capacities for the budget preparation process based on harmonised procedures and for producing high-quality Budget Framework Papers; improving budget users’ capabilities for submitting budget requests in programme format; and synergy of budget planning processes with the PARCO Project of introduction of the BMIS. For Component 2 (“Public Internal Financial Control”): in strengthening capacity of internal auditors; an improved Legal framework in line with EU standards and practices; internal control standards, manuals and written procedures; strategic and annual audit plans; a strengthened administrative capacity for PIFC and in particular managerial accountability by further supporting the changes in public management culture focused on economy, efficiency and effectiveness of all activities.

**Approach for Component 1:** The challenges in the budgetary processes, namely in the programme budgeting approach, identified above can be summarized as follows:

1. The need to develop analytical and forecasting capacity in the MoF budget sectors
2. Improving quality of the budget submissions
3. Upgrading the legal framework
4. Improving the link between strategic documents and annual budget
5. Introducing monitoring of budget performance
6. The need for IT support for the budgeting process

The approach for implementing Component 1 will therefore put a strong focus on the following:

1. Providing extensive training to the Budget Sectors in all steps of the budget formulation process with an increased focus on the planning phase and the forecasting capabilities.
2. Training of budget users in all areas of programme budgeting and performance measuring, as the key to obtaining better results in budget submissions, both regarding the budget users’ input for the BFP as for the annual budget process.



## Strengthening Public Financial Management in BiH

This project is funded by the European Union



3. Upgrading the legal framework by establishing the legal basis for programme budgeting and achieving harmonisation of the budgetary process among the different levels of government: Programme budgeting can be introduced either in a legally binding way or for informational purposes only. Experience in BiH shows that fostering a legal basis is advisable in order to enforce the reform.
4. Linking strategies and annual budget requires strengthening of the capacities of the different actors (DEP, ITA-MAU, MoFs' Budget Sectors, Fiscal Council) in macro-economic analysis and revenue forecasting.
5. Establishing systems for monitoring budget performance, which is a long-term goal.
6. IT support for programme oriented budget preparation is provided by the BMIS. A proper interface with the Treasury systems, providing for the recording of expenditure by program is essential.