

# National Study of Policy Coordination Processes in Bosnia and Herzegovina



ReSPA

Regional School  
of Public Administration

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ReSPA activities are funded  
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August 2021



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## Contents

<b>1 Introduction .....</b>	<b>5</b>
<b>2 Assessment of the current legal and institutional framework and practices in policy coordination in Bosnia and Herzegovina .....</b>	<b>11</b>
2.1 Legislative Drafting and Regulatory Impact Assessment (RIA) .....	14
2.2 Strategic planning, medium-term, and annual planning coordination ..	18
2.3 The coordination of Public Administration Reform (PAR) .....	21
2.4 The coordination of Public Finance Management and PFM strategies ...	26
2.5 Coordination of the European integration process .....	28
2.6 Coordination of the Economic Reform Programme .....	31
2.7 Joint socioeconomic reforms (Reform Agenda) .....	33
<b>3 Conclusions &amp; Recommendations .....</b>	<b>35</b>
<b>4 References .....</b>	<b>39</b>
<b>Annex .....</b>	<b>41</b>

Autor:

**Azra Bećirović**

The Regional School for Public Administration (ReSPA), as the inter-governmental organisation for enhancing regional cooperation, promoting shared learning and supporting the development of public administration in the Western Balkans, helps governments in the region develop better public administration, public services and overall governance systems for their citizens and businesses, and prepare them for membership in the European Union (EU). ReSPA Members are Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia, while Kosovo\* is a beneficiary.

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## List of Abbreviations

BD BIH	Brčko District of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CoG	Centre-of-Government
CoM	Council of Ministers
DEI	Directorate for European Integration
DEP	Directorate for Economic Planning
EC	European Commission
EI	European Integration
ERP	Economic Reform Programme
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GS	General Secretariat
HJPC	High Judicial and Prosecutorial Council
IMF	International Monetary Fund
IT	Information Technology
OSCE	Organization for Security and Co-operation in Europe
PAR	Public Administration Reform
PARCO	Public Administration Reform Coordinator's Office
PFM	Public Financial Management
ReSPA	Regional School of Public Administration
RIA	Regulatory Impact Assessment
RS	Republic of Srpska
SAA	Stabilization and Association Agreement
SDGs	Sustainable Development Goals
SIGMA	Support for Improvement in Governance and Management
UN	United Nations

# 1

## Introduction

Policy development and coordination is key to the efficient and effective functioning of any democratic government and constitutes a major challenge for all political systems. The importance and scale of this challenge arises from the fact that every government decision has multiple impacts on other decisions, reducing, strengthening or offsetting the effectiveness of different policies. Adequate mechanisms need to be in place, therefore, to avoid the enactment of conflicting policies. In addition to this form of 'negative coordination', however, we also need to take account of the benefits of 'positive coordination', i.e. of the synergies produced through greater cooperation and coordination of programmes.<sup>1</sup> In sum, a well-coordinated governance system is more affordable and more transparent and accountable to the public, thereby serving the interests of social and economic development.

Policy coordination is especially crucial in a system that is being continuously upgraded and transformed to meet the challenges arising from the process of EU integration as well as from other regional and global developments. It is not surprising, therefore, that policy development and coordination constitutes an integral part of strategies for reforming public administration and is thus one of the areas most frequently assessed in potential and EU candidate countries such as Bosnia and Herzegovina.

Bosnia and Herzegovina is a particular example of the need for both horizontal and vertical policy coordination because the country's constitutional setup and division of competencies means that public policy is developed and implemented at several levels of government. Bosnia and Herzegovina is organized as an asymmetrical federation in four tiers of government. In this setup, the executive, i.e. the central state administration and its Council of Ministers, is tasked primarily with external

<sup>1</sup> Peters, B. Guy (2018) The challenge of policy coordination, *Policy Design and Practice*, 1(1), 1–11.

functions such as defence and foreign affairs as well as the coordination of internal processes. The second tier consists of the two entities of the Federation of BiH and the Republic of Srpska, which hold the majority of competencies regarding internal matters such as the economy, industry, and social protection, while the Brčko District comprises a third subnational administrative unit. While Brčko District is organised in the form of a local self-government body, it has equal status with the other two entities and has its own separate legal and institutional framework, including significant competencies in areas such as income tax policy. The entity, Federation of BiH is further divided into ten cantons with their own competencies in education, social protection and healthcare, etc. The fourth tier is comprised of the municipalities, which play an increasingly important role in the provision of public services and the implementation of overall policy framework on account of the greater proximity of these bodies to the citizens.

The complexity of this system has led to a massive public administration in Bosnia and Herzegovina. This administration is being steered towards becoming a more modern organisation that serves the economy in transition, implements the international agenda, and fulfils the requirements of the European integration process.

A process of comprehensive public administration reform (PAR) has formally been underway in Bosnia and Herzegovina for over a decade. The first country-wide PAR strategy was implemented in the period 2006–2014 and resulted in significant improvements in this area at all administrative levels, albeit with differing rates of progress at different levels. These results were achieved primarily through the development of a legal and institutional framework for policy development and implementation. One of the main achievements of this strategy related to improvements in strategic planning, coordination and policy-making, including the introduction of a legal and methodological framework for medium-term and annual programming for the Council of Ministers of Bosnia and Herzegovina, the Government of FBiH and the Government of the Republic of Srpska. In addition, this first PAR strategy brought about improvements in the country's administrative capacity for analysis and planning, as the development of supportive IT solutions. The process of drafting legislation were also improved, with provisions being introduced for public consultations and regulatory impact assessments at all administrative levels, leading to greater inclusiveness, transparency and accountability in policy-making.

A number of key tasks still need to be undertaken as part of PAR in Bosnia and Herzegovina. These include the task of further upgrading the planning process and merging this process with budget planning process through the introduction of programme-based budgeting, improving the coordination and control functions in policy-making and legislative drafting, including in relation to European integration issues. Further investments in capacity-building and organizational adjustments are necessary to achieve further progress in the implementation of the legislative framework, particularly with regard to public consultations and regulatory impact assessment. In order to increase public access to legislation, meanwhile, more efforts will be needed to develop a comprehensive and publicly accessible electronic register of regulations, as well as enabling greater access to consolidated texts.<sup>2</sup>

The Strategic Framework for Public Administration Reform 2018–2022 that is currently in effect sets further goals to strengthen coherence, participation, efficiency, control and transparency in the development management system and the decision-making process in public administration. These goals will be achieved through the following measures:

- Enhancing capacities of decision-makers at administrative levels in Bosnia and Herzegovina to develop a competent and consistent decision-making system at all administrative levels.
- Improvement of the strategic, medium-term and annual planning systems in Bosnia and Herzegovina at each administrative level through inter-institutional cooperation and harmonization with the budgeting process and available public financial resources, and requirements of the European integration, respecting the constitutional and legal set-up of Bosnia and Herzegovina.
- Strengthening the evidence-based decision-making system and enhancing analytical capacities at all administrative levels through improved application of analytical tools for decision-making based on arguments and evidence.
- Ensuring the inclusion and participation of the public in the making, implementing and monitoring of strategic plans, public policies and regulations.
- Increasing efficiency and consistency through inter-institutional functional linking within administrative levels and harmonized action in drafting and implementing public policies between ministries, between the “centres of government” and ministries, and between executive and legislative bodies.<sup>3</sup>

In addition to the ongoing process of PAR, a number of increased and additional specific needs for policy coordination are driven by the EU enlargement process and by global initiatives such as the UN's Sustainable Development Goals (SDGs).<sup>4</sup>

The country's progress in the EU integration process has been slow. The Stabilization and Association Agreement was signed in 2008 but only entered into force in June 2015, while the Application for Membership was submitted in early 2016. On receiving the Application, the European Commission issued a questionnaire for Bosnia and Herzegovina. However, the country took two and a half years to respond to this questionnaire, with subsequent rounds of follow-up questions. The EC issued an Opinion in 2019 setting out fourteen key priorities that needed to be addressed in order for the country to attain candidate status.

In line with the UN Agenda 2030, an SDG Framework for Bosnia and Herzegovina was prepared in 2020, with the Directorate for Economic Planning having a coordination role. The requirements and goals set out in this process are closely linked with already established reform areas and strategic aspirations. Firstly, sustainable development is associated with European integration. The European Union had a significant role in defining the Agenda 2030 and the SDGs, drawing on its previous experience in steering development goals for member states based on the pillars of “smart, sustainable and inclusive growth”. The revised European Consensus on Development now serves as the basis for aligning the European Union's policies with Agenda 2030.

<sup>3</sup> Strategic Framework for PAR ([parco.gov.ba](http://parco.gov.ba)).

<sup>4</sup> The\_SDG\_Framework\_in\_Bosnia\_and\_Herzegovina, December 2020.

The SDG framework for Bosnia and Herzegovina will serve to steer the processes of strategic planning at all levels of government, while the administrations work on defining their priorities, measures and activities for achieving Agenda 2030 in accordance with their constitutional competencies.

The need for efficient and effective policy coordination in Bosnia and Herzegovina has thus been further increased by the need to achieve whole-of-government goals such as the implementation of a global agenda, the fulfilment of international commitments, and the internally driven needs of a country that is transitioning to a market economy and aspiring to EU membership.

When assessing policy coordination practices and capacities in Bosnia and Herzegovina, the country's specific administrative structure must be considered and discussed, including both vertical and horizontal policy coordination.

In line with the Principles of Public Administration<sup>5</sup> for EU candidate countries and potential candidates, the assessment of policy coordination and development is conducted according to the following four key criteria:

1. Centre of government institutions fulfil all functions critical to a well-organised, consistent and competent policy making system, with clear horizontal procedures for governing the national European integration process.
2. Policy planning is harmonised, aligned with the Government's financial resources and monitored, thus ensuring the Government is able to achieve its objectives, including EU integration.
3. Government decisions and legislation are transparent, legally compliant and accessible to the public; the work of the Government is scrutinised by the Parliament.
4. Inclusive, evidence-based policy and legislative development, including regular impact assessment, enables the achievement of intended policy objectives, including EU integration and the transposition of the EU acquis.

The 2017 Sigma Monitoring Report on Bosnia and Herzegovina applied these criteria in assessing the country's progress in PAR. Some of the key findings from this previous report are shown in Box 1 below. These findings indicated that segmentation and inconsistencies were impeding effective policy-making, in turn hindering progress in improving coordination at all levels of the administration. The 2017 Report concluded that improving vertical communications was a priority.

A 2021 Report on Bosnia and Herzegovina is currently being finalized. This new report applies an updated and more comprehensive methodological approach to assessment.

*Box 1. Excerpt from the 2017 Sigma Monitoring Report for Bosnia and Herzegovina*

- The legal frameworks required for the performance of key CoG functions and the critical functions required for European integration (EI) have been established at each level of the administration. Major challenges remain with regard to the co-ordination and scrutiny of the policy content of proposals at all levels of the administration and to the vertical communication needed for effective policy co-ordination.
- Annual planning of the work of the CoM and the Governments of the FBiH, the RS and the BD BiH is regulated well, although prioritisation and realistic planning are absent.
- The planning and monitoring of EI-related activities lack a proper regulatory framework, and the co-ordination of EI activities between the different levels of the administration is limited. A new EI co-ordination system was established in BiH in 2016, but it is not yet fully functional. Each level of the administration has its own internal co-ordination structure, rules and processes for the transposition of EU legislation. There is no harmonised and co-ordinated approach for planning and implementation of transposition activities across all levels of the administration.
- A medium-term policy-planning framework has been established at all levels of BiH, except for the BD BiH. The development of sector strategies remains problematic, as the requirements and standards for such strategies have not been established at any level of the administration. Monitoring and reporting with regard to the Government Annual Work Programmes (GAWPs) are carried out regularly. However, information on policy implementation and on the work of the Government is not provided equally at all levels of the administration.
- The nature of decision making at each level of the BiH administration, as stipulated by the constitutional framework, is complex. Policy-development practices at all levels of the administration have not been established uniformly, and final decision making on policy proposals across all levels in most of cases is not supported by analysis and evidence. Policy proposals are not always checked from the perspective of their financial impact and affordability.
- Public involvement in policy development, through consultation on draft policy proposals and draft legislation, does not fully adhere to the relevant regulations established at all levels of the BiH administration. In addition, access to legislation is hampered by the fact that it is not free of charge, and official sources do not make consolidated texts available.

Given that adequate policy-making, coordination and implementation depend on the availability of allocated financial resources, moreover, emphasis must be placed on public financial management (PFM) and the alignment of policy planning with financing. In Bosnia and Herzegovina, numerous policies, strategies, laws and regulations were previously developed without due consideration of all the financial requirements and fiscal impacts of their implementation. However, the country's budgetary process now only takes into account policy proposals that are costed and included in the



budget proposals of the responsible institutions, meaning policies can only be implemented once they have been accepted and included in the final budget framework. A useful reform in the area of PFM in Bosnia and Herzegovina would be the introduction of programme-based budgeting to help policy coordination and the overall effectiveness of policy-making.

This study aims to contribute to current discussions on strengthening policy coordination in Bosnia and Herzegovina, i.e. the central government (institutions of BiH) and the two entities of the Federation of Bosnia and Herzegovina and the Republic of Srpska. The findings, assessments and recommendations provided here refer specifically to the coordination of processes of legal drafting and regulatory impact assessment within the policy development process, strategic planning and government medium-term and annual planning, the coordination of PAR, PFM reform and the coordination of EU integration processes.

The recommendations provided are guided by a review of relevant studies, including ReSPA's 2020 Analytical Paper on Policy Coordination in the Western Balkans,<sup>6</sup> as well as a review of documentation on the legal, institutional, and strategic frameworks in the governments in Bosnia and Herzegovina, assessments of the country's policy-making systems and practices by international organizations, and interviews held with government officials in charge of or otherwise involved in different aspects of the policy coordination process. Discussions with senior officials at the workshop organized for presenting the draft study have contributed significantly to its finalization.

## 2

### Assessment of the current legal and institutional framework and practices in policy coordination in Bosnia and Herzegovina

Policy coordination can be achieved through a range of different mechanisms depending on the particular context, though all these mechanisms can be broadly classified as either networks, collaborations, or hierarchies. Such mechanisms might include civil servants working well together – formally or informally – to improve policy coordination, for example, as would relationships established between government and social actors. Collaboration implies attempts at policy integration, including the significant involvement of actors from different fields working together towards a consensus, which can be very difficult and time-consuming. The usual approach adopted by governments is thus for authority to come from the centres of government (CoG), primarily because of the unique position of CoGs to identify the needs for coordination, though also because of their not being attached to any part of the government, department or agency.<sup>7</sup>

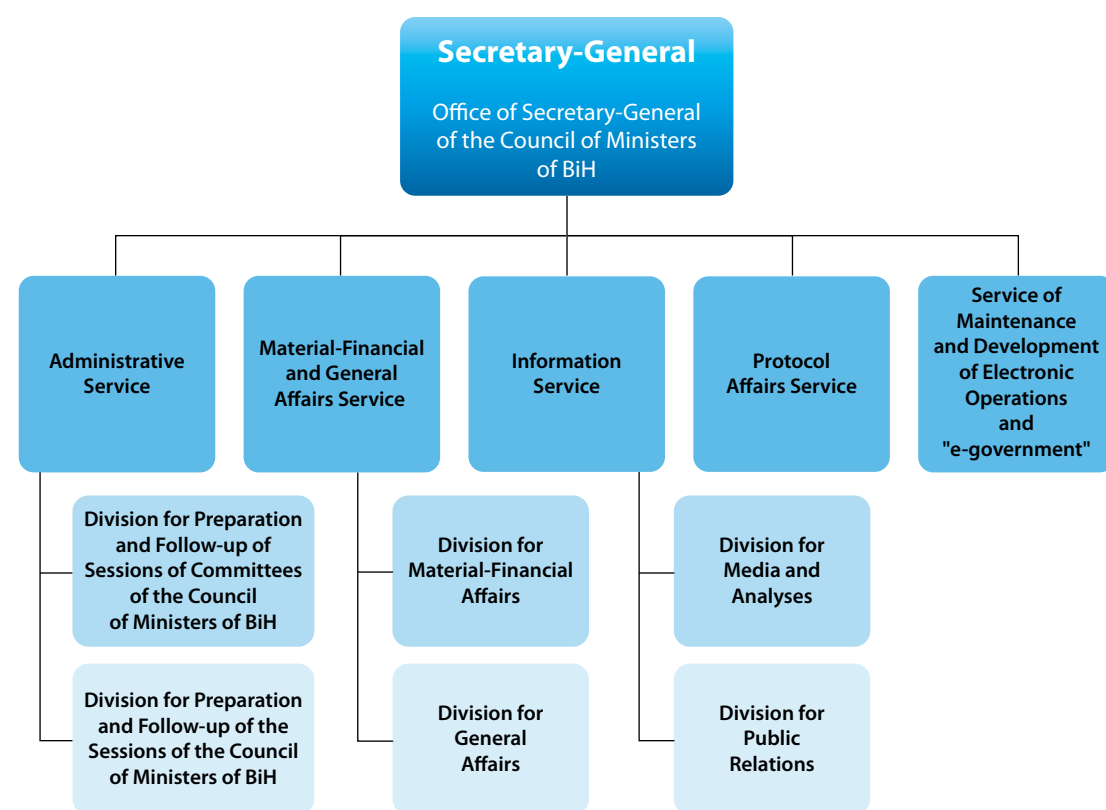
In Bosnia and Herzegovina the centre-of government function is performed by General Secretariats, which have been significantly developed as a result of previous PAR activities. However, the institutional setup for different aspects of policy coordination differs among administrative units, i.e. the state level and the two entities, and overall involves a large number of institutions. The specific features of these systems and institutions of BiH and two entities are discussed in accordance with the following SIGMA principles and criteria related to the CoG and policy development and coordination:

- Principle 1: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.
- Principle 5: Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.

- Principle 6: Government decisions are prepared in a transparent manner and based on the administration's professional judgement; the legal conformity of decisions is ensured.

The General Secretariat (GS) is a central government body for the coordination of policies in the **Council of Ministers of Bosnia and Herzegovina**. The main tasks of the GS include the preparation of government sessions and meetings, the drafting of minutes and records, informing the public, monitoring of implementation of Council of Ministers' decisions, protocol, and other tasks assigned by the CoM.

Figure 1. Secretariat-General of the Council of Ministers of Bosnia and Herzegovina



Source: The Council of Ministers of Bosnia and Herzegovina. [vijece ministara.gov.ba](http://vijece ministara.gov.ba)

Box 2. Recommendations for the General Secretariat (GS)

The General Secretariat of the Council of Ministers of BiH deals only with the formal coordination of the work of the government. This permanent body would need its capacities strengthened both in terms of the number of its staff and their competencies to fulfil the increasing demands of policy coordination tasks.

- This recommendation applies to the GS bodies in the entities as well, though different institutional arrangements are in place in these entities.

In addition, the Ministry of Justice of Bosnia and Herzegovina is tasked with a number of policy coordination aspects, acting as a central coordinating body for ensuring the compliance of legislation and the standards of the judicial system among the entities, facilitating the conditions for discussing and coordinating initiatives.<sup>8</sup> A Department for Strategic Planning and Coordination of EU assistance was established in 2007 and has since led the preparation of two country-wide strategies of judicial system development, as well as the development of regulatory impact assessment (RIA) and the legislative framework for public consultations for the institutions of Bosnia and Herzegovina. The Department also contributed to the drafting of the new Decree on Annual Planning in Spring 2021, which is currently with the General Secretariat together with all required documentation, i.e. opinions. Once the decision has been adopted, a new Guidance will be drafted.

This process is driven by the experience that existing decisions on medium-term planning are restrictive. The new decree is expected to bring improvements in the regulation of long-term, medium-term and annual planning. It is envisaged to include progress indicators for assessing the Council of Ministers' performance on the basis of the reports of the CoM and all administrative units, including an overview of laws.

Other significant functions of the centre-of-government in the Council of Ministers are given to the Directorate for Economic Planning, which is tasked with development, strategic, medium-term and annual planning and macroeconomic analysis and projections, including the development of an Economic Reform Programme. The Directorate for European Integration coordinates the EI processes in the institutions of BiH and country-wide, while the Public Administration Coordinator's Office coordinates the country-wide processes of PAR and the development of PAR strategies.

Box 3. Recommendations for the Institutions of BiH

- The quality of training needs to be improved.
- IT solutions are needed to support drafting in policy development, including for the structure and language of draft regulations, the use of accessible language, etc.).
- Public consultations in the Institutions of BiH need to be improved. This may include upgrading e-consultations.
- Public opinion surveys should be introduced.
- The institutions' web platforms should enable more than a minimum of public consultations, in a way to support the institution preparing the regulation to comply with the requirement to identify and consult interested parties directly.

While the General Secretariat of the **FBiH** government has a department for policy coordination, this department does not currently seem to be fully functioning. Although the GS previously performed functions for PAR coordination and RIA, both functions have now been transmitted to other institutions: PAR coordination is performed within the Ministry of Justice, while RIA is coordinated by the Office of the Government of the Federation of Bosnia and Herzegovina for Legislation and

8 Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina.



Compliance with EU Regulations (discussed in a separate section of this study). The functions of strategic planning, medium-term annual planning and development planning, including the preparation of the Economic Reform Programme, are located in the Federal Institute for Development Programming. The Office for European Integration of FBiH coordinates the EU integration processes within FBiH and cantons with the support of the Directorate for European Integration.

In the **Republic of Srpska** the General Secretariat has a department for strategic planning that deals with the coordination and preparation of strategic documents and action plans, including the medium-term and annual work plans of the government, as well as for monitoring the implementation of these plans. The functions of PAR coordination are organisationally located in the Ministry of Administration and Local Self-Government, while the processes of European integration (EI) are coordinated from within the Ministry of European Integration and International Cooperation of the Republic of Srpska. The coordination of RIA processes are located within the Ministry of Economy and Entrepreneurship, while the coordination of the preparation of the Economic Reform Programme (ERP) for the Republic of Srpska is performed by the Ministry of Finance.

These examples illustrate the complex and various arrangements and mechanisms in place in Bosnia and Herzegovina at different levels of government for implementing the functions of the centre of government.

## 2.1 Legislative Drafting and Regulatory Impact Assessment (RIA)

This section reviews several aspects of policy development that require a significant level of coordination within government structures and beyond, as assessed by SIGMA:

- Evidence-based policy-making, primarily with regard to legal drafting and the consistent use of regulatory impact assessments.
- Inclusive policy-making and legal drafting that enables the active participation of society and allows for the coordination of different perspectives within the government.
- Legal drafting that is consistent in structure, style and language across ministries and which is publicly accessible.

Regulatory impact assessment (RIA) is the systematic process of identifying and estimating the expected impacts of proposed regulations. RIA has been formally included in policy-making processes at three levels of government, though with variations in form and in the success of implementation to date.

In the **Institutions of BiH** the legislative drafting process, including RIA, is described in Chapter II ('Impact Assessment and Legislative Drafting Procedures') of the Unified Rules for Legislative Drafting in the Institutions of Bosnia and Herzegovina, (nos. 11/05, 58/14, 60/14, 50/17, 70/17, 10/21 and its Annex I. This document will hereinafter be referred to as the Unified Rules.

Procedures for conducting comprehensive preliminary impact assessments have been prescribed and control bodies have been defined and tasked with providing opinions on the specific impacts of certain policies. Accordingly, the Ministry of Finance must provide opinions on the fiscal impacts of policies. When drafting or proposing regulation in the institutions of Bosnia and Herzegovina, for example, the proponent of the regulation must submit a rationale for the financial resources required for its implementation, i.e. an assessment of its fiscal impacts in accordance with the methodology and the forms provided for under Annex 1 of the Unified Rules. The BiH Ministry of Finance and Treasury then provides its opinion in the form prescribed by the Unified Rules and keeps records of these assessments for further budget planning purposes.

Although the process has been significantly formalised with these procedures, the content and quality of assessments remains a challenge. Placing the emphasis on form may even have reduced the quality of assessment, moreover, since the 'explanations' accompanying draft laws previously are viewed as having provided more substantial inputs to support decision-making.<sup>9</sup>

In the **Federation of Bosnia and Herzegovina**, RIA is regulated by the Decree on the Regulatory Impact Assessment Procedure (*Official Gazette of the Federation of BiH*, No. 55/14 and 19/20, 67/20). This regulation was prepared in order to implement the obligations undertaken as part of the Government of the Federation of Bosnia and Herzegovina's Regulatory Reform Strategy of 2013–2016, which emphasised the importance of RIA as an important link in the overall regulatory reform process. The adoption of this regulation has created preconditions for simpler and more focused results, as well as contributing to the creation of conditions for better regulation and realisation of public interests and the implementation of overall and sectoral policies.

In accordance with the Decree amendments, the Office for Legislation and EU integration is now responsible for RIA and alignment with work plans of the FBiH government. The Office reports to the government annually on these processes. It also has a mandate to pause the legislative process until RIA has been conducted. The office has developed a methodology and a manual for conducting RIA, limiting it in scope exclusively to proposed laws in line with best practices.

The Decree stipulates that RIAs must be conducted in the Federation of Bosnia and Herzegovina in the form of both short and full impact assessments. The drafting authority is obliged to submit one of these two forms of RIA for assessing the impact of regulations, depending on whether the regulation is included in the annual work plan of the Government of the Federation of Bosnia and Herzegovina or undertaken at the request of the Government of the Federation during the year. In addition to providing expert legal opinion and verification of compliance of regulations with EU regulations, the Legislative Office also provides an expert opinion once an RIA has been conducted and completes a Control Form to be submitted to the drafting authority, in accordance with Article 6 of the Regulation, specifying whether a full RIA needs to be carried out. A comprehensive RIA is conducted on the regulations defined in the annual plan and work programme of the Government of FBiH. As an exception, the Government of the Federation may if necessary request a full assessment of regulations not included in the annual work plan.<sup>10</sup>

<sup>9</sup> Interview with a representative from the Ministry of Justice.

<sup>10</sup> From responses to the questionnaire designed and conducted for ReSPA's 2020 analytical paper on policy coordination. (The questionnaire focused on the development, functioning and coordination of the PAR and PFM strategies adopted by governments in the Western Balkan region.)

In practice, a short RIA, as a simplified procedure, can only be conducted when a regulation is not included in the government's plans or when there is a specific government's approval to conduct a short assessment. The Office has noted a decreasing number of short RIAs in recent years.

With regard to the process of conducting and controlling RIAs, the Office notes that consultations sometimes present a challenge due to the need to obtain a large number of opinions. This is especially the case when opinions are needed from the ten cantons in the FBiH, i.e. when the issue falls into their competencies.

The Office declares that it follows good practice in consistently returning any incomplete or unsatisfactory documentation, only accepting assessments once they comply with all requirements of the Decree and the defined procedures.

However, the Office does not have the capacity to conduct training for civil servants working on RIA. Moreover, the centralised training programme for civil servants provided by Civil Service Agency of FBiH does not include training in RIA. To circumvent this shortcoming, the Office itself conducts controls and provides constant consultation and support for civil servants. As another shortcoming related to RIA in FBiH, there is a noted tendency to avoid conducting RIAs in the case of complex laws such as laws related to labour market.

Overall, there is a formal alignment of government programmes and policies with the EU integration process. The extent of such alignment depends on the sector, however, with very good alignment being noted, for example, in the area of environment and agriculture.

#### Box 4. FBiH Good practices and Recommendations

- The 'e-uprava portal' was established in 2014 but has not been maintained.
- RIAs are publicly available at: <http://euprava.fbih.gov.ba/ria>
- An initiative has been undertaken to establish a Directorate for Public Administration.
- An initiative has been undertaken to form a publicly accessible database of all laws submitted for a formal opinion, though financial support for such a project is lacking at present and no formal decree has been issued by the government to establish such a database. If eventually implemented, the database would help improve the work of the Press Office tasked with publishing information for the public. The initiative would also enable the Legislative Office to include more content and all amendments to the laws in the database.

In the **Republic of Srpska**, RIA is conducted on the basis of the Decision on Implementation of Regulatory Impact Assessment Process in Drafting Procedure (*Official Gazette of the Republic of Srpska*, No. 21/19) and the Rules of Procedure of the Government of the Republic of Srpska (*Official Gazette of the Republic of Srpska*, No. 123/18). The process is coordinated by the Ministry of Economy and Entrepreneurship, where a Department for RIA was established in 2018.

RIAs are conducted in accordance with the methodology for full RIAs and short RIAs.

Full RIAs are conducted for all legislation that the Government of the Republic of Srpska has

concluded will cause significant impacts on the entity's economy, society and environment. Laws are only subjected to full RIA methodology upon a decision of the Government of the Republic of Srpska. The final reports of RIAs include detailed cost-benefit analysis with recommendations. These reports are then submitted for adoption by the Government of the Republic of Srpska.

In accordance with the abovementioned Decision, short RIAs are mandatory when drafting all regulations. The Ministry of Economy and Entrepreneurship gives a written opinion on the methodology implemented in short RIAs of draft laws and thus monitors this process. In accordance with the Rules of Procedure of the Government of the Republic of Srpska, the Ministry's opinion is an integral part of the explanation of the draft law.<sup>11,12</sup>

#### Box 5. The positive aspects of the process noted by the Ministry of Economy and Entrepreneurship of the Republic of Srpska as the coordinating institution

- The obligatory character of the procedures related to RIA.
- Trial period with pilot cases in implementation of the legal framework for RIA.
- Trainings provided for civil servants on conducting RIA.
- Provision of support and consultation rather than negative opinions in the process of RIA preparation.
- The 2021 Law on Strategic Planning includes impact assessment.

In addition to the good practices listed in Box 5, the Ministry of Economy and Entrepreneurship (MoEE) notes disparities in the quality of the analyses conducted by different institutions.<sup>13</sup>

#### Box 6. RIA Recommendations

- Undertake continuous improvement of the legal and methodological framework for RIA to make the RIA process more efficient.
- Institutional capacities and expertise should be increased to enable internal conduct RIA internally.

11 The Single Contact Point for Business web portal (<https://pscsrcpska.vladars.net/sr>) includes a webpage on RIA with data on the methodology of RIAs in the Republic of Srpska, as well as final reports adopted on the completed methodology for full RIAs, as well as relevant legal acts regulating this area.

12 From responses to the questionnaire designed and conducted for ReSPA's 2020 analytical paper on policy coordination. (The questionnaire focused on the development, functioning and coordination of the PAR and PFM strategies adopted by governments in the Western Balkan region.)

13 Interview with MoEE representative.

## 2.2 Strategic planning, medium-term, and annual planning coordination

This section discusses the frameworks currently in place for strategic planning and medium-term and annual government planning in Bosnia and Herzegovina. These frameworks are reviewed here with reference to the SIGMA principle which stipulates that harmonised medium-term policy planning should be in place with clear whole-of-government objectives, that planning must be aligned with the financial circumstances of the government and that sector policies should meet the government's objectives and be consistent with the medium-term budgetary framework.

### Box 7. Excerpts from European Commission's 2020 Report on Bosnia and Herzegovina

Excerpt 1: "The **policy-making system** in Bosnia and Herzegovina remains fragmented. The legislative framework on medium-term policy planning is incomplete and uneven. The Federation entity adopted a set of bylaws regulating annual, three-year and strategic planning.

Otherwise, there has been no progress in developing harmonised legal provisions or methodological guidance for countrywide strategic planning.

There is still no harmonisation between central planning documents such as the medium-term and annual government programme, framework budget document and action plan for implementation of priorities and no harmonisation of such documents with the sector strategies. Quality review remains insufficient."

Excerpt 2: "The legal framework for **inclusive and evidence-based policy development** is incomplete and not consistently implemented. *The Republic of Srpska* entity simplified procedures on the regulatory impact assessment for law-making. The impact and quality of the analysis supporting policy proposals needs to be improved across all levels. The financial implications are not systemically calculated, and the collection and use of administrative data for policy-making are not ensured.

The legal framework on **public consultations** needs to be improved and applied consistently. The legislative framework does not fully establish standards for monitoring and reporting on key government planning documents at each level of government, thus preventing **public scrutiny over government work**. Beyond legislative measures, more efforts are needed to raise awareness on various forms of consultation with the public. It remains key to strengthen technical capacities at all levels of government on how to regularly use public consultations as a tool of policy-making."

In the Institutions of BiH the coordination of strategic and medium-term planning is conducted by the Directorate for Economic Planning (DEP) and the Ministry of Finance and Treasury,<sup>14</sup> while the annual planning process is led by the General Secretariat.

The preparation of the 2015 Strategic Framework for BiH was led by the Directorate for Economic Planning and was directly linked with the three-year planning process in the BiH Institutions through strategic objectives and indicators. The alignment of strategic planning with medium-term planning and budgeting was further facilitated through amendments to the 2016 Law on Ministries<sup>15</sup> enabling programmes and performance indicators to be matched in planning and budgeting. However, budgets are still adopted annually and are legally binding in a line-item format, which prevents simultaneous monitoring and reporting on performance and spending. Moreover, the monitoring and reporting of medium-term plans is still the responsibility of the institutions and agencies, with no comprehensive reporting being available.

Although the medium-term plan of the Council of Ministers 2020–2022<sup>16</sup> contains a financial overview of medium-term goals, i.e. the relationship between strategic goals, medium-term goals and financial resources for the three-year period, reporting on the implementation of this plan is not envisaged in the same manner. Further advances in the process of integration of planning and budgeting processes are expected with the formal introduction of programme-based budgeting at all levels of government.

In the **FBiH** entity, strategic planning is prescribed by the Government of FBiH's Decree on the Development of Strategic Documents (*Official Gazette of the FBiH* 74/20), while institutional strategic and development planning is coordinated by the Federal Institute for Development Programming, including annual and medium-term planning, development strategy, etc.

According to the Law on Development Planning and Management in the Federation of BiH (*Official Gazette of the Federation of BiH*, No. 32/17), the institutional framework for development planning and management in the Federation consists of the following bodies: the Government of the Federation of Bosnia and Herzegovina, administrative organizations, the Federal Institute for Development Programming, cantonal governments, cantonal administrative bodies and cantonal administrative organizations, local self-government units and bodies for development planning and development management in the cantons and local self-government units.

The integrated Development Strategy of FBiH for 2021–2027 is based on sectoral strategies and was adopted in 2020 as a strategic document of the highest classification. The Institute is currently conducting training in the implementation of the Decree for three-year and annual planning, monitoring and reporting<sup>17</sup> to support the implementation of the Development Strategy.

As part of its PAR activities, the General Secretariat of Republic of Srpska formed a strategic planning unit in 2016 as a key body for policy coordination. This unit is tasked with preparing medium-term and annual work plans and their alignment with strategic framework, hence the focus is on implementing documentation rather than on the strategic documents themselves. The new Law on Strategic Planning and Development Planning in the Republic of Srpska<sup>18</sup> envisages a strict

<sup>15</sup> Law on Amendments to the Law on Ministries and Other Administrative Bodies (*Official Gazette of BiH* No 9/16).

<sup>16</sup> Medium-term Plan of the Council of Ministers 2020–2022 ([dep.gov.ba](http://dep.gov.ba)).

<sup>17</sup> Obuka o primjeni Uredbe o trogodišnjem i godišnjem planiranju rada, monitoringu i izvještavanju | Federalni zavod za programiranje razvoja ([fzzpr.gov.ba](http://fzzpr.gov.ba))

<sup>18</sup> Nacrtzakona o strateškom planiranju i upravljanju razvojem u Republici Srpskoj | NSRS ([narodnaskupstinars.net](http://narodnaskupstinars.net)) - final



methodology for the drafting of strategies and medium-term and annual work plans, as well as the mutual alignment of these documents with strategies.

Regarding the links between the work of the General Secretariat with other reform processes, the General Secretariat was not involved in the development of the PFM strategy but has contributed to the PAR Strategic Framework and the development of the Action Plan for the first area, i.e. policy coordination.

The General Secretariat sees the importance of continuous capacity-building to ensure a smooth coordination process. In addition to providing frequent training for civil servants, the Secretariat provides consultations before the formal submission of documentation by other institutions. Overall, it is noted that those institutions which have dedicated positions for strategic planning tend to perform better than institutions in which no such positions are assigned and where this task only constitutes additional and unremunerated work. The development of a practitioners' community on strategic planning in the Republic of Srpska is an important tool for capacity-building, although the coronavirus pandemic rendered it challenging for this community to meet in person.

*Box 8. Recommendations for the improvement of strategic planning in the Republic of Srpska*

1. Strategic planning tasks should be included in job descriptions and dedicated positions should be developed within the organizational structure.
2. The implementation of the PAR Strategic Framework should be ensured via an Action Plan for the Republic of Srpska with the requirement for all institutions to include these obligations in their medium-term plans, in line with financing possibilities.
3. The links between financing and planning and overall capacities for the costing of strategic documents should be strengthened, including through the introduction of programme-based budgeting.

**a) Countrywide strategic planning**

When discussing the strategic framework in Bosnia and Herzegovina it is important to note that there are increasingly formal requirements in place for countrywide policy-making, primarily in order to qualify for the use of EU pre-accession assistance, though also for other donor funds. Numerous challenges have arisen vis-à-vis this approach, and a methodological framework is lacking for the drafting of countrywide strategic documents.

The SDG Framework for Bosnia and Herzegovina is an example of a countrywide document that serves to steer the preparation of separate strategic documents for implementation at each level of government. The Framework was prepared with the formal coordination of the Directorate of Economic Planning (DEP) in close cooperation with the UN and an expert group comprised of representatives of the entities and the Institutions of BiH, with rounds of consultations held throughout the process. Following the recent adoption of the Framework, strategic documents are currently being prepared or aligned in accordance with the Framework. The DEP is currently

preparing a Strategic Framework for the Institutions of BiH until 2030, the FBiH is in the last stage of adopting the Development Strategy for 2021–2027, and the Republic of Srpska is expected to prepare a similar strategic document. The progress in implementation of the Strategic Framework will be monitored and reported by the Council for monitoring its implementation, with the support of the UN.

The Directorate for Economic Planning is currently embarking on a process of drafting a Smart Specialisation Strategy that adopts a multisectoral approach and is in line with similar processes in countries of the region, based on EU methodology and with the support of the EU.

An example of current good practice in policy-making is the new strategy for justice system reform, which is a countrywide strategic document and the second of its kind. Given the usefulness of intra-institutional consultations, several stakeholders were asked to provide inputs during the drafting, including the OSCE, the World Bank mission, and the High Judicial and Prosecutorial Council of Bosnia and Herzegovina (HJPC). Although this document was still being finalized at the time of writing this study, the OSCE has adjudged the strategy to be a much better document than previous strategies.<sup>19</sup>

## 2.3 The coordination of Public Administration Reform (PAR)

The discussion in this section is guided by SIGMA's assessment of the PAR process and its coordination.<sup>20</sup> The following principles or criteria for PAR coordination provide the basis for this discussion:

1. An effective public administration reform agenda that addresses key challenges is developed and enacted.
2. Public administration reform is purposefully implemented, with reform outcome targets set and regularly monitored.
3. The financial sustainability of public administration reform is ensured.
4. Public administration reform has robust and functioning management and coordination structures at both the political and administrative levels to steer the reform design and implementation process.

As the first step and requirement in the PAR process, the four governments of Bosnia and Herzegovina, i.e. the Council of Ministers of BiH, the two entities and Brčko District BiH, adopted the first PAR Strategy in 2006, which included a commitment to regular reporting and monitoring as well as to making all necessary adjustments needed to reach the agreed targets. The implementation of the first PAR Strategy was based on Action Plan 1 for the period 2006–2010 and on the Revised Action Plan 1 for the period 2011–2014.

<sup>19</sup> Interview with MoJ representative.

<sup>20</sup> OECD (2017), *The Principles of Public Administration*, OECD, Paris.

The four governments endorsed the continuation of the PAR process in late 2015, subsequently approving and supporting the Operational Plan for PAR Strategy Development and thus marking the “start of a joint and coordinated development of the new medium-term PAR Strategic Framework in Bosnia and Herzegovina”.<sup>21</sup> Progress in strategy development was slow, however, and the 2017 SIGMA Monitoring Report for Bosnia and Herzegovina, which is the most recent report on BiH at the time of writing,<sup>22</sup> also underlined the need to adopt and develop a new strategic framework for PAR at all levels of governance as one of the key priorities for the country, including action plans that are realistic and financially assessed.

After a period of stagnation, a new strategic document was adopted in Bosnia and Herzegovina in 2020, i.e. The 2018–2022 Strategic Framework for Public Administration Reform. The Strategic Framework covers the following four key areas of PAR: policy development and coordination; civil service and human resource management; accountability; and service delivery. The fifth key area of PAR, i.e. public financial management, is included in the Framework only as a reference to strategies being prepared in parallel.<sup>23</sup>

The new Framework is a good example of a countrywide strategic document agreed upon and adopted by all three subnational governments, though it also serves as an indicator of the complexity and length of such a process. Indeed, the lengthy process of the Framework’s adoption caused a postponement of the Action Plan development and the implementation of envisaged reform activities. The 2020 Action Plan includes the envisaged activities, responsible institutions, timelines and financial resources necessary for implementation, as well as links with SIGMA principles and indicators.

As the primary focus of this study, management and coordination structures in the PAR process in BiH seem to be a weak point. The coordination mechanisms applied in preparing the new PAR Strategic Framework are presented in Box 9 below.

*Box 9. Coordination mechanisms in the preparation of the new PAR Strategic Framework*

The preparation of the new PAR Strategic Framework was a process coordinated by PAR Coordinators at the Council of Ministers of Bosnia and Herzegovina, the Government of the Federation of Bosnia and Herzegovina, the Government of the Republic of Srpska, and the Government of Brčko District of Bosnia and Herzegovina.

Drafting of the Strategic Framework was entrusted to inter-institutional working groups, composed of representatives of the four levels of government in Bosnia and Herzegovina:

1. **Joint Working Group (JWG)**, comprising four PAR Coordinators and additional representatives of all four levels of government in Bosnia and Herzegovina, tasked with monitoring and oversight of the development of the new PAR Strategic Framework and guidance with respect to scheduling, direction and priorities;

2. **Thematic Working Groups (TWGs)**, comprising representatives of line institutions at all four levels of government in Bosnia and Herzegovina, generally from the ranks of senior (management-level) civil servants and according to the scope of their respective duties, who provided professional and technical support to development of the new PAR Strategic Framework. Five TWGs in total were established according to the SIGMA Principles of Public Administration; namely: *Policy Development and Coordination, Public Service and Human Resource Management, Accountability, Service Delivery, and Public Financial Management.*

Citizen participation in defining the contents of the Strategic Framework was ensured through public consultations prior to its adoption by the Council of Ministers of Bosnia and Herzegovina, the Government of the Federation of Bosnia and Herzegovina, the Government of the Republic of Srpska and the Brčko District of Bosnia and Herzegovina, using two channels of communication: websites and consultation workshops/seminars. Both channels were available to specifically invited parties as well as to any interested representatives of the civil society, academia and business community at all four levels of government in Bosnia and Herzegovina.

Source: Strategic Framework for PAR, [www.parco.gov.ba](http://www.parco.gov.ba)

The role of Public Administration Reform Coordinator’s Office is twofold. In addition to coordinating PAR processes at all levels of government and contributing to policy coordination and development, the Office is also responsible for leading the processes involved in developing PAR strategies that are to be adopted by all the governments. The mandate of the Office is weak, however, since it is a temporary body first established in 2004 under the authority of the Chair of the BiH Council of Ministers,<sup>24</sup> while responsibility for PAR actually rests largely with the subnational governments. Coordination is ensured by the appointment of PAR coordinators from the three subnational governments (FBiH, RS, and BD BiH), as well as those at the cantonal level, via FBiH. The officials note that comprehensive coordination should ideally also include local governments’ representatives.

Although significant efforts and considerable skillsets are needed to coordinate and harmonize PAR in such a decentralized administrative structure, the Public Administration Reform Coordinator’s Office (PARCO) seems well equipped at present.<sup>25</sup> The PARCO representatives mark the PAR Fund as an example of good practice in the coordination of PAR in Bosnia and Herzegovina’s decentralized organization (see Box 10. below). This Fund has not been operational for several years, however, and there are currently efforts to reinstall it.

<sup>24</sup> Decision on Establishment of the Public Administration Reform Coordinator’s Office in the Office of the Chairperson of the Council of Ministers of Bosnia and Herzegovina (*Official Gazette of BiH*, No. 4/05, 33/07 and 85/10).

<sup>25</sup> Interview with PARCO representatives.

<sup>21</sup> Strategic Framework for PAR 2018–2022.

<sup>22</sup> 2017 SIGMA Monitoring Report for Bosnia and Herzegovina

<sup>23</sup> This is discussed in more detail in the section on public financial management strategies.



Box 10. The Public Administration Reform Fund

The PAR Fund (Public Administration Reform Fund) presents finances intended by the donor community for the implementation of public administration reform in Bosnia and Herzegovina.

A Memorandum on the establishment of the PAR Fund was signed by the prime ministers of Bosnia and Herzegovina, the Federation of BiH and the Republic of Srpska, the Mayor of the Brčko District, the Minister of Finances of BiH, as well as ambassadors of the donor countries, Great Britain, the Netherlands and Sweden, and the Chief of the Delegation of the European Commission in BiH in July 2007. This fulfilled the formal preconditions for an investment of 4.5 million euros of donated assets in projects of public administration reform for a period of three years.

The Public Administration Reform Coordinator's Office is not a beneficiary and nor does it individually dispose of the contents of the Fund. Usage of the Fund will be decentralised. This means that decisions on the placement of donated assets will be adopted on more than one level to make undedicated expenditures and arbitrariness of individuals impossible. The Fund will be managed by the Management Board, without whose approval no project will be financed.

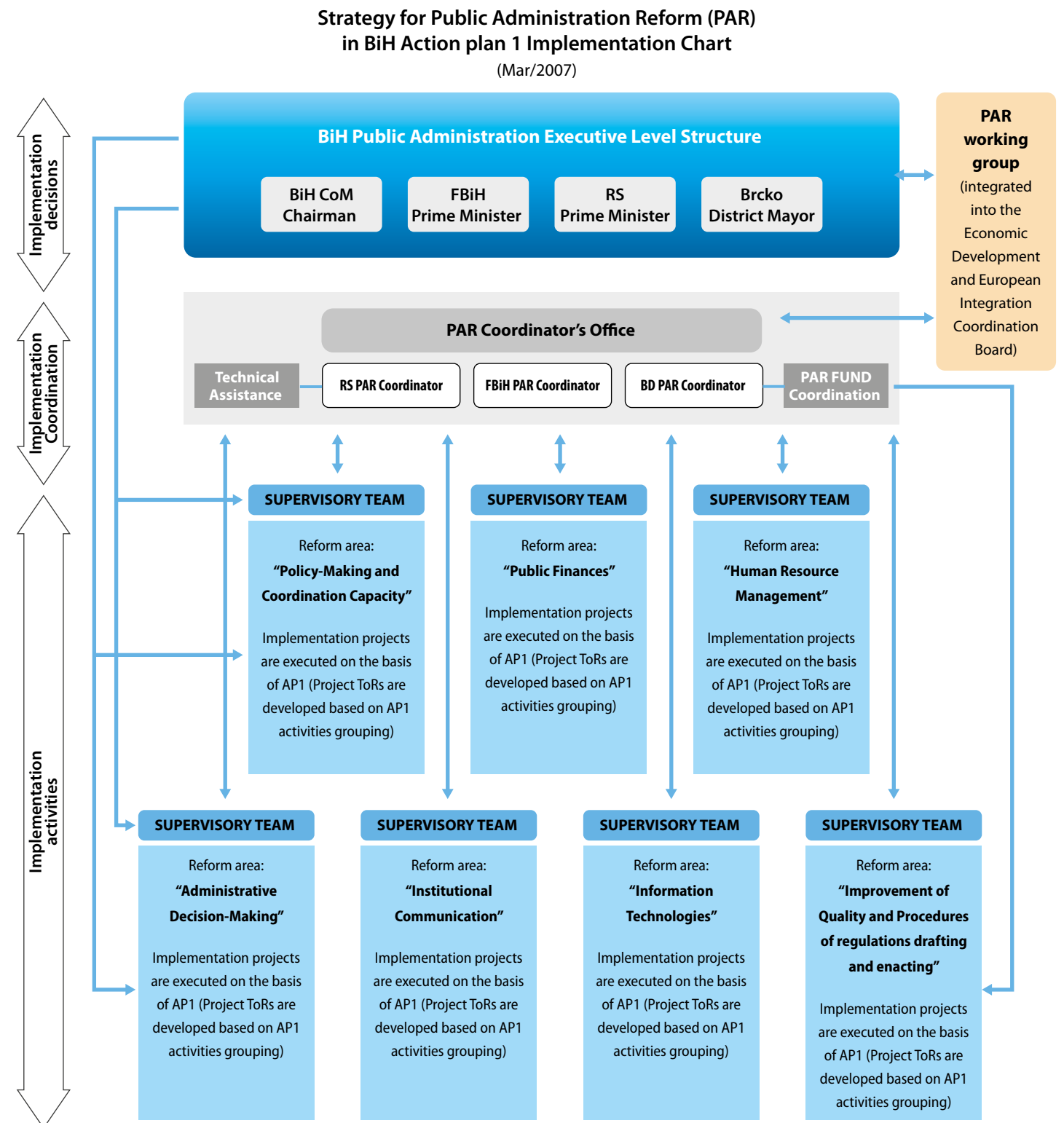
Donors' contributions will be deposited on one, interest-free foreign currency account held by the Ministry of Finances and Treasury of BiH in the Central Bank of BiH. The money will be a separate budget item for expenditures only of approved projects. Financing from the PAR Fund can be increased either through the participation of additional donors or through an increase of the shares of the existing donors. Donors will deposit contributions in the currencies of their countries. Assets will be transferred in instalments, and when deciding on the amount, donors will bear in mind the current progress and the needs of the PAR Fund for maintenance of liquidity. The Memorandum on the establishment of the PAR Fund contains detailed remarks on the usage of the assets of the Fund.

Source: Public Administration Reform Fund – Public Administration Reform Coordinator's Office (parco.gov.ba)

A Common Platform has not yet been adopted on the principles for the implementation of the Strategic Framework 2018–2022 to provide a political and a legal framework and a basis for cooperation between administrative bodies at all levels of government, including assigning their representatives to working bodies for supervision and implementation.

Below is presented the Common Platform related to the first PAR strategy in BiH adopted in 2007. This comprised political level coordination (executive level), i.e. the decision-making level, PARCO and PAR Coordinators as the technical coordination point between the executive and operational level, and supervisory teams for each reform areas, i.e. the activity level of implementation. It is expected that the new Common Platform will follow the same structure.

Figure 2. Common Platform for the Coordination of the Implementation of PAR AP1, 2007



Source: PARCO: www.parco.gov.ba

## 2.4 The coordination of Public Finance Management and PFM strategies

The coordination of fiscal policy in BiH has significantly improved as a result of the establishment of the Fiscal Council of Bosnia and Herzegovina in 2008. This political body is comprised of the following six members: the Chair of the BiH Council of Ministers; the prime ministers of the two entities, and the three (corresponding) ministers of finance. The Governor of the Central Bank and the Prime Minister of Brčko District have observer status.<sup>26</sup>

In particular, the coordination of PFM has been strengthened through the Fiscal Council's development of the Global Framework of Fiscal Balance and Policies in BiH. This Framework is prepared annually for the following three-year period and ensures the coherence of the macroeconomic and fiscal assumptions used in the drafting of framework budget documents at all levels of government. The fiscal targets presented in this document constitute the primary input for budget planning at all levels in Bosnia and Herzegovina. The budget planning process has also been harmonized across all levels through the use of budget calendars. Budget framework documents (*Dokumenti okvirnog budžeta*), which are three-year planning documents prepared on a rolling basis, are currently being linked with strategic and medium-term planning processes as part of a comprehensive reform process that will introduce programme-based budgeting. This reform is a major opportunity for better alignment of policy, planning and financial resources at all levels of government.

Coordination could be further improved in several areas in the future by ensuring that the methodological approach and IT solutions are harmonized, as well as by providing training for the civil servants in this transition.

With regard to public financial management, the SIGMA assessment is based on the following principles as criteria:

1. The existence of a medium-term budget framework for the general government that is based on credible forecasts and includes all aspects of budget organization.
2. The budget is prepared in line with the legal framework, with spending appropriations that are consistent with the medium-term framework and are monitored.

The budgeting process in Bosnia and Herzegovina is highly formalized and the medium-term frameworks are regularly prepared, therefore it can be reasonably concluded that this area of policy coordination is advanced in terms of fulfilling criteria. There are, however, occasional delays and disruptions to the process, as preparation and adoption of these documents are highly politicized processes.

While public financial management (PFM) is one of the pillars of PAR, it is not included in the current Strategic Framework for PAR. The ministries of finance in BiH have been leading separate processes to develop PFM strategies, with the plan being to merge these into a single countrywide PFM strategy.

Three separate PFM strategies for the period 2021–2025 have been adopted by the CoM, FBiH and RS.<sup>27</sup>

The three strategies adopted in 2021 seem to be well coordinated, however, since they share common pillars and a number of the same measures related to the:

- Fiscal framework
- Public revenues
- Planning and budgeting
- Budget execution
- Internal audit
- External audit.

Sub-measures differ in some instances.

The link between the Strategic Framework for PAR is made explicit in the PFM strategies for the institutions of BiH, FBiH and RS, which state that PFM is one of the pillars of PAR and confirm that each of the governments will develop their PFM strategies in line with their competencies, which will then serve to define the strategic framework of reforms in public financial management. The integration of strategies on PFM into a country-wide document is expected.

The contribution of PFM strategy to the EU integration process is also clearly stated in the strategies, as shown in the following excerpt (Box 11):

### Box 11. Excerpt from 2021–2025 PFM Strategy for institutions of BiH

The strategy supports the efforts of BiH in the process of meeting the criteria for EU accession. The strategy envisages improvements in the PFM functions that are directly or indirectly subject to future negotiation chapters, as follows: 5. Public procurement; 16. Taxation; 17. Economic and monetary policy 29; Customs union; 32. Financial supervision; and 33. Financial and budgetary provisions. [...] The Strategy for PFMR will support dialogue with the EU on reform priorities in this area and facilitate more efficient use of EU pre-accession assistance through institutions of BiH.

(Translated by the author.)

<sup>26</sup> Law on the Fiscal Council of Bosnia and Herzegovina (*Official Gazette of BiH*, No 63/08).

<sup>27</sup> Federalno ministarstvo finansija (2021). *Strategija reforme upravljanja javnim finansijama 2021–2025.*; Ministarstvo finansija i trezora BiH (2021). *Strategija unapređenja upravljanja javnim financijama 2021–2025.* Institucije Bosne i Hercegovine, siječanj 2021; Ministarstvo finansija Republike Srpske (2021). *Strategija upravljanja javnim finansijama Republike Srpske 2021–2025.* Banja Luka, maj 2021.

The document also reports that certain number of actions and activities envisaged will be in line with the programme of integration of BiH into EU.

The preparation of this strategy was led by the Ministry of Finance and Treasury, with contributions from the Central Harmonization Unit of the MoFT, the Indirect Taxation Authority, the Agency for Public Procurements, the Macroeconomic Analysis Unit of the Governing Board of the Indirect Taxation Authority, the Directorate for Economic Planning, and the Audit Office.

One of the activities included in all three strategies is the introduction of programme-based budgeting as a means of attaining better alignment between policy and finance and greater transparency and accountability of public spending. This process is underway in a joint project financed by the EU.

## 2.5 Coordination of the European integration process

The coordination of the European integration process in Bosnia and Herzegovina requires efforts to achieve vertical coordination in addition to the need to fulfil the SIGMA criterion of establishing clear horizontal procedures for governing the national European integration process and enforcing these procedures under the coordination of a responsible body.<sup>28</sup>

The legislative framework for the coordination of the European integration process in Bosnia and Herzegovina has been broadly established by the Law on the Council of Ministers, with the Chair of the Council of Ministers being responsible for the harmonization of the constitutional relations of the Council of Ministers with the entities and BD BiH, as well as for ensuring cooperation among all levels of government, especially in the area of European integration.

The Directorate for European Integration is a standing body of the CoM that was established in 2003 and is directly responsible to the Chair of the CoM tasked with coordinating activities performed by all levels of government in BiH and supervising decisions taken in relation to the process of integrating BiH in the EU. The Directorate also prepares or participates in the preparation of draft policies, laws and other regulation related to the obligations assumed by Bosnia and Herzegovina as part of its commitment to EU integration.

The country's progress in EU integration process has been slow. The Stabilization and Association Agreement was signed in 2008 and entered into force in June 2015, with the Application for the Membership submitted in early 2016.

The European Commission's latest communication on EU enlargement policy, published in 2020,<sup>29</sup> reports that the Council has adopted conclusions endorsing the 14 key priorities from the Commission's Opinion on Bosnia and Herzegovina's application for membership of the European Union. The Opinion provides a comprehensive roadmap for reforms to guide and support the country on its path towards EU integration. The 14 key priorities are mainly in the areas of democracy/functionality, rule of law and fundamental rights, while the final priority refers to PAR and the improvement of the

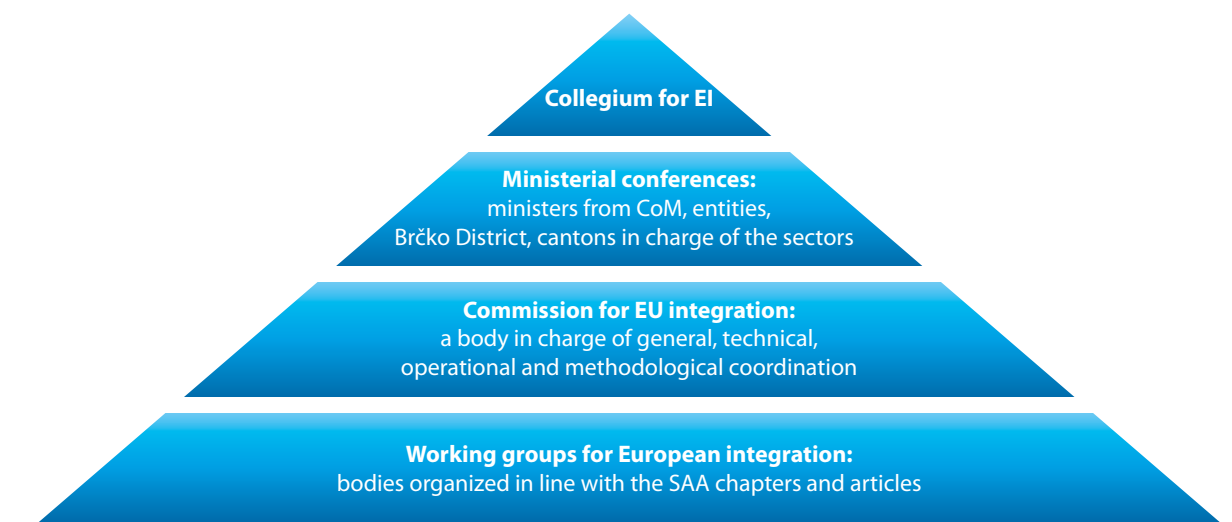
overall functioning of the public administration by ensuring a professional and depoliticised civil service and a coordinated countrywide approach to policy-making.<sup>30</sup>

The European Commission's 2020 Bosnia and Herzegovina Report notes that numerous challenges have beset this process, including the lengthy procedures involved in achieving a consensus in decision-making, as well as technical challenges in implementation. The report expresses concern regarding the ability of the BiH governments to plan and coordinate policy development, including policies related to the EU accession process. At the time of writing this report, no progress had been made in the development of the Programme of Integration of BiH into the EU as a national programme for the adoption of the EU acquis that specifies the roles and responsibilities of all governments in the process.

The Methodology for the Programme was adopted in May 2020, with the goal of developing the Programme in 15 months, i.e. by the end of 2021. Although the development of the Programme formally entered its second phase in July 2021,<sup>31</sup> challenges are emerging in application of the coordination mechanism.

The system of coordination of the European integration process in Bosnia and Herzegovina is defined by the 2016 Decision.<sup>32</sup> This Decision specified that fourteen governments be directly included in decision-making process. The aim of the coordination mechanism is to provide the highest possible level of coordination and coherence in institutional effort at all levels of government in Bosnia and Herzegovina related to the SAA and other obligations related to European integration. The mechanism also ensures communication between institutions in Bosnia and Herzegovina with the aim of providing a unified voice in communications with the EU institutions.

Figure 3. Coordination mechanism of the European integration process



30 European Commission 2019, Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union.

31 Interview with DEI representative.

32 Decision on the system of coordination of the European integration process in BiH (*Official Gazette of BiH*, 72/16, 35/18).



Coordination of the European integration process is organized through the following joint bodies:

1. The Collegium for European Integration, at the highest political level, comprises the heads of government of the State, the two entities and the Brčko District, and cantonal governments.
2. Ministerial conferences are comprised of relevant ministers from the CoM, entities, Brčko District, and the cantons, i.e. ministers in charge of the sectors covered in the European integration process.
3. The Commission for EU Integration is the body in charge of general, technical, operational and methodological coordination. The Commission is comprised of the following permanent members: the director of the DEI, entity representatives appointed for EI process coordination, as well as BD BIH representatives and cantonal EI coordinators, a Secretary appointed by the DEI and supplementary members, i.e. the chairs of the working groups for European integration, the representatives of the fourteen governments tasked with providing opinions on compliance with the *acquis*, and other representatives related to the issues discussed, including representatives of civil society and academia who participate in the work of the Commission by invitation.
4. The working groups for European integration are bodies organised in line with relevant chapters and articles of the Stabilisation and Association Agreement (SAA).

There are 36 working groups in total. Of these groups, 33 are assigned to work on the negotiation chapters while three groups are assigned to work on the accession criteria, i.e. on the political, economic, administrative and institutional capacity to implement the *acquis* effectively and to take on the obligations of membership. The working groups include approximately 1,400 civil servants' appointments. Given that a number of civil servants are assigned to multiple working groups, however, this number is closer to 1,000 individuals.

Decisions are reached by consensus in all the abovementioned bodies. The quorum required for meetings and reaching decisions is achieved when all fourteen governments are represented, in accordance with the constitutional competencies in the subject being discussed.

An additional layer of protection is ensured by the rule that enables each decision reached at one level of coordination to be reconsidered at a higher level of coordination within ten days.

If a decision cannot be reached at one level of coordination, it is transmitted to a higher level of the coordination mechanism and ultimately to the Collegium. It should be noted, however, that the decisions taken within the coordination mechanisms are not legally binding since they still need to be formally adopted by the fourteen governments.

The coordination mechanism was tested to prepare the answers to the EC Questionnaire in the period 2017–2018, with the outcome that the process of responding to the questionnaire took much longer than anticipated. Indeed, one interviewee for this study described this process as "three months of technical work being delivered in two and a half years."<sup>33</sup>

In order to ensure efficient and effective progress in this process, greater accountability for procedures needs to be integrated in the existing mechanism, possibly including strict deadlines and sanctions for failures to complete these procedures in a timely and satisfactory manner.

#### Box 12. An example of good DEI practice

In line with its mandate as a "mega-coordinator", the DEI has adopted an excellent and comprehensive IT solution for the preparation of the Programme of Integration of BiH into the EU, enabling the simple and timely sharing of all information, changes and communications within the working groups members and other responsible persons through the platform. This solution follows a good experience with a similar platform during the preparation of the answers to the EC Questionnaire following the Application of BiH for EU membership in 2017–2018.

In addition, the DEI has provided online training for the preparation of the Programme throughout 2021, offering training every ten days. The most recent training session latest was attended by more than 200 civil servants.

The EC report concluded that there is a need to strengthen the role and capacities of the Directorate of European Integration. However, the DEI claims that the existing challenges emerge from the complex structure of the coordination system and the prescribed procedures, while they are working fully within their mandate with existing capacities. One DEI representative interviewed claimed that "In comparison to the institutions with the same tasks in the region, we are the mega-coordinator!".

## 2.6 Coordination of the Economic Reform Programme

As a potential candidate for EU membership, Bosnia and Herzegovina participates in a dialogue with the Commission and the EU Member States regarding economic reform. The country submits a medium-term Economic Reform Programme to the Commission every year, including a medium-term macroeconomic and fiscal policy framework, fiscal measures, and a comprehensive programme of structural reforms aimed at boosting the country's growth and competitiveness.

The prepared Economic Reform Programme is the basis for the annual meetings held with the Commission, the EU Member States and all the other enlargement countries within the Economic and Financial Dialogue. Participation in this dialogue serves to prepare the country for its future participation in EU economic policy coordination, including the European Semester process.

The most recent Economic Reform Programme of Bosnia and Herzegovina is for the period 2021–2023. This programme requires a different system of coordinating the contributions of the four governments. While separate documents are adopted in the entities, a countrywide ERP is prepared by Directorate for Economic Planning (DEP), whose director holds the function of national ERP coordinator. The coordination process is presented in more detail in the Box below.

## Box 13. Coordination of the Economic Reform Programme for Bosnia and Herzegovina

The Economic Reform Programme (ERP) is developed based on the *Guidance for the Economic Reform Programmes* submitted by the European Commission.

The Directorate for Economic Planning has a coordinating role in the preparation of the ERP. The Directorate coordinates the development of ERP in cooperation with the coordinators for the development of the ERP appointed by the governments of the Entities.

A framework that more precisely defines the cooperation of all levels of government in the development of ERP is the Activity Plan for ERP Development, which presents a special challenge in terms of the broad scope of coordination.

*The Activity Plan for the Development of the Economic Reform Programme* is the basic document that governs the process of development of the ERP and cooperation among different levels of government, i.e. the BiH Council of Ministers, the Government of the Federation BiH and the Government of the Republic of Srpska.

The Economic Reform Programme is prepared based on contributions submitted by competent institutions in accordance with the adopted Activity Plan.

The Directorate for Economic Planning coordinates the activities throughout the entire process and prior to the adoption of the document at lower levels of government, so that the contributions in the stage of writing the first drafts are aligned with the European Commission's *Guidance*. In addition, the preparation of Chapter 4 (Fiscal Framework) is coordinated by the Ministry of Finance and Treasury of Bosnia and Herzegovina, based on the contributions from the entities ministries of finance.

The final BiH Economic Reform Programme is a document adopted by the BiH Council of Ministers.

Source: Adapted from the [www.dep.gov.ba](http://www.dep.gov.ba).

Practices observed during the recent preparation of the ERP have shown that the governments included in this task have interpreted EU guidance differently. Accordingly, efforts are currently underway to prepare internal guidance that will serve to streamline the preparation of contributions and simplify the compilation of the final document.

A good practice noted in this document is the reporting of **public consultations** conducted, though the actual report indicates short deadlines and low levels of public engagement – and even a complete lack of engagement in some cases. The exception to this observation seems to be the engagement of business associations and unions in the Republic of Srpska. However, the latest ERP for 2021–2023 states that the Activity Plan was implemented in the absence of public consultations due to delays in the submission of some materials and the consequent lack of time available for the finalization of the document, with only a few days left before the deadline to submit to the European Commission. This lack of engagement thus appears to be a result of the extraordinary circumstances and interruptions in the functioning of institutions caused by the Covid-19 pandemic.

## 2.7 Joint socioeconomic reforms (Reform Agenda)

In discussing policy coordination documents in BiH it is important to mention the joint socioeconomic reforms known as 'Reform Agenda 1 and 2'. After the expiration of the Public Administration Reform Strategy and the revised Action Plan in 2014, decisions previously adopted by all levels of government to continue with the implementation of projects and activities were further supported in the framework of the Reform Agenda 2015–2018.

The Second Reform Agenda was adopted by the entity governments and the Council of Ministers of BiH for the period 2019–2022. This document is aligned with the EC Opinion that calls for a new set of socioeconomic reforms and "confirms the commitment of the governments to implement them, understanding that this will facilitate and enable progress in the European integration of BiH".

The Reform Agenda also states that actions will be implemented in line with the constitutional competences of the governments in BiH but will be further developed in cooperation with the EU and international financial institutions, ensuring the alignment with the Economic Reform Programme (ERP) and mutually agreed policy guidance. This coordinated approach aims to ensure that actions implemented will support the requirements of EU integration and accelerate the process. As these are primarily political documents, the coordination of drafting was mainly done within the governments' offices with the support of international community.

The second Reform Agenda covers the following four areas of intervention:

- I Sustainable and accelerated economic growth, increased competitiveness of the economy and an improved business environment.
- II De-politicisation and greater sustainability and efficiency of public enterprises.
- III Comprehensive reform and improvement of the quality of the health system.
- IV Policies that provide opportunities for young people, women and other vulnerable categories.



# 3

## Conclusions & Recommendations

Policy development, coordination and planning has been significantly strengthened in Bosnia and Herzegovina, primarily at the three levels of government assessed in this study: state level (the institutions of BiH) and the two entities, the Federation of BiH and the Republic of Srpska.

This improvement has been achieved primarily through the introduction of the following elements: the establishment of strategic, medium-term and annual planning functions; the establishment of a budget planning system (medium-term and annual); improved transparency; the preparation of decision-makers' sessions; improved monitoring and reporting; and the introduction of analytical tools such as regulatory impact assessment and public consultation into the legislative process. Organisational and human resource development has been strengthened at each administrative level, as elaborated in the currently effective Strategic Framework for Public Administration Reform 2018-2022.<sup>34</sup>

The implementation of joint projects and the adoption of a uniform methodological approach to tasks such as strategic planning and PFM reforms, has helped to tackle the additional challenges of policy inconsistencies arising from the country's complex constitutional setup and lack of vertical coordination. Further complexity arises in relation to EU integration requirements, for while mechanisms for vertical coordination have been established, the processes thus far seem to be inefficient and time-consuming. This finding accords with assessments of collaboration mechanisms in previous reports summarised in this study.

A further matter of concern is that a large number of stakeholders involved in the coordination processes in Bosnia and Herzegovina do not seem to have a strong formal 'meeting point' in the centres of government. The general secretariats and legislative offices are mainly tasked with

<sup>34</sup> Strategic Framework for PAR 2018–2022. [strategic-framework-for-par\\_eng\\_final2.docx \(live.com\)](https://www.ris.gov.ba/strategic-framework-for-par-eng-final2.docx)

preparing materials for governments' sessions and checking legal conformity of documentation, while the core coordination tasks are divided between a larger number of institutions. An additional issue is that of the set-up of those institutions at observed administrative levels: for example, the coordination of strategic and medium-term planning is performed by the Directorate for Economic Planning in the Institutions of Bosnia and Herzegovina, by the Development Programming Institute in the FBiH and by the General Secretariat in the RS. In some instances, the tasks are shared between several institutions at the same level of government. With the increasing requirements to fulfil obligations under several agendas, there is an ever more urgent need for governments to improve the functioning of general secretariats as centres of government.

Overall, the recommendations for strengthening policy coordination can be clustered into three categories in accordance with the three desired goals of achieving consistent, inclusive, and results-oriented policy-making.

<b>Goal</b>	Consistent policy-making
<b>Description</b>	Better alignment of policy proposals and compliance with domestic goals, EU requirements, and international obligations, adopting a whole-of-government approach to policy-making, as well as realistic planning and costing of policy proposals
<b>Activities needed</b>	Cross-checking content between policy documents, i.e. strategies, plans, laws and bylaws (including budgets)
<b>Requirements</b>	<ul style="list-style-type: none"> <li>• Dedicated organizational units and job descriptions for policy coordination</li> <li>• Continuous capacity-building for policy coordination tasks</li> <li>• Improved communication channels between institutions</li> <li>• IT systems that support policy coordination</li> </ul>

<b>Goal</b>	Inclusive policy-making
<b>Description</b>	Promote the active involvement of other governmental bodies, civil society, other interested parties, and citizens
<b>Activities needed</b>	<ul style="list-style-type: none"> <li>• Engage the stakeholders into the policy development process through thematic workshops and widescale consultations</li> <li>• Ensure the timeliness of policy proposals, especially where public consultations are envisaged (e.g. in the ERP, legal drafting)</li> <li>• in some instances, IT systems can help with this.</li> </ul>
<b>Requirements</b>	Improved functionalities of the web platforms for communicating with the public, including the provision of free and timely access to (draft) legislation, consolidated versions and databases of legislation at all levels of government.

<b>Goal</b>	Results-oriented policy-making
<b>Description</b>	Coordination in seeking to attain the stated goals; synergies between policy proposals; and the avoidance of conflicting policies
<b>Activities needed</b>	Monitoring of performance of government as a whole Linking planning and budgeting – the introduction of programme-based budgeting
<b>Requirements</b>	Introduce and/or strengthen the functions of the CoG for the performance of monitoring and policy coordination

Regarding the goals of policy consistency, the avoidance of conflicts, and the creation of synergies with policy, the following positive steps have been taken:

- The FBiH Law on Development Planning and Management of 2017 includes lower levels of government, cantons and municipalities.
- The Republic of Srpska's 2021 Law on Strategic Planning has the same scope of application as the above law in the FBiH, with coverage of local governments.
- The implementation of such legislation is ensured through the provision of intensive and comprehensive training for the civil servants included in the process at all levels.
- PFM strategies are harmonized and have been adopted in a timely manner, with the support of the IMF.

Existing examples of progress in the development and implementation of **IT systems that support policy coordination** in BiH include the application of IT in public financial management systems, which is currently being upgraded, and the development and use of IT by the Department of EU Integration to support the coordination of the EU questionnaire and solutions to support the harmonization of legislation with the EU *acquis*.

Ideally, integrated systems should be developed at all levels of administration in Bosnia and Herzegovina with clear links between development and sectoral, strategic planning, annual planning, MTBF and annual budgeting, as well as legal drafting, with clear linkages with EU integration and PAR. Although the conditions for inclusive policy-making are in place at all levels in Bosnia and Herzegovina, further efforts are needed to apply the legal provisions more thoroughly and to achieve the desired goals.

The greatest challenge in policy coordination in Bosnia and Herzegovina remains that of monitoring and reporting on the performance of the governments and on policy content and its alignment with commitments and obligations undertaken. This is an increasingly important requirement given that effective reporting and evaluation systems are vital for all the separate processes of EU integration, PAR, and for fulfilling the SDGs and sectoral strategies. Although financial performance is regularly

reported, moreover, no reference is made to the extent to which the targets and objectives of the governments have been achieved.

Specific recommendations for each aspect of policy coordination assessed in this study refer primarily to the need for improved implementation processes and quality of outputs. Although the legal framework is in place for the assessed aspects of policy development and coordination, numerous challenges emerge in the implementation of the established rules.

Policy coordination in the implementation of the policy framework can be improved through the development of a unified methodological approach and tools for policy implementation, combined with intensive training programmes for public officials and the support of international organisations.

In the **legal drafting process**, for example, **regulatory impact assessments** are usually prepared at the end of the process and are typically of poor quality and frequently outsourced. A unified methodological approach would be the most effective way to overcome this challenge, with models for policy impact assessment for all levels of government and specialised training to build in-house expertise.

In **strategic planning, medium-term and annual planning coordination**, the development of a unified integrated IT system would support recent advances in the quality of the legal framework and documents and tracking of whole-of-government objectives, while linking them with financial resources in a comprehensive way. This would significantly improve and simplify the process of preparation and monitoring in institutions that are currently overburdened with additional requirements.

The coordination of the **public administration reform** process seems to have a weaker structure than the coordination mechanism for **European Integration**. The currently prepared Common Platform is an opportunity to ensure that adequate political and operational support is in place for the implementation of the Strategic Framework until the end of 2022. The operational efficiency and tracking of implementation could benefit from the application of an IT solution such as that developed by the Directorate for European Integration to coordinate work and monitor progress in real time.

Finally, it should be recognised that the reform and modernisation of the policy management system has proven to be a particular challenge for transition economies, especially regarding the development of the functions of centres of government. In order to achieve further progress in its path, Bosnia and Herzegovina and its authorities should take account of the following key lessons from countries in Central and Eastern Europe: political support is crucial in defining the pace and the scope of reform; internally led processes lead to more sustainable results; reforms require time and an incremental, step-by-step approach, and should begin at the top, i.e. at the centre of government.<sup>35</sup>

<sup>35</sup> Ben-Gera, M. (2009) Co-ordination at the Centre of Government for Better Policy Making. Conference on Public Administration Reform and European Integration, Budva, Montenegro 26-27 March 2009, Conference paper. <http://www.sigmaxweb.org/publications/42746204.pdf>

# 4

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## Annex

### Annex 1 – Public officials interviewed in Bosnia and Herzegovina

No	Name	Level of government	Function, Institution
1	Ms Slobodanka Dubravac	Entity (RS)	Assistant Minister, Ministry of Economy and Entrepreneurship
2	Ms Sanja Vojnović	Entity (RS)	Unit for Strategic Planning of the General Secretariat
3	Ms Andrea Merkez	Entity (FBiH)	Senior Advisor, Office of the Government of the Federation of Bosnia and Herzegovina for Legislation and Compliance with EU Regulations
4	Mr Enis Filipović	Entity (FBiH)	Senior Advisor, Legal Affairs Department, FBiH General Secretariat
5	Ms Sanela Adžović	Entity (FBiH)	Head of Unit for Cooperation with Parliament, FBiH General Secretariat
6	Mr Dragan Čuzulan	State (Institutions of BiH)	National Coordinator, Public Administration Reform Coordinator's Office
7	Mr Nedžib Delić	State (Institutions of BiH)	Head of Operations Unit, Public Administration Reform Coordinator's Office
8	Mr Niko Grubešić	State (Institutions of BiH)	Assistant Minister, BiH Ministry of Justice
9	Ms Darija Ramljak	State (Institutions of BiH)	Assistant Director, Directorate for European Integration
10	Ms Tanja Lučić	State (Institutions of BiH)	Head of Unit, Directorate for Economic Planning

Note: A number of other senior public officials from Bosnia and Herzegovina who participated in the related workshop have additionally contributed significantly to the final results and recommendations of the study.



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-  Branelovica, 81410 Danilovgrad, Montenegro
-  +382 (0)20 817 235
-  [respa-info@respaweb.eu](mailto:respa-info@respaweb.eu)
-  [www.respaweb.eu](http://www.respaweb.eu)



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