



BOSNIA AND HERZEGOVINA

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)

Assessment report /November 2023



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Bosnia and Herzegovina

Institutions of BiH

Federation of BiH

Republika Srpska

Brčko District

Public Expenditure and Financial Accountability (PEFA)

November 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

November 30, 2023

PEFA CHECK, ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

This PEFA assessment was implemented under the auspices of the “Managing public investment for results: Public Investment Planning and Management System – PIPMS” technical assistance project funded and managed by the EU Delegation to BiH. Planning and execution of the assessment followed the 2016 PEFA Framework for assessing public financial management. The quality endorsement mechanisms were aligned with the PEFA Check requirements. Given the structure of the fiscal framework of BiH, the task was conducted at four levels of government using PEFA 2016 Framework for assessing national public financial management. In order to address the volume of work simultaneously, the Assessment team was split in two teams – one assessing the PFM system at the country level (BiH) and Federation of Bosnia and Herzegovina (FBiH), and another carrying out the assessment at the level of Republika Srpska (RS) and Brčko District (BD). For the same reason, two Assessment Managers were responsible for planning and coordination of assessment implementation process. Oversight team (OT) was established to steer and oversee the assessment activities, monitor assessment progress, and facilitate communication with other stakeholders. The OT included representatives of the Ministry of Finance of BiH, Ministry of Finance of RS, Ministry of Finance of FBiH, Directorate for Finance of BD, the EUD to Bosnia and Herzegovina, the International Monetary Fund (IMF), UNDP and the World Bank. Representatives from the Ministries of Finance acting as Focal Points have been leading the process of communication, data collection, review and consultations during development of this assessment.

All four government levels of BiH nominated a focal point for the assessment to facilitate communication within the institutions involved, liaise with all stakeholders and facilitate data access. The Ministries of Finance and the Directorate for Finance of Brčko district were the main beneficiaries of the assessment and partnered with the assessment team throughout the process to ensure consistent and timely delivery of data and information necessary to complete the report. All findings and scores of the PEFA assessment were discussed with the government of all levels in order to verify common understanding and perspective of the performance of the public financial management (PFM) systems across BiH.

As envisaged under the PEFA Check quality assurance process, included a formal review of the concept note and the final draft through a peer review process which involved the four main government counterparts (i.e. Ministries of Finance of BiH, RS and FBiH and the Directorate for Finance of BD) as well as the PEFA Secretariat, the EUD to Bosnia and Herzegovina, the International Monetary Fund (IMF), UNDP and the World Bank and SECO.

BOX 1.1: Assessment management and quality assurance arrangements

PEFA assessment management organization

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Review of concept note and/or terms of reference

- Date of reviewed draft concept note and/or terms of reference: July 28, 2022
- Invited reviewers: PEFA Secretariat, Irina Smirnov (EU Delegation to BiH, Economic Advisor), Dusanka Basta (Ministry of Finance of BiH, Assistant Minister), Vera Letica (Ministry of Finance of BiH, Assistant Minister), Alija Aljovic (Ministry of Finance of FBiH, Assistance Minister), Marijana Radjevic (Ministry of Finance of RS, Chief of Cabinet of the Minister of Finance), Branislava Narancic Joveljic (Directorate for Finance of BD, Senior Associate), Tunjo Pavlovic (Directorate for Finance of BD, Internal Control Officer), Lamija Marijanovic (World Bank, Senior Financial Management Specialist), Bobana Cegar (IMF, Country Economist), Muamer Obarcanin (UNDP, Advisor)
- Reviewers who provided comments: PEFA Secretariat, Irina Smirnov (EU Delegation to BiH, Economic Advisor), Dusanka Basta (Ministry of Finance of BiH, Assistant Minister), Vera Letica (Ministry of Finance of BiH, Assistant Minister), Alija Aljovic (Ministry of Finance of FBiH, Assistance Minister), Marijana Radjevic (Ministry of Finance of RS, Chief of Cabinet of the Minister of Finance), Branislava Narancic Joveljic (Directorate for Finance of BD, Senior Associate), Tunjo Pavlovic (Directorate for Finance of BD, Internal Control Officer), Lamija Marijanovic (World Bank, Senior Financial Management Specialist), Bobana Cegar (IMF, Country Economist), Muamer Obarcanin (UNDP, Advisor)
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Review of the assessment report

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- Invited reviewers: PEFA Secretariat, June 8th 2023 and follow up comments on October 27th 2023; Oversight Team members, June 8th 2023
- Reviewers who provided comments: PEFA Secretariat, Vera Letica (Ministry of Finance of BiH, Assistant Minister), Alija Aljovic (Ministry of Finance of FBiH, Assistance Minister), Marijana Radjevic (Ministry of Finance of RS, Chief of Cabinet of the Minister of Finance), Tunjo Pavlovic (Directorate for Finance of BD, Internal Control Officer), Lamija Marijanovic (World Bank, Senior Financial Management Specialist), Bobana Cegar (IMF, Country Economist), Muamer Obarcanin (UNDP, Advisor), Mersiha Alijagic (Senior Programme Officer, SECO)

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Abbreviations and acronyms

BAM	Currency of Bosnia and Herzegovina
BCG	Budgetary Central Government
BD	Brčko District
BFP	Budget Framework Paper
BiH	Bosnia and Herzegovina
BPMIS	Budget Planning and Management Information System
BUPRT	Budget User Priority Review Table
CAD	Current account deficit
CBBiH	Central Bank of Bosnia and Herzegovina
COIP	Centralized Payroll Information System
CG	Central Government
CHU	Central Harmonization Unit
CIT	Company Income Tax
CoA	Chart of accounts
COFOG	UN Classification of the Functions of Government
CSA	Civil Service Agency
CSO	Civil Society Organization
DEP	Directorate for Economic Planning
DMS	Debt Management Strategy
DoF	Directorate of Finance
DPA	Dayton Peace Agreement
DSA	Debt sustainability analysis
EBF	Extra-budgetary fund
EBRD	European Bank for Reconstruction and Development
EFT	Electronic fund transfer
EIB	European Investment Bank
EPP	E-Public Procurement Portal
ERP	Economic Reform Program
EU	European Union
FBiH	Federation Bosnia and Herzegovina
FC	Fiscal Council
FDI	Foreign direct investment
FIA	Financial Information Agency
GDP	Gross domestic product
GFF	Global framework of fiscal balance and policies
GFS	Government Financial Statistics
IBiH	Institutions of Bosnia and Herzegovina
IAU	Internal Audit Unit
IFI	International financial institution
IMF	International Monetary Fund

INTOSAI	International Organization of Supreme Audit Institutions
IPA	Instrument for Pre-Accession Assistance
IPSAS	International Public Sector Accounting Standards
ISFU	Financial Management Information System
ISSAI	International Standards of Supreme Audit Institutions
ITA	Indirect Taxation Authority
MAU	Macroeconomic Analysis Unit
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MoFT	Ministry of Finance and Treasury
MTEF	Medium-term expenditure framework
NGO	Nongovernmental organization
OECD	Organization for Economic Cooperation and Development
PAR	Public Administration Reform
PE	Public enterprise
PFM	Public Financial Management
PIF	Project Identification Form
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PIM Order	Bylaw regulation for PIM
PIMIS	Public Investment Management Information System
PIP	Public Investment Program
PIT	Personal Income Tax
PPA	Public Procurement Authority
PPL	Public Procurement Law
PPP	Public-private partnership
PRB	Public Procurement Review Board
TA	Tax Administration
TSA	Treasury Single Account
RA	Revenue Administration
RS	Republika Srpska
SAI	Supreme Audit Institution
SAFE	Strengthening Accountability and Fiduciary Environment
SBA	Stand-By Arrangement
SIGMA	Support for Improvement in Governance and Management
SNG	Sub-National Government
SOE	State-owned enterprise
STA	Single treasury account
TIN	Tax Identification Number
USAID	United States Agency for International Development
VAT	Value-added tax

Methodology

The assessment followed the 2016 PEFA assessment framework and other supplementary guidance issued by the PEFA Secretariat (available at www.pefa.org).

Type of assessment: Bosnia and Herzegovina (BiH) had only one prior PEFA assessment, conducted in 2013 and published in 2014. It covered the level of BiH Institutions, Federation BiH, Republika Srpska and Brčko District by applying the national PEFA assessment framework to all individual levels. The assessment was carried out by the World Bank using 2011 version of PEFA Framework. The assessment covered the period 2010-2012 during which the country was in the process of recovering from the global financial crisis. The approach employed in this assessment will be consistent with the 2014 PEFA for BiH to ensure consistency and alignment with the constitutional landscape and PFM system characteristics of the country.

The assessment tracked change from the previous assessment and for that purpose the PEFA Secretariat's Guidance on tracking change in performance for successive assessments using different versions of PEFA framework was applied. Performance tracking is presented in Annex 4 of the report.

Number of indicators used: All 31 PEFA indicators have been applied for the assessment at all four levels of government in BiH, with several exceptions. In keeping with the previous assessment, the PI-24 on public procurement was only assessed on the level of the Institutions of BiH as the Law on Public Procurement of BiH is unique for all government levels. Also, the assessment at the BiH level and BD omits inter-governmental fiscal relations with sub-national governments (SNGs) and their monitoring (i.e. PI-7 and IP-10.2) as they do not have SNGs.

Timeline/ Dates of mission: The assessment was launched by delivering a training PEFA methodology in Banja Luka on September 5, 2022 for the representatives of the governments of Republika Srpska and Brčko District and on September 13, 2022 for the representatives of the governments of the Federation of BiH and Institutions of BiH. The training was followed by initial data collection missions conducted in the two weeks starting September 12 (in case of RS and BD) and September 19 (in case of FBiH and Institutions of BiH). All government levels were presented with the general data request ahead of the training and initial data collection mission to save time and allow for discussions and interviews to focus on interpretation and filling potential gaps. The period between October 2022 and January 2023 was used for developing first drafts of the report and translating it to the local language. During February and March 2023 the teams ran an internal verification process with the government to ensure common understanding and interpretation of data and information received in order to arrive at first complete draft in May 2023 which was used to launch the peer-review process to ensure PEFA Check endorsement by the PEFA Secretariat. The report was revised per comments received from the government, PEFA Secretariat and other peer-reviewers in three iterations (June 2023, September 2023 and November 2023) to arrive at the final version on December 1st, 2023 when the PEFA Check was issued by the PEFA Secretariat.

Years covered: The assessment covered last three completed governments' fiscal years at the time of assessment launch. These are the years of 2019, 2020 and 2021 and they are equal to calendar years across BiH. This applies to all indicators covering three assessment years with 2021 considered the "last completed fiscal year" referred to in number of dimensions.

Cut-off date: In line with good practice and considering the date of assessment launch the cut-off date applied was June 30, 2022. This is in line with the implementation time table and report drafting schedule presented in the Concept Note.

Coverage: The assessment covers the central government level of BiH and central government levels in the two entities of Federation of BiH, Republika Srpska as well as in the Brčko District. As in the previous assessment, the scope extends to all budget beneficiaries (including ministries, departments and agencies), social security funds and extra-budgetary units of the central government at all levels.

The assessment does not cover sub-national government levels (cantons and municipalities) and public enterprises, apart from the related indicators prescribed by PEFA Framework, such as assessing fiscal risks arising from operations of SNGs and public enterprises, or transfers to sub-national level.

Sources of information: The process of data collection primarily relied on (i) interviews with relevant government officials at each of the four levels of government assessed and (ii) review and analysis of relevant documentation, such as public reports, analytical data and any other documents prepared by the governments which are relevant to assessing PEFA indicators. Main counterparts during the assessment were the Ministries of Finance (Finance Directorate in Brčko District) and their various sectors (budget, accounting and financial reporting, internal audit departments), relevant large budget users such as ministries of Education, Health, Social Protection etc., Tax Administrations, Supreme Audit Institution, Public Procurement Agency, Parliamentary committees for budget and finance. Data collection was carried out by the assessment team members responsible for specific pillars and indicators. During data collection, the assessment team sought to triangulate information and ensure accuracy and relevance through interviews with representatives from the civil society and the private sector, where relevant. The full list of institutions and people met, as well as documents and reports used, is shown in Annex 3 of the report.

Country fiscal year: January 1 to December 31 for all government levels

Exchange rate: 1 EUR = 1.95583 BAM (the exchange rate to EUR is fixed under the Currency Board arrangements)

Executive Summary

• Purpose and management

This PEFA assessment provides a snapshot of PFM system performance across the different government levels of BiH as specified in the country's Constitution. It is carried out following the PEFA assessment performed in 2014 by the World Bank. The assessment was completed by a team of international and local PFM consultants under a technical assistance project funded and managed by the EU Delegation in BiH. Ministries of Finance of the four levels government involved in the assessment, together with other relevant stakeholders, were the main beneficiaries of the assessment. Oversight team was composed of representatives of the Ministries of Finance, EUD, World Bank, IMF, SECO and UNDP.

The purpose of the assessment is to fulfill the following objectives that have been duly discussed and agreed with the key partners (i.e., Ministries of Finance of BiH, FBiH and RS and Directorate for Finance of BD):

- provide a baseline assessment using the 2016 Framework and update on the progress since the last (2014) PEFA assessment,
- inform and contribute to more effective implementation and subsequent adjustments of the 2021-2025 PFM Reform Strategies across all government levels as well as the Comprehensive PFM Strategy for BiH,
- enable the governments to identify reform priorities, time their implementation and allocate resources in the most efficient way,
- provide the basis for PFM capacity development initiatives in various segments of PFM systems.

• Main strengths and weaknesses of the PFM systems in Bosnia and Herzegovina

The assessment has identified the following main strengths of the country's PFM system:

Expenditure management - Expenditure management is performing well and could be considered as the main strong point of the country's PFM system. The upstream expenditure management is primarily based on relatively strong macro-economic and fiscal forecasting functions which are provided by Directorate for Economic Planning and the Macroeconomic Analysis Unit of the Indirect Tax Authority. Moreover, the system exhibits a solid level of fiscal discipline which is manifest across all four levels of government as confirmed by relatively small deviations between the executed and the approved budgets at the aggregate level. In-year reallocations between the main budget categories across all levels, however, result in higher deviations and show only basic performance for the fiscal years covered by the assessment.

Budget preparation processes in BiH across government levels function by and large according to relevant regulatory prerequisites and institutional arrangements. For example, budget preparation calendar is embedded in the relevant legislation for each level of government in BiH and is largely complied with except for the Institutions of BiH where political stalemate has resulted in delays in budget adoption in recent years. There is space for improvement, which requires only certain amount of regulatory fine-tuning and capacity development, depending on the particular issue in question.

Debt management - Legislated debt service limits prevent rampant debt financing and have a further effect of strengthening overall fiscal discipline, albeit with inherent systemic weaknesses as discussed below. Debt servicing forecasts are regarded as mostly reliable and are well integrated in the budget planning process. Moreover, debt management strategies are comprehensive and credible documents in the sense that they encompass all the essential elements including assessment of broader macroeconomic context, cost and risks associated with the implementation of debt management strategy, all of which are needed to ensure that both the level and rate of growth in public debt are sustainable and can be serviced under a variety of circumstances.

External audit - All levels of government have strong external audit functions in place, with the only difference being the fact that external audit follow up by the executive is more pronounced at the level of Brčko District and RS as compared to the level of FBiH and BiH Institutions. One notable trait about the external audit function in BiH is the fact that it has benefited from a direct bilateral program of technical assistance (via Swedish National Audit Office) which has been provided to the SAIs across the levels of government on a continuous basis over the span of more than 20 years.

The following were assessed as areas for continued reforms and further improvements:

Strategic targeting of public budgets - This was a noted issue in the context of previous assessment and continues to be the weakest performing feature of BiH PFM system a decade later. Budgets continue to largely reflect planned legal commitments within the available budget envelope rather than serving as a tool to strategically direct resources towards the achievement of social and economic and development objectives. In spite of its importance, an effective strategic planning and prioritization system has not been fully established in Bosnia and Herzegovina. Some progress has been made with the adoption of regulatory changes across all government levels, however the declarations made in adopted strategic documents have yet to find their way into actual implementation.

Result-based (performance driven) allocation of public funds - This is another key issue which the governments have not been able to address effectively since the last PEFA assessment. Namely, government policies across different levels and sectors in BiH are designed, planned, funded and delivered with insufficient regard for efficiency and impact of such interventions. Performance information is not used prior to policy formulation (i.e. baselines), during and following their implementation, therefore increasing the likelihood of waste and mismanagement of scarce budget funds. This remains to be the case both at the highest level of executive and within individual line ministries and other spending agencies.

Parliamentary scrutiny of budgets and fiscal strategy - Parliaments continue to exhibit weak involvement in the budget preparation process which is primarily due to a still remaining weak capacity for systematic budget analysis and also due to delayed submissions of budget proposals by the government. Parliaments are often not given enough time to properly scrutinize government budget whereas they are adopted following a "fast track" procedure, which limits the scope for parliamentary scrutiny and public discussion. Although there are technical services within the Parliaments in BiH that provide support to Committees, the capacity for independent research and provision of information is relatively weak. Similarly, the strategic framework for fiscal management exhibits weaknesses across the country. Fiscal strategies are adopted in different forms, however they do not contain sufficient information on the fiscal impact of policy proposals while fiscal outcomes reports have yet to be instituted.

Management of fiscal risks and public investment management - Both of these functions are at the very basic level of performance across all government levels. Set-up for monitoring of financial performance of public enterprises is still in the inception although institutional structures exist. Operational issues mainly pertain to a lack of effective data exchange and suboptimal capacities to handle and process the information at hand. Coverage of public enterprises is very much incomplete and does not contribute to the assessment of the implied fiscal risks. None of the government levels provide a comprehensive assessment of contingent liabilities in their financial reports, except for non-systematic reference to certain types of these risks which is not adequately put into the perspective of potential budgetary implications. The effectiveness of public investment management is hindered by structural weaknesses. None of the government levels in BiH have guidelines in place for the preparation of the economic analysis of investment projects. While a certain number of capital projects do have such analysis, the selection process is based on criteria that are either not publicly available or detached from the budget process (i.e. financing). Finally, monitoring of investment implementation is not done in an articulated and comprehensive manner.

Performance for the individual government levels, as reflected in the scores assigned as per PEFA criteria, is summarized in the charts below.

Chart 1.A. Scores for PEFA Performance Indicators 2022 - Institutions of BiH

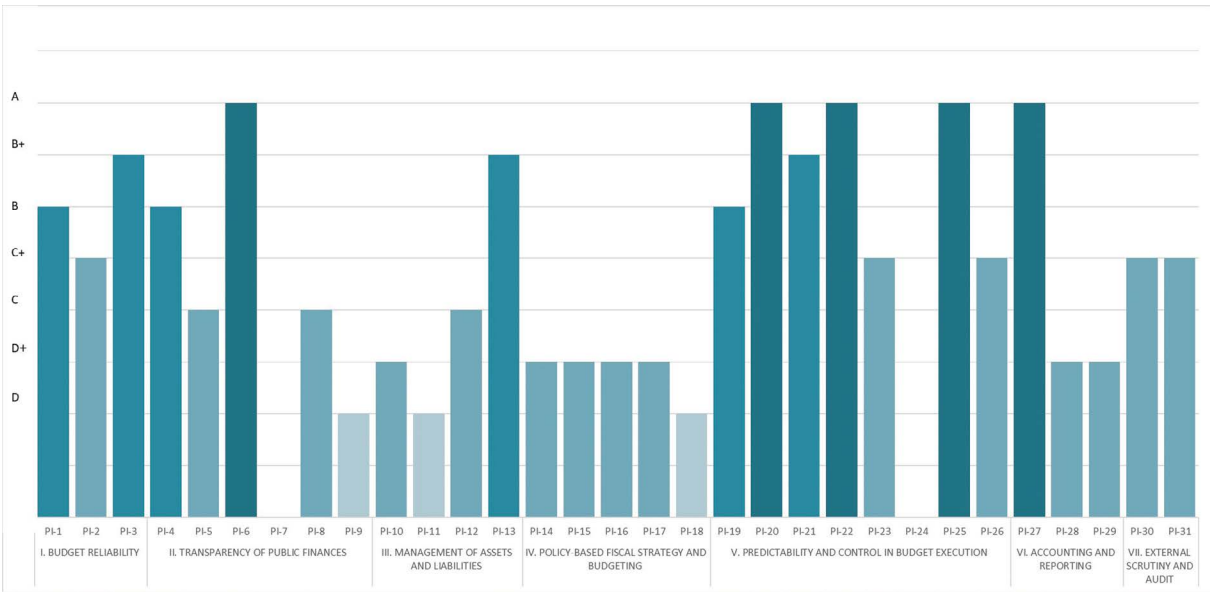


Chart 1.B. Scores for PEFA Performance Indicators 2022 - Federation of BiH

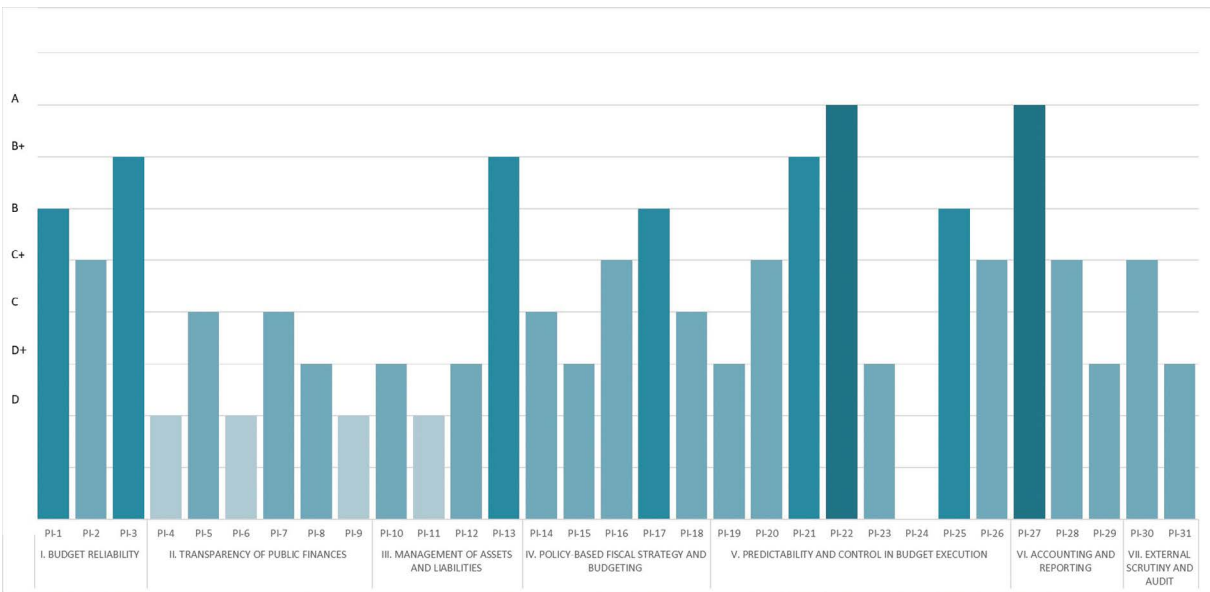


Chart 1.C. Scores for PEFA Performance Indicators 2022 - Republika Srpska

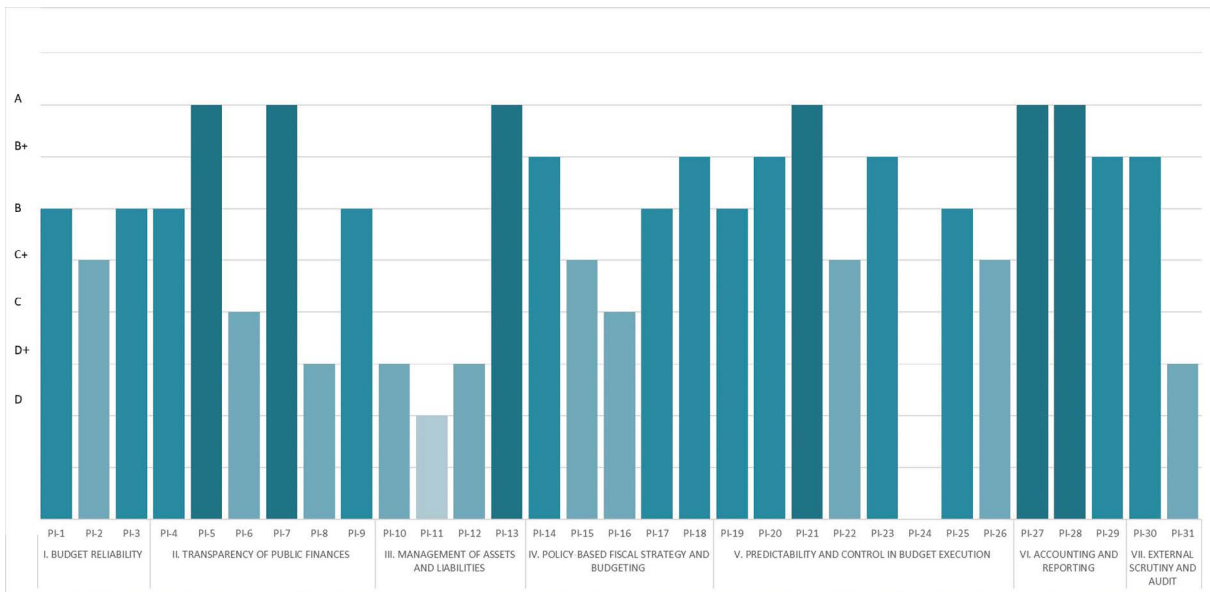
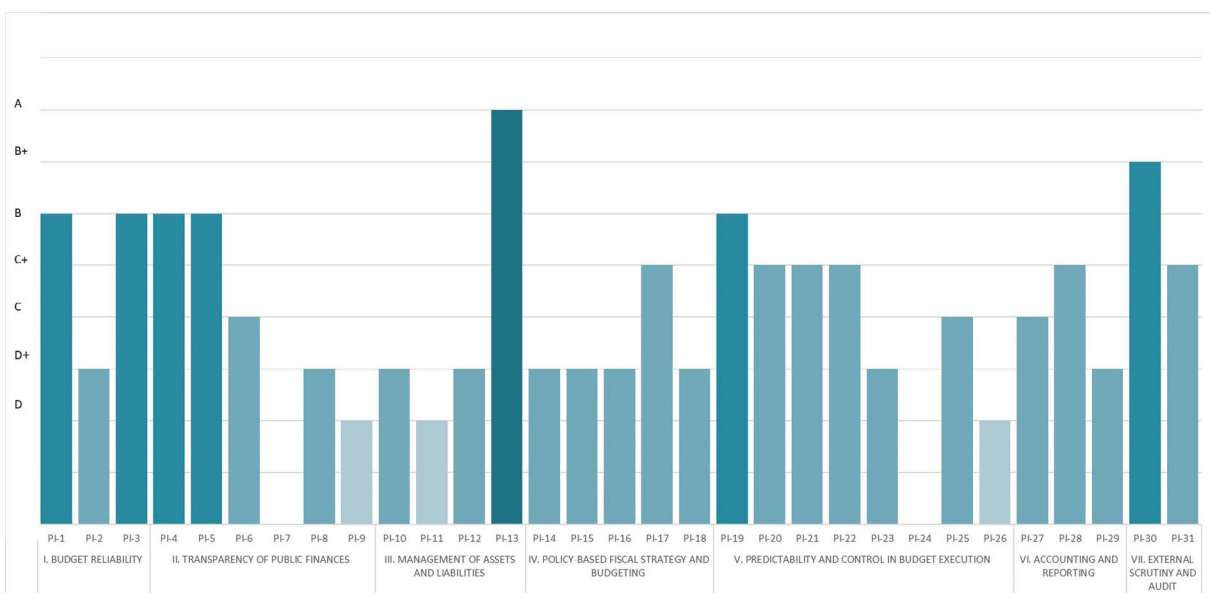


Chart 1.D. Scores for PEFA Performance Indicators 2022 - Brčko District



- **Impact of PFM performance on budgetary and fiscal outcomes**

Aggregate fiscal discipline

Aggregate fiscal discipline aims to align the levels of revenue and expenditures without creating significant fiscal deficits which could jeopardize fiscal sustainability and spending within the available fiscal space. The reliability of expenditure and revenue at aggregate level contributes positively to aggregate fiscal discipline across all four levels of government in BiH. While budget classification systems in place remains somewhat a challenge, budget documentation is comprehensive and can support quality budget decisions and service delivery.

The extent to which each aspect of asset and liability management contributes to fiscal discipline varies across BiH. There is no adequate structure for monitoring and reporting of fiscal risks, especially in the area of public corporations, which clearly undermines fiscal discipline. On the other hand, the management of debt performs along the principles of good practice and has positive bearing on fiscal discipline. Public asset management would benefit from further development across all four levels, especially in the domain of transparency of asset disposal.

Medium-term perspectives in planning and budgeting and program budget are under development and more progress has to be made to consolidate the results of reforms made so far before the process continues. Macro-fiscal forecasts are prepared as part of the budget documentation but the medium-term expenditure framework (MTEF) is not sufficiently aligned with strategic plans which impedes discipline and prevents the budget framework to provide for maximization of the long-term impact of government policies. There is no established practice of preparing and delivering reports on fiscal outcomes against the fiscal strategic framework.

Strategic allocation of resources

Budget preparation process is structured to allow for efficient resource allocation while in-year budget execution reports provide enough reliable information to assess its effectiveness. The predictability of in-year resource allocation enables consistence in implementation of priorities set forth by the budget. Also, payroll controls are sufficiently effective and do not allow for ad hoc increase in payroll costs or generation of wage related arrears.

However, strategic documents across the four levels of government are only partially translated to the budget as the process of strategic planning is not well integrated with the budget formulation process. This is also a consequence of the early stage of development of the program budget framework and lack of performance measurement of government programs, projects and activities.

Public investment management framework is underdeveloped. Specifically, the lack of clear and consistently applied project prioritization and selection criteria undermines efficiency of resource allocation. On the other hand, recording and reporting of the incurred debt generally follows the best practice and positively affects the ability to strategically allocate resources.

Efficient service delivery

In-year resource allocation scheme entailing consolidation of balances and cash management provide for smooth implementation of the budget. With some variation, key fiscal information is prepared and made available to the public throughout the budget preparation and budget execution process. Revenues are collected and administered through an efficient TSA thus making the funds necessary for implementation of budget policies available without delays. Also, public procurement structures in place seem to enable delivery of works and services envisaged by the governments in BiH, albeit with significant inefficiencies which are embedded in the system especially with respect to a slow and encumbering procurement review processes and the fact that only about 65% of contracts are awarded through open competition.

On the other hand, significant deviations in expenditure composition together with lack of information on performance of service delivery units is likely to undermine effectiveness of government policies and the ability to monitor its efficiency. Underdeveloped program budgeting and performance management

concepts and practices provide limited insights into the efficiency of service delivery. Appropriate measurement of achieved results, key performance indicators, outputs and outcomes for each budget program would be highly beneficial for more efficient service delivery in the medium to long term. Such performance information and analysis would enable corrective actions for the future budget cycles and provide valuable information for further improvements.

External audit function is well established across the country providing for efficient delivery of services envisaged by the budget, although more can be done to ensure implementation of follow-up recommendations. Capacity of the SAI for performance audit is increasing but still has limited coverage.

- **Performance changes since the previous PEFA assessment (2014, using the 2011 PEFA methodology)**

With certain variations, there has been an overall improvement in PFM performance across all government levels in BiH compared to the previous PEFA assessment conducted in 2014. PFM performance at the level of BiH Institutions maintained relatively unchanged performance compared to 2014 - from the 28 performance indicators reassessed using the 2011 Framework, 12 indicators maintained the same rating (43%), 7 indicators recorded improved results (25%), and 6 indicators showed lower scores (21%). Of the three remaining indicators, two have not been rated while one is not applicable (PI-7). In FBiH, there has been a moderate improvement in performance whereas out of the 28 performance indicators reassessed under the 2011 Framework, 12 indicators maintained the same rating (43%), 6 indicators recorded improved results (21%), and 4 indicators showed worsening results (14%). In RS, the PFM performance since the previous assessment improved the functions and processes in 12 (42%) of the performance indicators, 4 indicators (14%) performed worse while the 9 (32%) indicators kept the same score. Finally, Brčko District's PFM performance improved in the sense that there were more indicators with improved scores (11 or 39%) than those with deteriorated assessment (4 or 14%). The remaining 12 indicators kept the same score as in 2014 PEFA assessment.

There are solid improvements in performance registered across levels with respect to comprehensiveness and transparency of public finances, whilst the improvement is most notable in the case of RS. Main improvements in the case of BiH Institutions relate to improved budget classification, while the FBiH significantly strengthened the comprehensiveness of information provided in its budget documentation. Multi-year perspective in fiscal planning, expenditure policy and budgeting has registered modest overall improvement across all levels primarily due to improved debt management related practices. Another notable improvement relates to the performance of the Indirect Tax Authority (ITA) with respect to improved access to comprehensive, user-friendly, and up-to-date information on tax liabilities and the fact that there are administrative procedures for major taxes, including taxpayer education campaigns. Internal controls have registered a solid improvement at the level of BiH Institutions and FBiH. RS has also seen a notable improvement in expenditure commitment controls due to improved procedural framework and subsequent practices which limit commitments to actual cash availability and approved budget allocations. Also, there has been an increase in the coverage and quality of the internal control function across the board, with the exception of BD which is lagging behind. Effectiveness of control of non-salary related expenditure has seen notable improvement in FBiH, BiH Institutions and RS. Accounting and financial reporting in RS is now improved with application of IPSAS while other government levels are still making efforts to apply these standards. Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, and long-term obligations, and are supported by a reconciled cash flow statement.

Budget calendar is generally adhered to while there is a deterioration in the score at the level of BiH Institutions due to political disagreements and the fact that in the last five years, the parliamentary committees for budget and policy analysis did not have adequate time to undertake detailed analysis/ budget hearings due to imposition of the fast-track budget adoption procedure. Other areas that proved

weaker than before at the level of BiH Institutions include public access to fiscal information, effectiveness in collection of tax payments due (decreased debt collection rate) and quality and timeliness of in-year budget reports. Notable performance deterioration for the level of FBiH have been observed in the fields of the availability of information on resources received by service delivery units and quality and timeliness of annual financial statements, while RS worsened its performance with regard to legislative scrutiny of external audit reports and expenditure composition outturn. Finally, compared to previous assessment, the performance of the PFM system in Brčko District is downgraded in the areas of comprehensiveness of the government financial reports and budget classification where only partial application of GFS methodology was observed.

Performance with respect to aggregate expenditure out-turns has been maintained across levels with relatively marginal deterioration with respect to the composition of expenditure out-turns in the case of FBiH and RS. On the other hand oversight of aggregate fiscal risk from other public sector entities have remained as weak as it was during 2014 PEFA assessment, hence it continues to be a prominent issue of concern from the aspect of sustainability public finances in the near to medium term, especially in the case of FBiH. Performance with respect to external scrutiny and audit have remained the same on balance. The RS has registered an improvement with respect to better managerial response and follow up to external audit recommendations on the one hand while legislative scrutiny of audit reports has deteriorated. In FBiH the score is largely affected by the fact that only a small portion of the recommendations by the external audit are fully implemented.

Table 1: Comparative overview of the scores of the PEFA indicators, all government levels

PFM performance indicator		Scoring method	PI scores			
			IBiH	FBiH	RS	BD
I. Budget reliability						
PI-1	Aggregate expenditure outturn	M1	B	B	B	B
PI-2	Expenditure composition outturn	M1	C+	C+	C+	D+
PI-3	Revenue outturn	M1	B+	B+	B	B
II. Transparency of public finances						
PI-4	Budget classification	M1	B	D	B	B
PI-5	Budget documentation	M1	C	C	A	B
PI-6	Central government operations outside financial reports	M2	A	D	C	D+
PI-7	Transfers to subnational governments	M2	N/A	C	A	N/A
PI-8	Performance information for service delivery	M2	C	D+	D+	D+
PI-9	Public access to fiscal information	M1	D	D	B	D
III. Management of assets and liabilities						
PI-10	Fiscal risk reporting	M2	C+	D+	D+	D+
PI-11	Public investment management	M2	D	D+	D	D
PI-12	Public asset management	M2	C	D+	D+	D+
PI-13	Debt management	M2	B+	B+	A	A
IV. Policy-based fiscal strategy and budgeting						
PI-14	Macroeconomic and fiscal forecasting	M2	D+	C	B+	D+
PI-15	Fiscal strategy	M2	D+	D+	C+	D+
PI-16	Medium-term perspective in expenditure budgeting	M2	D+	C+	C	D+
PI-17	Budget preparation process	M2	D+	B	B	C+
PI-18	Legislative scrutiny of budgets	M1	D	C	B+	D+
V. Predictability and control in budget execution						
PI-19	Revenue administration	M2	B	D+	B	B
PI-20	Accounting for revenue	M1	A	C+	B+	C+
PI-21	Predictability of in-year resource allocation	M2	B+	B+	A	C+
PI-22	Expenditure arrears	M1	A	A	C+	C+
PI-23	Payroll controls	M1	C+	D+	B+	D+
PI-24	Procurement management	M2	C+	N/A	N/A	N/A
PI-25	Internal controls on non-salary expenditure	M2	A	B	B	C
PI-26	Internal audit	M1	C+	C+	C+	D
VI. Accounting and reporting						
PI-27	Financial data integrity	M2	A	A	A	C
PI-28	In-year budget reports	M1	D+	C+	A	C+
PI-29	Annual financial reports	M1	D+	D+	B+	D+
VII. External scrutiny and audit						
PI-30	External audit	M1	C+	C+	B+	B+
PI-31	Legislative scrutiny of audit reports	M1	C+	D+	D+	C+

1. PFM Context in Bosnia and Herzegovina

1.1. Financial overview

The Constitution of Bosnia and Herzegovina is set forth in Annex 4 of the Dayton Peace Agreement (DPA), a document signed to end the 1992-95 war in the country and form basis for post-war nation-building and reconciliation. DPA effectively defines BiH as a state of three constituent peoples - Bosniaks, Serbs and Croats (in communion with Others) with a continuity of statehood however with a changed internal post-war governing structure consisting of two entities, namely the *Federation of Bosnia and Herzegovina (FBiH)* and *Republika Srpska (RS)*, both of which have significant autonomy over how affairs are conducted on their respective territories. The constitution also establishes a central level of government entitled BiH Institutions (also referred to as the State level). In addition to the two entities, and the central level of BiH Institutions there is also the District of Brčko (DB) which was established post-festum as a single administrative unit of local self-government following an arbitration process undertaken by the High Representative for Bosnia and Herzegovina. Last but not least, one notable aspect of the Dayton Peace Agreement is that it accords significant powers to the Office of High Representative (OHR). This institution acts on behalf of the Peace Implementation Council (PIC), a body of 55 donor nations and international organizations formed to take charge of overseeing the post-war nation-building effort.

The two entities have different administrative structures. The FBiH which is divided into 10 Cantons which are further broken down into 22 cities and 58 municipalities. In contrast, RS is fairly centralized with no intermediate levels of governance between the central entity level and municipalities. There are 10 cities and 54 municipalities in RS which cover the remaining 49 % of the country's territory. Both entities have judicial, legislative and executive branches of government. The ten Cantons in FBiH also have all three branches of government.

BiH Institutions are accorded with limited powers under the DPA and these include the mandate for foreign policy, foreign trade, customs, monetary policy and a few others, as described in Article 3 of BiH Constitution. This, however, has changed over time and now BiH Institutions are also responsible for defense, intelligence, state border control and the collection and administration of indirect taxes among others. BiH Institutions consist of a tripartite Presidency (with a member from each constituent peoples) and Council of Ministers (with a series of ethnically balanced Ministries and Agencies whose work it supervises). In addition, there are two courts at this level of government, namely the Constitutional Court and BiH Court. In order to protect the interests of the three groups, the BiH Institutions are organized ethnically therefore guaranteeing representation to all three sides and including the protection of national vital interests.

The overall structure of PFM system of Bosnia and Herzegovina thus reflects the above-described constitutional context. The following table reflects the relative importance of the respective levels of Government in BiH covered under the current PEFA assessment:

Table 1.1: Aggregate expenses per level of Government in Bosnia and Herzegovina in 2021

	Central spending level	Cantons	Social Security Funds	Extrabudgetary Funds	Local Level	Consolidated (Millions of BAM)
Bosnia and Herzegovina						14,797.00
BH Institutions	NA	NA	NA	NA	NA	982.3
Federation of Bosnia and Herzegovina	4,012.4	2,521.50	1,809.70	165.9	745.6	8,792.80
Republika Srpska	3,368.50	NA	862.5	233.1	615.2	4,861.00
Brčko District	214.2	NA	50.7	2.6	NA	268.5

Source: Budget execution reports are the source for Central spending level only. For all other figures presented in the table the source is Central Bank of Bosnia and Herzegovina – Annual statement of government operations. BH Institutions spending in the consolidated column is also based on the Central Bank data and it excludes external debt servicing.

The information presented in the table serves as a basis for understanding the coverage and boundaries of the assessment. The structure of the overall public sector in terms of the number of institutions involved for each respective level of government is covered under the individual assessment chapters in Section 2.

In spite of the overall complex governance structure the country as a whole has been able to maintain a fair amount of aggregate fiscal discipline over the assessment period as depicted in the following table:

Table 1.2: Bosnia and Herzegovina aggregate fiscal data

Central government actuals (in percent of GDP)			
	2019	2020	2021¹
Total revenue	42.5	42.1	42.6
– Own revenue	37.9	37.2	37.9
– Grants	0.3	0.2	0.3
– Other revenues	4.4	4.7	4.4
Total expenditure²	40.6	47.4	42.9
– Noninterest expenditure	39.9	46.7	42.3
– Interest expenditure	0.7	0.7	0.6
Aggregate deficit (incl. grants)	1.9	-5.3	-0.3
Primary deficit	2.6	-4.5	0.3
Net financing			
– External	2.2	2.2	2.1
– Domestic			
Public debt	32.8	36.6	35.2

Source: Central Bank of Bosnia and Herzegovina

1 Forecast/preliminary data for GDP and public debt

2 Including net acquisition of non-financial assets

Ever since its introduction in 2005, the indirect tax collection and distribution system has proved to be a stable and growing source of government revenue in BiH. So much so that the overall drop in revenues which occurred in 2020 due to pandemic was not as significant as initially expected. Namely the total revenues collected measured as a percentage of GDP decreased by only 0.4%, dropping to 42.1% of GDP in 2020 relative to 2019. However, BiH managed to quickly regain its footing when it comes to its fiscal capacity in 2021. Namely, as a result of a solid economic performance in the recent period, especially the quick economic recovery which was registered in 2021 coupled with strong inflationary pressures at the end of the same year, BiH managed to register a record collection of indirect tax revenues which in 2021 increased by record 5.9% year on year. The rate of increase was sufficient to offset the drop registered in 2020 and even exceed the pre-pandemic 2019 indirect tax collection levels.

Government expenditures have also increased in both 2020 and 2021 primarily owing to an increase in social benefits and wages, but also due to the package of benefits which was implemented to allow the country to better cope with the consequences of the pandemic. Expenditures in 2020 increased compared to 2019 and amounted to 47.4% of GDP as compared to 40.6% in 2019, thus forcing the governments to abandon initial plans for fiscal consolidation. The rise in government expenditures is also expected to continue in 2022 due to the continued adjustment of pension and salary levels with inflation.

At the same time, public debt levels also increased and public investments were not realized as planned. Public debt to GDP amounted to 36.6% in 2020 compared to 32.8% in 2019 though the relative public debt levels still remain within the overall bounds of the pre-pandemic period of 2012-2018. While public debt is kept under manageable limit according to Maastricht criteria and does not seem to threaten stability of the fiscal system, there is significant room for public investments portfolio (most of which is debt financed) to develop especially in terms of the effectiveness and efficiency with which infrastructure projects are implemented.

Recent Economic Performance

Prior to the pandemic BiH experienced a decade of uninterrupted economic growth which started in 2010. In the first half of the decade the growth in GDP was relatively sluggish averaging 1.8%. However, the pace picked up in the period 2015-2019 with the country being able to maintain an average of 3.4% GDP growth rate. The GDP growth pace is estimated to have increased in 2021, standing at a projected 5.8% according to the most recent calculations by BiH Central Bank and with some preliminary evidence that the pace will be maintained in 2022 despite significant inflationary pressure.

On the other hand, and given the high level of integration with the EU market and the currency peg to Euro, the inflation in the EU zone, partly triggered by the Russian Federation's invasion of Ukraine, has quickly trickled down to BiH and thus poses a significant risk to the stability of the country's financial system and the economy as a whole.

Furthermore, the economy does have its fair share of imbalances including in particular high levels of youth unemployment and inefficient, albeit versatile, sectors such as agriculture. Though youth unemployment has been declining in recent years this is not the result of a well-thought-out government policy but is rather due to increased youth emigration to the EU member states which offer better employment prospects for BiH high-school and university graduates. Countering this significant development risk will remain a key policy challenge for Bosnia and Herzegovina in the years to come. Moreover, addressing significant inefficiencies in key sectors and especially with respect to public funded infrastructure investments can improve BiH economic prospects in the immediate future.

1.2. Institutional arrangements for PFM

The main institutions involved in PFM system of Bosnia and Herzegovina also reflect the above-described constitutional context which is characterized by a significant degree of interdependence especially when it comes to revenue collection and distribution. Hence, given the specific constitutional arrangement of Bosnia and Herzegovina all of the indicators are assessed at each respective level of government except for PI-24, given the fact that public procurement management is legislated at the central level as well as the fact that key procurement functions including monitoring and complaints management are centralized.

Each of the four assessed government levels has a Ministry of Finance (MoF) with assigned central role for performing key PFM functions. The MoFs are organized into departments/sectors, each responsible for key thematic PFM areas. Each department consists of two or more units responsible for specific subject matter within the given area. Outside the departments, there are additional centralized support functions, such as the Secretariat, Cabinet of the Minister and Central Harmonization Unit.

In terms of the main revenue jurisdictions, indirect taxation is administered at the level of BiH Institutions; whilst administration of direct taxation (including company income tax (CIT), personal income tax (PIT), mandatory social and health insurance contributions and other non-tax revenues) is relegated to the Entity level, however, with notable differences between the Entities. Social contributions are also administered by the Entities, however since the last PEFA assessment entity Pension Funds have ceased to operate as EBFs and have instead been brought under the purview of the respective Entity budgets.³

The mandate of BiH Institutions with respect to PFM pertains in particular to legislating the level of indirect taxes (including VAT, customs and excises), setting and implementing budget policy of BiH Institutions according to the Law on Financing of BiH Institutions and the framework of agreement reached through the Fiscal Council (FC) in BiH and managing the debt of Bosnia and Herzegovina (per Law on borrowing, debt and guarantees of BiH).

The FC was established in 2008 and represents the backbone of the fiscal framework of the country. Its primary task is the coordination of fiscal policy in Bosnia and Herzegovina in order to ensure macroeconomic stability and fiscal sustainability of the country as a whole and its key levels of governance including BiH Institutions, FBiH, RS and BD. The coordination process is reflected in the preparation and adoption of the Global Framework of the Fiscal Balance and Policy in BiH on the basis of an agreement between the Government of the FBiH, the Government of the RS and the Council of Ministers of BiH. The document contains elements for the coordination of fiscal policies in BiH including projections of the indirect tax levels and as such serves as the key precondition for budget planning and preparation of each respective level of government in BiH. As most of the government expenditures which are needed implementation of education, social and other essential policies are incurred at sub-national level, timely decision on the part of the FC on the allocation of indirect taxes is essential for smooth functioning of government across levels and therefore merits a unique PEFA assessment which covers not only the level of BiH Institutions, but also includes FBiH, RS and DB. One notable aspect of BiH PFM system is the fact that it stipulates that servicing of external debt obligations is treated as a first charge on indirect tax revenue collections of the country and thus legally takes precedence over all other expenditure claims.⁴

In terms of expenditure jurisdiction/government functions, State-level authorities include foreign affairs, defense, State security (through agencies such as Border Police, State Investigation and Protection Agency, Intelligence and Security Agency, and Directorate for Coordination of Police Bodies), agencies related to European Union (EU) integration (such as Institute for Standards, Institute for Intellectual Properties, Veterinary Office, Competition Council, Anti-Corruption Agency), State judiciary, election commission, and coordinating ministries/agencies for other sectors (e.g., the State Ministry of Civil Affairs has Sectors for Education, Social Protection and Pensions, Health, Science, and Culture and Sport). Each Entity has social security funds for pensions, health, and employment, as well as public entities for roads (in FBiH, cantons also have road, health, and employment funds). Other Entity-level functions differ between FBiH and RS. The RS government administers expenditures for education, health,

local judiciary (other than the State judiciary), police (other than the State police), and social welfare, while in FBiH the cantons administer most of these expenditures. Local self-governance units are mostly in charge of local administrative services (such as birth/death certification, building permits/cadaster, and some business licensing); local utility/infrastructure for water and sewage, solid waste, and local roads; and some functions in education (in RS, preschool education and capital improvement of secondary schools; in FBiH, some expenditures for preschool and primary education in some cantons). Expenditure jurisdiction among the government levels is not always clearly defined, and there are some overlaps, especially in FBiH between cantons and local self-governance units (and Sarajevo Canton has further complexities because of overlap between the city and the municipalities that are under city territory).

Key external oversight institutions include Supreme Audit Institutions and Parliamentary Assemblies at each of the four main levels of government. In the case of Republika Srpska there is also the institution of the Fiscal Council with the overall mandate to improve the culture of fiscal responsibility. The SAIs are mandated with the external audit function over the use of public funds. The SAIs carry out compliance, financial, and performance audits of institutions that are financed from the budget at each respective level of government. The SAIs also conduct audit of EBFs and State Owned Enterprises with 50+1 share government ownership. Parliamentary oversight of the PFM system principally includes the review and adoption of the Economic Reform Program, annual budget laws (and budget rebalances) and annual laws on the final account (including the underlying SAI report).

1.3. Legal and regulatory arrangements for PFM

The roles and responsibilities of different government levels in BiH with respect to different PFM functions are defined in numerous pieces of legislation, including the following⁵:

Table 1.3: Main PFM laws and regulations

PFM area	Law/ regulation	Brief description and coverage
All	Constitution	The constitution defines the main responsibilities of the BiH Institutions and Entities (Article III) and provides for the budget of BiH Institutions (Article VIII). Furthermore, each of the two entities also have their own subsidiary constitutions while Brčko District has its own governing statute. The constitution is the highest legal act which sets forth division of powers, including executive, legislative and judiciary branches.
Planning	BiH Administration Law, Law on Council of Ministers of Bosnia and Herzegovina; Law on Ministries and Other Bodies of Bosnia and Herzegovina; Law on Republican Administration in RS, Law on strategic planning and development management in RS; Law on development planning and management in FBiH, Law on the organization of administrative bodies in FBiH	The process of medium-term planning, monitoring and reporting in BiH institutions is regulated by the Law on ministries and other Bodies of Bosnia and Herzegovina ⁶ which underscores that the Medium-term work program of the Council of Ministers forms the basis for the preparation of the Budget Framework Paper (BFP)/MTEF and medium-term work plans of BiH institutions. The respective entity laws regulate key objectives and principles of development planning.

⁵ Annex 3 lists the full spectrum of normative acts reviewed in the context of the PEFA assessment and which in turn form the legal backbone of BiH PFM system.

⁶ Official Gazette of Bosnia and Herzegovina", 19/16

Budgeting	Law on Financing of BiH Institutions, Law on Budgets in FBiH, Law on Budget System in RS, and Law on Budget of DB. Annual Budget Laws.	Each of the four main government levels has its own Organic Budget Law. The organic budget legislation provides the overall framework for key PFM elements, with additional thematic laws and by-laws further regulating specific areas. The laws mandate rules for preparation and execution of annual budgets and of MTEFs. BiH Institutions, FBiH, RS, and DB each adopt its own annual budget, and so do lower government levels—cantons, local self-governance units, and EBFs—separately. In addition, the Annual Law on Budget at each of the four levels of government includes budget allocations for direct budget beneficiaries and indirect beneficiaries under their authority. The annual budget law for the following year is supposed to be adopted by each respective parliament by the end of the current year.
Accounting and Treasury management	Law on Financing of BiH Institutions Law on Budgets in FBiH, Law on Budget System in RS, and Law on Budget of DB. Laws on Accounting and Audit of BiH Institutions, the Republika Srpska, Federation of BiH and District Brčko. State-level treasury-related provisions are in the Law on Finance of BiH Institutions; in addition, there are a Law on Treasury of FBiH, Law on Treasury of RS, and Law on Treasury of DB.	Each government level has own laws and regulations in this area.
Audit	Legislation includes the Law on Audit of Institutions of Bosnia and Herzegovina, Law on Audit of Institutions of FBiH, Law on Audit of Public Sector of RS, and Law on Audit of Public Administration and Institutions of DB.	All four main government levels have their own SAIs, each with its own laws and regulations in this area.
Intergovernmental fiscal relations (including tax and revenue allocation)	The main indirect and direct tax legislation includes the Law on Indirect Taxation System in BiH, Law on Value-Added Tax in BiH, Law on Customs Policy and Law on Customs Tariff in BiH, Law on Excises in BiH (all countrywide and administered by the ITA), Law on Income Tax in FBiH, Law on Profit Tax in FBiH, Law on Social Contributions in FBiH, Law on Personal Income Tax in RS, Law on Corporate Profit Tax in RS, Law on Social Contributions in RS, Law on Personal Income Tax in DB, and Law on Corporate Profit Tax in DB. The Law on the Fiscal Council of BiH is major legal act which impacts on intergovernmental fiscal relations for the whole of BiH include .	Indirect taxation is administered at the level of BiH Institutions; Administration of direct taxation is relegated to the Entity level. Republika Srpska has a Law on Fiscal Responsibility which prescribes debt and deficit ceilings and regulates the operation of its Fiscal Council (an independent body established accountable to RS Parliament only, with a mandate to evaluate the credibility of RS fiscal policy with respect to its adherence to established fiscal rules) and prescribes debt and deficit ceilings. While FBiH does not have such an independent fiscal body, relevant provisions with respect to debt ceilings are prescribed within FBiH Law on Debt, Borrowing and Guarantees in FBiH. Budget legislation at the level of FBiH and RS also covers the aspect of intergovernmental fiscal relations.

Parliament	BiH Constitution; Constitution of Republika Srpska; Constitution of the Federation of Bosnia and Herzegovina,	Each level has own constitution (in case of DB it is its Statute) which governs the work of the parliaments at each respective level.
Internal audit and control	The Law on Internal Audit of BiH Institutions (the Law on Financing of BiH Institutions also includes some provisions relating to internal audit); Law on Internal Audit of Public Sector Institutions in the FBiH; and Law on Internal Audit of Public Sector Institutions in the RS (in DB, the Law on Budget of DB includes provisions about internal audit and financial control).	In addition, a coordination board of all Central Harmonization Units (CHUs) in BiH (comprising managers of State and Entity CHUs), was established through the Law on Internal Audit of BiH Institutions with a view to harmonizing policies, procedures, and activities in the internal audit sphere in BiH; proposing amendments on internal audit legislation; adopting by-laws and a code of ethics for internal auditors; and developing/ implementing training for and providing certification of internal auditors.
Procurement	BiH Public Procurement Law	Unlike other aspects of PFM in the BiH, the Public Procurement Law is unique in being enacted at the level of the BiH. All governments regulate their public procurement matters in compliance with this law; there is no separate procurement law at the level of the Entities or DB. The Public Procurement Law regulates the procurement process and defines the roles and responsibilities of different bodies such as the procuring entity, authorized agency, and complaints review body. ⁷
Debt Management	Law on Borrowing, Debt and Guarantees in BiH; Law on Debt, Borrowing and Guarantees in FBiH; Law on Borrowing, Debt and Guarantees in RS; and Law on Internal Debt of DB.	Each level of government has its own regulation covering the manner and procedure related to borrowing, issuance of guarantees and issuance of securities. In addition, this area is also covered by their respective budget legislation.
Public participation	BiH Law on Freedom of Access to Information, BiH Law on Parliamentary Oversight; FBiH and RS Laws on Freedom of Access to Information Parliamentary Rules of Procedure at each level	Law on Freedom of Access to Information is an umbrella law which promotes general principles of public sector transparency by granting open access to public information under certain conditions. In addition, there is a BiH Law on Parliamentary Oversight, which regulates the aspect of public hearings which are accessible to CSOs or ordinary citizens. Other than these there are no other specific legislative acts that prescribe concrete procedures with respect to citizens' involvement in budget planning. ⁸

7 For a succinct summary of a legal and institutional framework for public procurement in BiH see: Transparency of Public Procurement in Bosnia and Herzegovina – Between Theory and Practice, pp.26-28. Available at: https://www.analitika.ba/sites/default/files/transparentnost_javnih_nabavki_eng_-_izvjestaj.pdf

8 See for example Guide for improving budget transparency in BiH: https://www.cpi.ba/wp-content/uploads/2021/07/Vodič-za-unaprjeđenje-budžetske-transparentnosti_ver_bos_web.pdf

1.4. PFM Reform process

1.4.1. Approach to PFM reforms

The existing PFM reform governance framework consists of a set of individual PFM reform strategies at each level of government and the country-wide Comprehensive PFM Strategy (for the period 2021-2025), with the accompanying structures and processes. The current strategic PFM framework was progressively developed over the period 2020-2022 with EU-funded capacity development support provided by the IMF, under the auspices of the Public Administration Reform (PAR) Strategic Framework 2018-2022 (recently extended until 2027). For all levels, except RS, this is the second strategic PFM reform document building on the initial iteration of reform in the period 2016-2020. Among other objectives, the strategic framework for PFM reform is intended to support fulfillment of the requirements for the country's EU accession process.

In terms of technical coverage, the PFM strategies developed at each government level and the Comprehensive PFM Strategy share the same structure of six pillars and contain specific measures and activities⁹ in the areas of: 1. Fiscal framework, 2. Revenue mobilization, 3. Budget planning and preparation (including PIM), 4. Budget execution, 5. Internal control and 6. External audit. Institutional coverage is likewise comprehensive, with measures targeting all the different parts of the public sector (including public corporations and SNGs). Specific reform measures and activities are articulated in the individual strategies, and all levels have subsequently agreed to a common set of objectives and dependent activities that were integrated into the Comprehensive PFM Strategy.¹⁰ Multi-annual and annual action plans are supported with a full-fledged logical framework containing qualitative and quantitative indicators (for process, outputs, intermediary outcomes) to measure results against annual and multi-annual targets. Costs and technical assistance needs are identified on the level of activities, from where they are consolidated on measure, pillar and strategy levels.

Besides the framework described above, a number of strategic documents have been in place for specific PFM functions (such as public internal financial control and procurement) and individual institutions (SAIs, revenue collecting agencies). In addition to the sector-level PFM reform strategies, each level has passed Public Internal Financial Control policy papers (for the period 2020-2025) and individual institutions such as tax administrations and supreme audit institutions maintain strategic development plans and/or institutional development strategies. The PFM strategies at the individual levels and the Comprehensive PFM Strategies currently incorporate these strategic documents into a single consolidated PFM reform plan. Earlier single public procurement reform strategy (expired in 2020) has not been formally renewed but its layout and key measures for the period are similarly preserved in the PFM Strategy of the Institutions of BiH and make up a part of the Comprehensive PFM Strategy.

Inputs used for the preparation of the current PFM reform strategic framework included the findings of external assessments, priorities identified for implementation of structural reforms (as articulated in the country's ERP), carry over measures from the earlier strategies, and key audit recommendations in the period. In the assessed period, OECD SIGMA produced regular monitoring reports using the Principles of Public Administration methodology which covers main PFM functions relevant for measuring progress in EU accession. CSO perspective on PFM performance in transparency, external oversight and public participation is available from the Open Budget Survey, conducted every two years. Other diagnostic reviews are carried out within different technical assistance projects, focusing on specific PFM functions, structures and processes. These diagnostic approaches carry the potential to further support performance

9 Activities are further broken down into sub-activities. This information is available internally and used for monitoring within each level's reform management plans.

10 Dependent activities are defined as those where no single level of government can implement reforms without collaboration and participation from one or more other governments, in line with competencies of each level established in the current legal framework. Importantly, the Comprehensive PFM Strategy for the time being does not introduce new measures or activities beyond those already identified in the individual strategies.

monitoring. PFM reform progress to date has not been independently evaluated and there is limited capacity for such exercise in the government.

1.4.2. Recent and on-going reform actions

The common focus of the reforms in the assessed period included efforts to strengthen revenue collecting agencies, further develop the budget in the program format (including strengthening links to strategic planning and investment management), and strengthening internal controls and internal audit (including further alignment with the applicable standards, automating monitoring of PIFC effectiveness and information system support for internal auditors). A number of the reforms carried out have translated into improved PEFA scores as illustrated in the section on tracking of performance change over time. These constitute the main achievements in the period between two assessments as registered through the PEFA diagnostic tool.

At the same time, a substantive number of carry over activities (such as consolidation of fiscal data, strengthening oversight of fiscal risks from public corporations, program budget, public investment management or establishment of registries of public sector entities) signals delays in implementation and inability to move past known hurdles, such as HR and information systems capacity constraints. To mitigate these constraints, the government benefited from multiple technical assistance projects in the assessed period. The EU has been the principal provider of technical assistance in the assessed period.

Key forward looking reforms pertain to improved oversight of fiscal risks, development of the budget planning information systems and its linkages with the existing information systems for budget execution and reporting, development of audit management software for the SAIs and strengthening monitoring of external auditor's recommendations. All levels are planning to update their organic budget legislation to facilitate further reforms or have recently done so (BD in 2019).¹¹

Institutional considerations (leadership, coordination, sustainability, and transparency)

At each level, PFM reforms are principally coordinated by the MoFs but involve a range of key stakeholders across the public sector. Dedicated structures are in place, including inter-institutional working groups at each level¹² and an inter-governmental working group consisting of representatives of all levels which is charged with monitoring and maintaining the Comprehensive PFM Strategy current, relevant and credible. Operational monitoring is assigned to pillar coordinators and measure/activity leaders. Unlike other EU candidate member countries, BiH has not yet been involved in structured PFM reform dialogue with development partners. There has similarly been little involvement of CSOs with the PFM reform strategies to date.

There have been recent gains in terms of transparency of the PFM reform strategies, with most of the key documents (strategies, action plans, and reports) available publicly and without restrictions. Previous track record in providing information PFM reform implementation for the assessed period, however, is patchy and progress is difficult to gauge. For 2019 and 2020, reports were available for IBiH and F BiH. BD did not report externally on implementation of its earlier strategy while RS did not have a formally approved PFM reform strategy at the time. Reporting on PFM reform progress has stabilized since and 2021 annual implementation reports are publicly available, albeit with a delay, for all levels except BD. The reports provide a summary of progress in implementation and achievement of activities/measures (outputs) and results (outcomes), as shown in terms of target values. Consolidated implementation report for 2021 that provided a country-wide overview of the implementation status of the individual strategies, is available in draft but has not been adopted due to concurrent efforts on making the new comprehensive framework

¹¹ Users of this report are encouraged to look at source documents (individual strategies and the Comprehensive one) for an up-to-date detailed presentation of objectives, results and indicators which are in the current focus.

¹² including representatives of key sectors in the MoF, agencies charged with strategic planning, fiscal oversight and other PFM areas outside the MoF, revenue collecting agencies, supreme audit institutions. This is the case on all levels, except the F BiH where coordination of monitoring is assigned to the Secretary of the MoF.

operational. It is the first country-wide overview of PFM reform progress produced since 2016. In 2022, PAR Coordinator's Office independently compiled and published targeted measurement of PFM progress on six passport indicators.

Besides the coordination that takes place in the governance framework described above, coordination on PFM reform in the assessed period mainly revolved around coordinated engagement of the representatives of different levels in the structures of technical assistance projects. Coordination in internal control (pillar 5) and external audit (pillar 6) is handled through the respective coordination boards of the central harmonization units and supreme audit institutions. The link with the PAR Strategic Framework governance structures is yet to be clarified in the context of the joint documents under the 2018-2027 PAR Strategic Framework (common platform, monitoring and evaluation framework) to be agreed by the four levels of government.

The current PFM reform strategic framework identifies known technical assistance needs and provides a rough estimate of costs. The current understanding of the financing gap for implementation could be improved by consistent costing of the measures and activities in the individual strategies.¹³ This could, in turn, support more proactive engagement in PFM reform dialogue with development partners, comparable to regional peers, to ensure resources are available for key government-led reforms on the country's EU accession trajectory. Risks to the sustainability of the current framework is subject to monitoring by the governance structures.

13 As the Comprehensive PFM Strategy currently does not propose additional measures or activities, its costing would in effect represent the sum of costs of the individual strategies.

2. Detailed analysis of PFM performance

Detailed assessment of PFM performance is presented in sub-sections for individual government levels: 2A. Institutions of BiH, 2B. Federation of BiH, 2C. Republika Srpska, and 2D. Brčko District. For each level respective sub-sections are further organized as follows:

- 2.1. Structure of the public sector,
- 2.2. Assessment by pillar, indicator and dimension,
- 2.3. Effectiveness of the internal control framework, and Impact of PFM performance on budgetary and fiscal outcomes.

Each sub-section for each of the levels contains the corresponding PEFA Check endorsement issued by the PEFA Secretariat as a result of the quality assurance process ensuring that the assessment and the QA process have recognized and followed good practices in planning and implementation.

2.A. ANALYSIS OF PFM PERFORMANCE – Institutions of BiH



Bosnia and Herzegovina

Institutions of BiH

Public Expenditure and Financial Accountability (PEFA)

November 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat

November 30, 2023

2.A.1. Structure of the public sector

Coverage corresponding to the budgetary central government includes 75 institutions of BiH, comprising ministries, agencies, and departments which discharge the competencies assigned to the State level. There are neither extrabudgetary units nor social security funds on the level of Institutions of BiH. There are three non-financial public corporations (as assessed in PI-10).

Table 2.A.1.1: Structure of the public sector (number of entities)

Year	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
2021	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central government – Institutions of BiH	75	0	0	3	0

Source: assessment team, based on information from the Institutions of BiH

The Table 2.2 Financial Structure of central government was prepared based on the Consolidated Budget Execution Report for 2020, since the last fiscal year from the assessed period, 2021, was considered as the outlier due to non-adoption of Budget for 2021.

The direct debt of BiH institutions is small (about 63.5 million BAM as of the end of 2021). The institutions of Bosnia and Herzegovina are mostly financed (83% of total BiH revenues) from block allocations from revenues from indirect taxation collected by the Indirect Tax Authority.

Table 2.A.1.2: Financial structure of central government – actual expenditure (in thousand BAM)

Year	Central government			
2020*	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated
Revenue	943,073,147	N/A	N/A	943,073,147
Expenditure	984,629,889			984,629,889
Transfers to (-) and from (+) other units of general government	1,931,387 (43,516,866)			1,931,387 (43,516,866)
Liabilities	250,098,770			250,098,770
Financial assets	614,410,010			614,410,010
Nonfinancial assets	885,305,291			885,305,291

Source: assessment team, based on Consolidated Budget Execution Report for 2020

* actual spending based on 2020 figures because of temporary financing in 2021

Table 1.A: Overview of the scores of the PEFA indicators – Institutions of BiH

PFM performance indicator		Scoring method	PI scores				Overall score
			i.	ii.	iii.	iv.	
I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	B	C	A		C+
PI-3	Revenue outturn	M2	A	B			B+
II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	C				C
PI-6	Central government operations outside financial reports	M2	A	A	N/A		A
PI-7	Transfers to subnational governments	M2	N/A	N/A			N/A
PI-8	Performance information for service delivery	M2	C	D	A	D	C
PI-9	Public access to fiscal information	M1	D				D
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	N/A	A		C+
PI-11	Public investment management	M2	D	D	C	D	D
PI-12	Public asset management	M2	C	C	C		C
PI-13	Debt management	M2	B	A	B		B+
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	D	D	C		D+
PI-15	Fiscal strategy	M2	D*	C	D		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	B	D	D	D	D+
PI-17	Budget preparation process	M2	D	C	D		D+
PI-18	Legislative scrutiny of budgets	M1	D	D	D	B	D
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	A	C	D	B
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	B	A	C	A	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	C	A	C+
PI-24	Procurement management	M2	B	C	C	C	C+
PI-25	Internal controls on non-salary expenditure	M2	A	A	A		A
PI-26	Internal audit	M1	B	B	A	C	C+
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	A	N/A	A	B	A
PI-28	In-year budget reports	M1	A	D	C		D+
PI-29	Annual financial reports	M1	A	C	D		D+
VII. External scrutiny and audit							
PI-30	External audit	M1	A	A	C	A	C+
PI-31	Legislative scrutiny of audit reports	M2	C	A	C	C	C+

2.A.2. Assessment by pillar, indicator and dimension

PILLAR ONE: Budget reliability

The pillar measures whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance: key strengths and weaknesses

Budget reliability in the assessed period has been impaired by delays in the budget adoption and failure to adopt the budget in 2021. In the latter case, the executive continued to function on the basis of temporary financing decisions based on the previous year’s approved budget resulting in underspending. Due to the failure to adopt the budget for 2021, this year is taken as an exceptional year. The financing in 2019 was also based on the temporary financing decisions, since the budget was formally approved only in December 2019. The budget for 2020 was adopted in July 2020 which enabled budget users to start new projects and activities in the second half of the year which resulted in higher expenditure outturn.

Overall, the deviation between the adopted budget and the budget execution was reasonable, that is under 10% in 2019 and 2020, with a decreasing trend from 9% in 2019 to 1% in 2020.

The variance of expenditure composition by organizational classification did not exceed 8 percent in both 2019 and 2020 and was stable over time (adjusted for budget increase year-on-year). At the same time, the variance of the expenditure composition by economic type was relatively high, exceeding 10% in 2020. Within the framework of the increase and decrease of expenditures within economic categories, the restructuring of the expenditures of the Ministry of Defense of Bosnia and Herzegovina and the Indirect Tax Authority (ITA) of Bosnia and Herzegovina had the largest impact. The main reason for the variance is attributed to the Covid-19 pandemic. Other reasons for underspending identified by the assessment team are political decisions, conservative budget planning, and strict discipline in approving payments. The average execution of expenditures from the contingency reserve for the two years was very low, at 0.03% on average.

Approximately 83% of the revenues in the budget of BiH institutions are from indirect taxes collected by the ITA. Indirect taxes are forecasted by the Macroeconomic Analysis Unit (MAU) under the Governing Board of the Indirect Tax Authority (ITA), taking into account the broader macroeconomic forecasts prepared by the Directorate for Economic Planning (see PI-14). Other revenues are forecasted by the BiH Ministry of Finance and Treasury (MoFT). Actual revenues were higher than budgeted by 5% in 2019 and 2% in 2020. Regarding the variance by the composition of revenues, it was relatively low, below 10%.

PI-1. Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. Coverage is BCG and it covers the last three fiscal years. Supporting calculations are presented in the annex.

Indicator/Dimension	Score	Brief justification of the score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	While the budget for 2021 was an outlier, the deviation between the adopted budget and the execution of the budget was less than 10%, 91.3% and 99.3% in 2019 and 2020, respectively.

Institutions of BiH generally underspend relative to budget, for several reasons - frequent delays in the adoption of the budget, which result in temporary financing; delays in political decisions necessary for spending, careful budget planning; strict discipline in terms of approving payments. The budget for 2021 was not adopted, and the actual spending was carried out on the basis of temporary financing based on the

originally adopted budget for 2020. Therefore, during 2021, BiH institutions continued to spend on already established activities at the rates of 2020, in accordance with the provisions on temporary financing of the Budget Law, but no new activities could be initiated. The temporary financing of institutions at the level of Bosnia and Herzegovina in the first seven months of 2020 affected the expenditure outturn since the new projects started in the second half of 2020, once the budget was approved. While the financing of the Institutions of BiH in 2019 was also based on temporary financing decisions, the budget was formally approved in December 2019.

1.1. Aggregate expenditure outturn

In this dimension, repayments of the principal were excluded from total expenditures, and the accrual accounting basis was used to show total expenses. The intention is to measure the government's ability to stay within its planned total spending.

The amounts for 2019 and 2020 were obtained from the adopted budgets and budget execution reports, while the budget for 2021 was not adopted, and the actual spending was carried out on the basis of temporary financing based on the originally adopted budget for 2020.

Table 1.1.A: Total BCG expenditure outturn (in million BAM)

	2019	2020	2021
Budget	966	991	-
Actual	881	984	-
% Deviation	91.3%	99.3%	-

Data source: Source: Adopted Budgets and Budget Execution Reports for 2019 and 2020.

The temporary financing of institutions at the level of Bosnia and Herzegovina in 2019 and the late adoption of the budget affected the expenditure outturn since budget users were not able to start new programs and activities, but only to cover necessary current expenditures and to continue the implementation of started projects from the previous year. In 2020, the total expenditures of BiH institutions increased by the BAM 104.1 million or by 12% compared to the previous year. The increase refers to the significant execution of capital expenditures and current grants and transfers of the institutions of Bosnia and Herzegovina in the second half of 2020. Capital expenditures were made in the larger amount of about BAM 59.7 million due to the regular execution of approved capital expenditures and larger execution of earmarked funds for multi-year projects and other earmarked projects for which funds were transferred from previous years. Current grants and transfers were made in the larger amount of about BAM 39.7 million, mostly due to transfers to other levels of government for remediation of economic damages caused by the Covid-19 pandemic. Based on the analysis and supporting evidence, the score for the present dimension is B.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Coverage is BCG and performance assessed for the last three FYs (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-2. Expenditure composition outturn (M1)	C+	
2.1. Expenditure composition outturn by function	B	Variance in expenditure composition by administrative classification was less than 10% in at least two of the last three years, 7.7% and 7.3% in 2019 and 2020, respectively.

2.2. Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years, 8.7% and 13% in 2019 and 2020, respectively.
2.3. Expenditure from contingency reserves	A	In 2019, the expenditure charged to a contingency vote was 0.04% of the total expenditures, while in 2020 and 2021 there was no spending from the contingency.

The main expenditure categories by the economic classification are compensation of employees (gross wages and other employee compensations make up 70% of the total expenditure), followed by consumption of fixed capital (8%), use of goods and services (3-4%), and a number of other categories (whose portion in spending is about 1 to 2%).

2.1. Expenditure composition outturn by function

This dimension measures the difference between the originally adopted budget and the execution at the end of the year according to the expenditure structure in accordance with the functional or organizational classification during the last three years, excluding contingency reserve funds and interest on liabilities.

Given that the budget of the Institutions of BiH is adopted on the basis of organizational and economic classification, the differences between the originally adopted budget and the execution at the end of the year are determined according to the expenditure structure, which is in accordance with the organizational classification for the 20 largest budget users which cover 83% of the total expenditure, meaning that 17% of the total expenditure represents the sum of the rest budget users (as shown in Annex 5A).

In the structure of expenditures, there was a significant deviation from the planned amounts, as a consequence of the newly created situation caused by the Covid-19 pandemic.

Some of the reasons for restructuring of budget users' expenditures identified by the assessment team were:

- Late adoption of the Budget (the Budget for 2019 adopted in December 2019, the Budget for 2020 adopted in July 2020),
- Budget reduction in relation to the users' budget requests to secure funds to remedy the economic damages caused by the Covid-19 pandemic,
- Insufficient amount of funds in relation to the scope of business activities and planned program tasks in 2020,
- Unforeseen expenses that the budget users could not influence or foresee when planning the Budget,
- Failure to conduct the public procurement procedure or lack of information in the sectors for financial and material operations regarding the procurement plan,
- Expenditures incurred because of the migrant crisis.

The structure of expenditures in 2020 was also influenced by the establishment of a new institution, the Institute for the Execution of Criminal Sanctions and Other Measures in Bosnia and Herzegovina, which started work on August 1st, 2019. The higher execution of expenditures of about BAM 3.9 million in 2020 was due to the opening and filling of new job positions in August 2020 and the taking over activities in the newly created institution.

Table 2.1.A: Variance in BCG expenditure outturn composition by organizational classification

Variance (%)	2019	2020	2021
Organizational classification	7.7%	7.3%	-

Data source: Source: Adopted Budgets and Budget Execution Reports for 2019 and 2020.

Given that 2021 is treated as an exceptional case the table shows the results for 2019 and 2020, and considering that the variance in both years is less than 10%, the score for this dimension is B.

2.2. Expenditure composition outturn by economic type

This dimension measures the difference between the originally adopted budget and the execution at the end of the year according to the structure of expenditures, in accordance with the economic classification, during the last three years, including interest on obligations, but excluding contingency reserve funds. Expenditure categories are the same as for the previous dimension, with the addition of interest on liabilities, because it is one of the economic classification categories.

There was a significant deviation from the planned amounts in the structure of expenditures. As a result of the Covid-19 pandemic, measures were adopted to protect the life and health of employees in the institutions of Bosnia and Herzegovina due to the risk of a possible epidemic of infectious disease, including introducing work from home and postponing travel. This resulted in significant reductions in terms of travel expenses, expenses for transport services and fuel, expenses for the procurement of materials, and expenses for ongoing maintenance compared to the previous year, while transfers to other levels of government, intended to remedy the Covid-related economic damages, have increased.

In 2019 and 2020, the MoFT made decisions on the restructuring of the expenditures within the approved budget of the institution. Specifically, in 2020, 61 institution/budgetary units requested a restructuring of expenditures within their respective budgets which resulted in 92 decisions made by the MoFT. In 2019, the requests of 43 budgetary units were approved for the restructuring of expenditures.

The largest nominal amount of restructuring refers to the Ministry of Defense of Bosnia and Herzegovina and amounts to 10,473,000 BAM, which constitutes 3.64% of the approved institution's budget of 287,341,000 BAM. A significant part of the stated amount of expenditure restructuring refers to the provision of additional funds for the financing and implementation of the project "Ensuring and improving the operation of motor vehicles of the Armed Forces of Bosnia and Herzegovina" with the implementation period of 2016 - 2018 and the provision of funds for compensation of employees' expenses and parliamentary representatives.

The ITA BiH carried out five expenditure restructurings in the amount of 5,570,000 BAM, which is 5.54% in relation to their approved budget of 100,510,000 BAM.

The variance in the structure of expenditures by economic classification in 2019 and 2020 is 8.7% and 13%, respectively, resulting in a score of C for variance by economic classification.

2.3. Expenditure from contingency reserves

This dimension refers to the amount of spending that is paid from the contingency reserve. The larger the amount that is covered by reserves, instead of being redistributed to specific budget lines, the less transparent the budget is.

The budget reserve is used for urgent and unforeseen budget spending that occurs during the budget execution phase. It should be noted that (due to accounting rules), although the budget reserve is planned in the budget as a one-time sum on a separate budget line (since the planned reserve is general, there is no specific type of spending to which it is dedicated in the budget plan), budget execution reports show spending from that planned budget line in several budget lines in accordance with the purpose of spending. Budget execution reports provide a detailed overview of the budget reserve use.

The total budget reserve for 2019 amounted to 3,428,000 BAM, of which a total of 360,000 BAM was approved and made available to users. The total budget reserve for 2020 and 2021 amounted to 29,880,000 BAM, but no disbursements were made against this line item reported in the Budget Execution Report for 2020 and 2021.

Given that there was no spending from contingency in 2020 and 2021, and the execution of expenditures from the contingency reserve for 2019 is 0.04%, the score for this dimension is A.

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and the end-of-year outturn. Coverage is BCG and performance was assessed for the last three FYs. When calculating aggregate revenue outturn, capital receipts (receipts from the sale of fixed assets) are included, while external financing through borrowing is excluded.

Indicator/Dimension	Score	Brief justification of the score
PI-3. Revenue outturn (M2)	B+	
3.1. Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years, 105% and 102% in 2019 and 2020, respectively.
3.2. Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years, 8.4% and 5.4% in 2019 and 2020, respectively.

The revenues of the Institutions of BiH consist of tax revenues (indirect taxes), non-tax revenues (a wide range of administrative, judicial, special fees and charges, fines, and other revenues, which are defined by general and special legal regulations), current transfers from abroad, and transfers from other levels of government.

The Macroeconomic Analysis Unit (MAU) of the BiH Indirect Tax Authority (ITA) is responsible for preparing forecasts of indirect tax revenues, taking into account macroeconomic projections prepared by the Directorate for Economic Planning within the Council of Ministers. Forecasting revenues from other sources is the responsibility of the BiH MoFT.

The Institutions of BiH receive a fixed amount of indirect tax revenues, which is defined before the adoption of the budget and which is based on the Law on Payments to a Single Account and Distribution of Income and the Global Fiscal Framework of BiH for a three-year period, which is adopted by the Fiscal Council of Bosnia and Herzegovina. In practice, the amount of revenue from indirect taxation that is planned in the budget of BiH institutions is divided into daily payments which are transferred to the single account of the BiH treasury (TSA).

3.1. Aggregate revenue outturn

Since the budget for 2021 was not agreed upon, the institutions of Bosnia and Herzegovina received the same nominal amount in 2021 as in 2020.

Table 3.1.A: Aggregate revenue outturn (in million BAM)

	2019	2020	2021
Budget	880	926	-
Actual	926	943	-
% Deviation	105%	102%	-

Data source: Source: Adopted Budgets and Budget Execution Reports for 2019 and 2020.

A significant percentage of total revenue deviation in 2019 and 2020 was primarily influenced by support from abroad (all earmarked funds donated by foreign governments and organizations as support to Institutions of BiH) in the amounts of BAM 12.57 million and BAM 12.54 million, respectively, which were not planned, and higher realization of certain types of non-tax revenues compared to level of non-tax revenues planned in the Budget, as well as the collected funds of BAM 10.5 million based on the Decision of the Council of Ministers of BiH on permits for the use of radio frequency spectrum that was not planned and are of a dedicated nature. Besides the above-mentioned, the unplanned sale of real estate affected higher revenue realization in 2019.

Given that 2021 is treated as an exceptional year, and that the percentage of total revenue was 105%, and 102% in 2019 and 2020, the score for this dimension is A.

3.2. Revenue composition outturn

This dimension measures the deviation in the revenue composition outturn during the previous three years. It contains a comparison of realized revenues by category with the originally adopted budget.

The variance in the revenue composition outturn of the Institutions of BiH was 8.4% in 2019 and 5.4% in 2020, which represents a B score.

PILLAR TWO: Transparency of public finances

This pillar measures whether the information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Overall performance: key strengths and weaknesses

The budget classifications used are mainly administrative and economic, and to some extent functional, which corresponds to basic performance level per PEFA criteria. Administrative and economic classifications are used in the budget and outturn, while the functional one is used only for the total spending of each budgetary user. The functional classification is in accordance with COFOG and MoFT has implemented a software application that allows the existing CoA to be compared with the GFS classification. Based on the Law on the Financing of BiH institutions, a modified accounting basis is used (cash accounting of revenues and accrual accounting of expenditures). In the reform strategy, it is planned to prepare a plan and preconditions for the implementation of the International Public Sector Accounting Standards (IPSAS). The chart of accounts used at the BiH level is not harmonized with other levels of government.

The contents of budget documents are largely complete, but they lack the following: submission of the medium-term expenditure framework to the BiH Parliamentary Assembly, data on financial assets in the budget documents, information on revenue and expenditure implications of new policies, and tax expenditures.

Performance information on service delivery is weak. Program budgeting is at an early stage of implementation and there is a lack of orientation towards strategic goals and policies. Performance plans are published annually for the majority of budgetary users. However, the reporting of results is weak, as is their evaluation.

Public access to fiscal information is weak in terms of timeliness. All the documents are available, but not within the stipulated time. Regarding budget coverage, there are no extrabudgetary units at the level of BiH, so all revenues and expenditures are included in the budget at least in the outturn. Whereas some donor-funded projects were kept off the budget and the outturn in the past, now they are all included in the outturn according to MoFT (see PI-6).

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. In accordance with primary and secondary legislation, budget execution reports are prepared according to the organizational, economic, source of funds, functional, and project classifications. Coverage is BCG for the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-4. Budget classification	B	
4.1. Budget classification	B	While Budget and Outturn are based on administrative and economic classification, only the total spending of each budget user (head) is assigned to functional classification in line with COFOG. . At BiH Institutions level of Government, GFS 2014 has been in use since 2019. MoFT has implemented the system that allows a consistent linkage of the CoA with GFS 2014 classification.

This objective is facilitated by recording all transactions in accordance with a chart of accounts (CoA) that captures sufficient information about each transaction to enable reports according to each of the classifications. Although there has been some progress at the level of BiH Institutions where the new Rulebook on accounting with accounting policies and procedures for users of BiH Institutions has been adopted in February 2015, public finance statistics still remain fragmented and incoherent across the different jurisdictions in BiH as a state – a situation that most observers regard as a significant impediment to proper governance.

While budget and outturn are based on administrative and economic classification, only the total spending of each budget user (head) is assigned to functional classification in line with COFOG. Since 2019, MoFT has been preparing budget and budget execution reports in GFS 2014 standards. MoFT has implemented a software application that allows the existing CoA to be compared with the GFS classification. Apart from the system, the manual has been prepared and distributed. MoFT can convert any budget data into GFS-compatible reports on 3-digits, including in-year reports. The applied system using standard bridge table comparing the classification (CoA) in use and the GFS system. Conversion to GFS 2014 does not involve splitting accounting entries. In addition, the Law on Financing of BiH Institutions establishes a modified accounting basis as a basis for recording budget revenues and expenditures of BiH institutions. The modified accounting basis implies accounting records of income in the period when they become available and measurable, and expenses at the time of the commitment. By adopting the international public sector accounting standards in full, the conditions for harmonized coverage and processing of accounting data will be met. In line with that, according to the BiH Institution's Strategy for Improving PFM, 2021-2025 activity IV.3.2 defines the preparation of a roadmap and preparatory activities for implementation of the IPSAS to be completed by the end of 2025.

4.1. Budget classification

The BiH Institution budget is presented by the economic classification of the expenditure of each administrative unit. The BiH Institutions operates a Treasury system through which all transactions are recorded. This provides consistent reporting by administrative and economic classifications. For the BiH Institutions, sufficient information is collected for each transaction to enable the MoFT to produce a functional breakdown of actual expenditure, but the budget and outturn are not presented in a functional classification.

The 2015 Reporting Rulebook for BiH Institutions prescribes reporting by functional classification and the reports contain data on the execution of expenditures by functional classification but as of the time of the assessment, there is no clear and detailed methodology for dividing expenditures (budget) into functional/ program classification. It is expected to be embedded within budget documentation from 2025. Only an approximation of the total spending of each budget user (head) is assigned to functional classification - one function that best describes its responsibilities of main functional categories is done for the purposes of preparing BiH Institutions' Medium Term Expenditure Frameworks (MTEFs).

BiH Institutions outturn reports are prepared in COFOG and use the GFS 2014 format for IMF reporting. Hence, the score for the present dimension is B.

PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation to the legislature for scrutiny and approval asking whether 12 specific pieces of information are presented alongside the government's detailed proposals for revenue and expenditure in the 2022 fiscal year.¹⁴

¹⁴ The 2022 budget of the Institution of BiH was adopted by 30 June 2022, but the 2021 budget has never been adopted. The assessment accordingly uses the last approved budget (2020) as the proxy on elements that compare the current budget proposal and the previous budget.

Indicator/Dimension	Score	Brief justification of the score
PI-5. Budget documentation	C	
5.1. Budget documentation	C	6 of the 12 applicable elements are met.

As per the Law on Financing of BiH Institutions, the budget proposal is prepared by the MoFT, and submitted to the BiH Presidency which formally submits the proposal to the BiH Parliamentary Assembly (please see the list of documentations in footnote).¹⁵

Table 5.1.A: Budget documentation elements

Basic elements	Included	Evidence used/Comments
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	The forecast of fiscal deficit or surplus is recognized and presented in budget documents but without explaining the reasons for having surplus or what are the causes that led to a deficit. The budget presents revenues and financing categories separately.
2. Previous year's budget outturn, presented in the same format as the budget proposals	Y	The previous year's budget outturn is presented in the MTEF document in the same format as the annual budget proposal https://mft.gov.ba/Content/OpenAttachment?id=eb790f67-585e-49cf-bd84-2bf9b7f9707f&lang=hr
3. The current fiscal year's budget presented in the same format as the budget proposals	Y	2022 budget, which is available on the BiH Institutions MoFT website shows the current fiscal year's budget for 2020 (as mentioned earlier, 2021 budget has never been adopted). https://mft.gov.ba/Content/Read/usvojeni-budzet
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	N	2022 budget, which is available on the BiH Institutions MoFT website, shows the current fiscal year's budget for 2022 and previous year (2020) but the budget only. (https://mft.gov.ba/Content/Read/usvojeni-budzet)
Additional elements	Included	Description
5. Deficit financing, describing its anticipated composition.	N	According to the Law on Financing, in case of budget deficit within budget, MoFT will determine the maximum amount of short-term loans to cover expenditures: short-term debt that must be repaid during the fiscal year.
6. The macroeconomic assumptions, including at least aggregate GDP growth, inflation and the exchange rate.	N	MTEF 2022-2024, which contains a section on the macroeconomic assumption.

¹⁵ In line with the Law on financing of BiH Institutions, the draft budget submitted to the BiH Parliament includes the following: Income and expenses: review of estimated revenues by funds and sources, overview of proposed expenditures according to standard budget classifications, expenditure proposal for each budget user and income source proposal for each budget user, Macroeconomic indicators and analysis of their effects on the Medium-term Budget Document (i.e., MTEF), Data on all income and expenses of the previous fiscal year and the execution report, Budget outturn of first six months of the current fiscal year for each budget user, Data on current and long-term liabilities based on the external debt of Bosnia and Herzegovina including repayment of principal, payment of interest, estimated amounts related to foreign exchange, Exchange rate differences, and other obligations based on debt servicing, Data on obligations based on the internal debt of Bosnia and Herzegovina, including the remaining debt, Repayment of principal, payment of interest, estimated amounts whose issue is to be made during fiscal year and purpose of issue, Capital expenditures, Grants to non-profit organizations, Guarantees; and Brief overview of grants and donations, Current budget reserve, Capital budget and guarantees.

7. Debt stock, including details at least for the current year	Y	Law on Financing of BiH Institutions and International Obligations, under Article 4, provides information concerning obligations and the structure of external debt obligations, i.e. information on obligations to service external state debt (obligation bearer BIH), the structure of obligations by creditors and sources for servicing external state debt. (https://mft.gov.ba/Content/Read/usvojeni-budzet)
8. Financial assets, including details at least for the beginning of the current year	N	No information is presented in budget documents.
9. Summary information on fiscal risks including contingent liabilities	N	This information is part of MTEF 2022-2024 delivered to the legislation on review; key fiscal risks at BiH Institutions are currency risk, interest rate risk, and refinancing risk.
10. Explanation of budget implications of new policy initiatives and mayor new public investments	N	The 2022 budget documents contain explanations of new public investment projects but no discussion of new policy implications (different macro-fiscal scenarios).
11. Documentation of the medium-term fiscal forecasts	Y	MTEF 2022-2024 as an initial budget document contains a medium-term forecast of both revenues and expenditures.
12. Quantification of tax expenditures	N	No information is available in the budget documents of the BiH Institutions

The requirements are met for 3 basic elements, hence, the score for the present dimension is C.

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. Coverage is CG for the last completed fiscal year (2021). As the 2021 budget was not adopted, the fiscal year 2020 is used as a proxy for scoring performance.

Indicator/Dimension	Score	Brief justification of the score
PI-6. Central government operations outside financial reports (M2)	A	
6.1.Expenditure outside financial reports	A	All expenditures are included in the financial reports.
6.2.Revenue outside financial reports	A	All revenues are included in the financial reports.
6.3.Financial reports of extrabudgetary units	NA	-

There are no extrabudgetary funds at the level of Bosnia and Herzegovina. There are three public companies (Official Gazette BiH, Elektrorenos BiH¹⁶, BH Radio-Television), but based on information from the BiH MoFT, there are no transactions between public companies and the Budget of BiH institutions.

All expenditures of budgetary units are carried out through the budget. Donations from abroad¹⁷ were planned in the 2020 Budget in the amount of 215,000 BAM, and the realized support from donations from

¹⁶ Owners of Elektrorenos BiH are the entities. The RS share is 41.10%, and the FBiH share is 58.90%.

¹⁷ EU, USAID, etc.

abroad in 2020 was in the amount of 12.5 million BAM¹⁸. Therefore, information on donor-funded projects is included only to the extent that it is available at the time the budget proposals are prepared, while data on the actual flows reported at the execution stage for all donor inflows that pass through the budget are much higher. Total executed expenditures in 2020 were 984.6 million BAM. Total executed revenues in 2020 were 943.1 million BAM.

6.1. Expenditure outside financial reports

All expenditures of budgetary units are included in the financial reports. Based on the analysis and supporting evidence, the score for the present dimension is A.

6.2. Revenue outside financial reports

All revenues of budgetary units are included in the financial reports.

Based on the analysis and supporting evidence, the score for the present dimension is A.

6.3. Financial reports of extrabudgetary units

The rating for this dimension is NA because there are no extrabudgetary units or social security funds at the BiH level.

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from the central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. This covers CG and the subnational governments with direct financial relationships with CG for the last completed fiscal year (2021).

Since the BiH level does not have sub-national levels of government, this indicator is rated as NA.

Indicator/Dimension	Score
PI-7. Transfers to subnational governments (M2)	NA
7.1. System for allocating transfers	NA
7.2. Timeliness of information on transfers	NA

PI-8. Performance information for service delivery

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. Coverage is CG for all four dimensions and for PI-8.1, performance indicators and planned outputs and outcomes for 2022; for PI-8.2, outputs and outcomes of the last completed fiscal year 2021; and for PI-8.3 and 8.4, last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-8. Performance information for service delivery (M2)	C	
8.1 Performance plans for service delivery	C	Information is published annually on the activities to be performed under the policies or programs for the majority of ministries, therefore the score is D.

18 <https://www.mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=hr>

8.2 Performance achieved for service delivery	D	Information is published annually on the quantity of outputs produced and outcomes achieved for less than 50% of the assessed sample.
8.3 Resources received by service delivery units	A	Information on resources received by frontline service delivery units is collected and recorded for all budget users, as shown through their individual reports on budget execution and consolidated budget execution report for Institutions BiH. Two largest ministries in terms of service delivery are selected as an example (Ministry of Justice BiH and Ministry of Civil Affairs BiH).
8.4 Performance evaluation for service delivery	D	Performance audits are carried out by the SAI BiH. However, performance audits are focused on specific functions or policies rather than institutions as such.

The Law on Financing of BiH Institutions was last amended in 2013. Analysis and experiences from the implementation indicate the need to develop and adopt comprehensive amendments to the Law on Financing. The Strategy for improving PFM of BiH 2021-2025 has identified the following needs concerning the amendments to the Law: preparation, adoption, and execution of the Institutions of BiH budget in a program format, with secondary legislation in place for program budget preparation, execution, and reporting.

8.1. Performance plans for service delivery

In accordance with primary and secondary legislation, budget execution reports are prepared according to the organizational, economic, source of funds, functional, and project classifications. Program classification is not included in the reporting on the budget execution of BiH institutions. Although there is some improvement in the approach of budget beneficiaries in terms of the comprehensiveness of the information on which the budget requests are based, they are still largely cost-oriented by input elements, rather than focusing on the results of strategic goals and policies. The program budget format is expected to provide both the information needed to issue decisions on the allocation of funds and information for the implementation of managerial accountability for the goals and results of operations of BiH institutions.

Under Budget Instruction No. 1, the Institutions of BiH are obliged to prepare annual and three-year program budget proposals with outcomes (both by program and by functional classification), which are combined in the format of the program budget. The program budget is not formally adopted but represents a part of the explanation with the Draft/Proposal of the Law on the Budget of BiH Institutions for 2022 in accordance with the Law on Financing of BiH Institutions. The BiH Council of Ministers adopts only administrative and economic classification of budget proposals. Budget requests in program format are submitted to the executive and legislative authorities as a brief enclosed with the documentation in the phase of budget consideration and adoption.

Consequently, the MoFT sets expenditure ceilings on the basis of economic categories and not on the basis of programs. The missing links between the existing IT systems for budget preparation and execution do not allow for monitoring of execution in the program format. A review of the existing program structure in all BiH institutions has been planned. The intention is to develop a clearer and more efficient program structure that can support a simpler overview of the alignment of program priorities and objectives with the institutions' strategic medium-term work programs.

Ministries and related entities (agencies, other budgetary units) in the BiH Government prepare the Annual Plan of Activities, which contains details on operational goals and activities related to specific strategic goals, together with information on performance indicators, deadlines, expected results, and funding sources and which are adopted by the BiH Council of Ministers. To assess this dimension, the **15** ministries and budgetary units were selected as the sample (out of 75 budgetary units in total). The selected ministries represent service delivery units either in full or partially. Seven units (47% of SD

ministries) in the sample did not publish the Annual Plan of Activities for 2022.¹⁹ Eight units (53% of SD ministries) in the sample²⁰ have published the Annual Plan of Activities containing information on service delivery programs and objectives, performance indicators, output, outcomes, and activities. Therefore, information is published annually on the activities to be performed under the policies or programs for the majority of ministries. Based on the analysis and supporting evidence, the score for the present dimension is C.

8.2. Performance achieved for service delivery

Information is published annually on the quantity of outputs produced and outcomes achieved for 7 out of 15 (40% of SD ministries) ministries and budgetary units for the fiscal year 2021, disaggregated by program or function. The annual performance reports on the execution of the plan of activities are prepared in the same format as the annual plans of activities, which in addition provide explanations of implemented activities. Based on the available evidence for 2021, the dimension score is D.

Table: 8.2A: Illustrative information on Service Delivery Programs

II-REPORT ON THE IMPLEMENTATION OF THE ACTION PLAN PRESENTED BY THE ANNUAL WORK PROGRAM OF THE MINISTRY OF CIVIL AFFAIRS OF BIH FOR 2021										
	Activity Holder	Indicator				Sources of funds and costs			Implementation Period	Comments:
Program, projects and activities	(organizational unit)	Indicator (% , number or description)	Baseline (n)	Target (n+1)	Realization (n+1)	Sources of funds (budget, loans, donations, other)	Planned costs:	Actual costs:	Planned quartal	
6.1 Citizenship and travel documents										
6.1.2 Efficient performance of procedures in the cases of: acquisition and termination of BiH citizenship, in the area of travel documents and in the area of revision of decisions on naturalization of foreign citizens naturalized between 04/06/1992. and 01.01.2006.	Department for Citizenship and Travel Documents	Number of administrative procedures	3184 932	4000 1600	3023 1000	Budget	394,000.00	394,000.00	I-IV	

¹⁹ Border Police of BiH, Service for Foreign Affairs of BiH, Ministry of Communications and Transport of BiH, Ministry of Foreign Affairs BiH, Directorate for Coordination of Police Bodies of BiH, Agency for Identification Documents, Registers and Data Exchange of BiH

²⁰ Ministry of Defense of BiH, Ministry of Security of BiH, Ministry of Justice of BiH, State Investigation and Protection Agency, Ministry for Human Rights and Refugees of BiH, Ministry of Foreign Trade and Economic Relations of BiH, Ministry of Civil Affairs of BiH

8.3. Resources received by service delivery units

To assess this dimension, two largest ministries in terms of service delivery are selected: the Ministry of Civil Affairs BiH and Ministry of Justice BiH. The information on the sources of funds is captured in their annual plan of activities for 2019, 2020, and 2021 and in the Performance reports for 2019, 2020, and 2021, separately presented for each activity.

The MoF was in regular possession of up-to-date information on funds received by all budget users through the BPMIS in the last three completed fiscal years. The consolidated annual report on the execution of the Budget, as well as their individual budget execution reports, contains information on resources received by services delivery units by source of funds classification.

Information on resources received by service delivery units is collected and recorded for at least two large ministries (Ministry of Civil Affairs BiH and Ministry of Justice BiH). Hence, the score for the present dimension is A.

8.4. Performance evaluation for service delivery

The Supreme Audit Office of the BiH is the only institution which conducts performance audits. Performance audits conducted in the last three completed fiscal years are provided in Table 8.4A. Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such. The number and institutional coverage of performance audits is less than required for a C score.

Table 8.4A: Performance Audits Covering 2019-2021 Period

2019
Activities of Institutions BiH in the Process of Adoption of Internal Organization Rulebook Readiness of Institutions BiH to Respond to Commitments Under the Sustainable Development Program Until 2030 Managing Employee Transportation Costs in Institutions BiH Monitoring the Implementation of Performance Audit Recommendations Product Safety and Integration in the EU Market
2020
Monitoring the Implementation of Performance Audit Recommendations TV Signal Digitalization in BiH Employee Training Planning and Implementation in the Institutions BiH Activities of Institutions BiH on Radiation and Nuclear Safety Assumptions for Efficient Intervention Management in case of Incidental Marine Pollution
2021
Monitoring the Implementation of Performance Audit Recommendations - Management of Grants in Institutions of BiH Basic Assumptions for Efficient Management of Fees and Charges in Institutions BiH Electronic Document Management in Institutions BiH Basic Assumptions for Inspection Supervision in BiH Institutions Problems and Shortcomings of Institutions BiH in the Public Procurement System

Source: <https://revizija.gov.ba/?lang=bs>

Based on the analysis and supporting evidence, the score for present dimension is D.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. Coverage is BCG for the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-9. Public access to fiscal information	D	
9.1. Public access to fiscal information	D	Although all documents are available to the public, most of them are not available within the expected time frame.

The Strategy for Improving PFM in Institutions of BiH 2021-2025 has identified the need to improve the transparency of the budget of BiH institutions (improved availability of information to interested publics).

9.1. Public access to fiscal information

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	N	Not available to the public within one week of the executive's submission to the legislature. ²¹ On June 25, 2021, the BiH Presidency submitted a budget proposal for 2021 to the BiH Parliamentary Assembly. After July 7, 2021, the budget proposal for 2021 was made available to the public. ²² The budget proposal for 2022 was submitted to the legislature in 2022. ²³
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	N	There was no adoption of the budget law for any year in 2021. ²⁴ However, the budget for 2022 that was adopted in 2022 was available to the public within two weeks of passage of the law. The Budget 2022 was adopted on June 30, 2022 ²⁵ , and published on the website of the BiH MoFT on July 8, 2022 ^{26,27} Since the year of interest according to PEFA Methodology is last completed fiscal year (2021), the requirement is not met.

21 <https://www.parlament.ba/session/OSessionDetails?id=2218&ConvernerId=1>

22 On the website of the BiH Parliamentary Assembly, it can be seen that the budget proposal documentation for 2021 is available to the public. It was listed as part of the agenda of the 23rd session of the BiH Parliamentary Assembly, which was held on September 20, 2021. However, on June 25, 2021, the BiH Presidency submitted a budget proposal to the BiH Parliamentary Assembly. The 22nd session of the Parliament was held on July 7, 2021. This shows that the 23rd session of the BiH Parliamentary Assembly was announced after July 7, 2021, when the budget proposal was made available to the public.

23 <https://www.parlament.ba/oLaw/GetOLawsByStatus?page=1&MandatId=6&Status=-1>

24 <https://www.mft.gov.ba/Content/Read/usvojeni-budzet>

25 <http://www.sluzbenilist.ba/page/akt/oruyMxUqogztz5k76kjin45ho=>

26 <https://www.mft.gov.ba/Content/Read/usvojeni-budzet>

27 Since the budget for 2021 was never adopted, the focus was on the second reading of the budget stated in *1. Annual executive budget proposal documentation*. The budget proposal was adopted by the House of Representatives on April 27, 2022, but still not at the House of Peoples. The adopted budget proposal was immediately available on the website of Parliament. Although the budget adopted by the House of Representatives is available, it is not easy to find. First, the citizen should find it through a Google search in the press, and then, based on the date from the press, find it on the website of the BiH Parliamentary Assembly. Since the budget for 2021 has not yet been adopted at the House of Peoples, assessors also checked 2022. The Budget was adopted on June 30, 2022, and published on the website of the BiH Ministry of Finance and Treasury on July 8, 2022.

3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	N	In-year budget execution reports in 2021 were published for the Budget 2020: II quarter 2020 (August 2020 (report)/December 2021 (published)); III quarter 2020 (November 2020 (report)/December 2021 (published)). Also there were prepared and published in year budget execution reports in 2021 for the Budget 2021: I quarter: May 2021 (report)/June 2021 (published); II quarter: August 2021 (report)/July 2022 (published); III quarter: November 2021 (report)/July 2022 (published)) ²⁸ One out of three in-year budget execution reports for 2021 available to the public within a month, the other two not.
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	Y	Annual budget execution report for 2020 is published on June 9, 2021. Available to the public within six months after the fiscal year's end. ²⁹
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	Y	Available within the twelve months of the fiscal year's end. ³⁰
Additional elements		
6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	- BiH GFF ³¹ was not adopted in 2021 for 2022-2024, but in 2022. - BiH MTEF ³² was not adopted in 2021 for 2022-2024, but in 2022.
7. Other external audit reports. All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	Y	All individual audit reports are made available to the public as soon as approved by the SAI management approved by the SAI management ³³ . Qualified and adverse are sent to the competent parliamentary committee.
8. Summary of the budget proposal. A "citizen's budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	N	Not available to the public within one month of the budget's approval. Not available before the budget proposal submission. The "citizens' budget" for 2022 was published on November 16, 2022, while the budget was adopted on June 30, 2022.

28 <https://www.mft.gov.ba/Content/Read/izvrsenje-izvjestaji>

29 <https://www.mft.gov.ba/Content/Read/izvrsenje-izvjestaji>

30 Information from the Supreme Audit.

31 <https://www.mft.gov.ba/Content/Read/globalni-fiskalni-okvir>

32 <https://www.mft.gov.ba/Content/Read/dokumenti-okvirnog-budzeta>

33 <http://www.revizija.gov.ba/?lang=bs>

9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	As stated in Element 6, neither GFF nor MTEF for 2022-2024 were adopted in 2021. BiH GFF 2022-2024 was approved in March 2022 and published in May 2022. The BiH MTEF was approved and published in May 2022. Since the year of interest according to PEFA Methodology is last completed fiscal year (2021), the requirement is not met.
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The requirements are met for 2 basic elements out of 5 and 1 additional element out of 4. Although all documents are available to the public, most of them are not available within the expected time frame. Hence the score for the present dimension is D.

PILLAR THREE: Management of assets and liabilities

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Overall performance: key strengths and weaknesses

Fiscal risk reporting is at a basic level. The BiH MoFT does not collect financial reports from public companies. Assessors were not able to obtain information on the financial position of public companies either from the MoFT or from other ministries. There is no monitoring of lower levels of government since the BiH level does not have fiscal relations that would qualify under PEFA criteria. On the other hand, all significant contingent liabilities are part of the government’s financial reports. The reform strategy recognizes the need to establish a register of budgetary users and public companies.

Public investment management is also weak. The BiH MoFT prepares the Public Investment Program, which is a strategic document that includes three-year public investment projects. Project approval is only partially based on economic analysis. Criteria for selecting projects are prescribed, but there is no evidence that they are followed. Project costs are available, but only for the forthcoming budget year. By Decree, the monitoring is prescribed to be done annually. However, at the time of the PEFA assessment, the Decree has not been in force (applied only from 2022).

Public asset management is only at a satisfactory level. Monitoring of financial assets is carried out in such a way that the BiH MoFT keeps records only by main categories, without other information. As opposed to financial assets, non-financial assets are better monitored by keeping a register of fixed assets including land (via modules in the ISFU information system). However, when it comes to the transparency of asset disposal, information is only partially available in budget documents. The reform strategy plans to improve internal control in order to provide up-to-date information on the management of assets and liabilities.

Debt management practices are generally sound. There is a relatively good system for recording and reporting debt and guarantees. There are clear policies and procedures to follow when approving debt and guarantees. There is a four-year debt management strategy that is public. Although debt management is performing well, there is room for improvement, such as debt measurement in accordance with ESA 2010, software improvements, and harmonization of debt reporting with other levels in BiH. Unlike before, a Debt Management Strategy is now prepared for a four-year period and revised annually, and new loans are made in accordance with the strategy. However, there are no government annual borrowing plans.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government’s own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. For the last completed fiscal year (2021), this indicator covers CG-controlled public corporations for PI-10.1, subnational government entities that have direct fiscal relations with CG for PI-10.2, and CG for PI-10.3.

Indicator/Dimension	Score	Brief justification of the score
PI-10. Fiscal risk reporting (M2)	C+	
10.1. Monitoring of public corporations	D	No evidence of performance above score D requirements.
10.2. Monitoring of subnational governments	NA	BiH level does not have direct fiscal relations with subnational governments
10.3. Contingent liabilities and other fiscal risks	A	All significant contingent liabilities are reported in financial reports.

The MoFT does not maintain the register of public corporations at this level of government. The assessment team identified three public companies at the BiH level. One of them is the "Official Gazette of BiH", and its financial plans and reports are adopted by the BiH Council of Ministers, on the proposal of the BiH Ministry of Justice. Another company is "Bosnia and Herzegovina Radio-Television" (BHRT) whose reports are adopted by the BiH Parliamentary Assembly. The founder of "BHRT" is the BiH Parliamentary Assembly and it is not clear if reports are submitted to the BiH Council of Ministers.

"Elektroprenos BiH" is the electricity transmission company, jointly owned by the FBiH and RS as its shareholders. It operates under the regulations of the State Electricity Regulatory Commission (SERC). This PC is not assessed as PC at the level of the Institutions of BiH due to its ownership structure although it is the Council of Ministers that confirms the management nominations made by the FBiH and RS. According to the interviews, the financial risks from contingent liabilities are the responsibility of the company management structures and SERC. Its financial reports are reviewed and approved by the company's corporate bodies.

The Strategy for Improving PFM in Institutions of BiH 2021-2025 has identified the need to establish and publish a register of budget beneficiaries and state-owned enterprises.

10.1. Monitoring of public corporations

Table 10.1.A: Financial reports of public corporations for 2021

Public corporations	Date of audited financial statements	Total expenditure (BAM)	As a % of total expenditure of public corporations	Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)
BHRT	No info	58,594,927	94%	N
Official Gazette	No info	3,981,536 ³⁴	6%	No info

BHRT submitted its reports for 2021 to BiH Parliamentary Assembly in June 2022.³⁵ It is not clear when and if the Council of Ministers received reports from the Official Gazette³⁶. Hence, the score for the present dimension is D.

10.2. Monitoring of subnational governments

The score for the present dimension is NA because the BiH level does not have direct fiscal relations with subnational governments.

10.3. Contingent liabilities and other fiscal risks

BiH level present quantified significant contingent liabilities as per PEFA criteria (i.e., in excess of 0.5% of BCG expenditure) in its financial reports. Based on PEFA definition, all contingent liabilities over BAM 4.5 mil. qualify as significant. The assessment team looked at guarantees, deposits and pending court claims.³⁷ The debt of other government levels which is guaranteed by the state level, that was reported in the amount of BAM 322.1 mil. in the Information on the state of public indebtedness of Bosnia and Herzegovina in 2021³⁸, is subject to sub-guarantees between the state and the entities, and collateralized from the entity's share of the indirect tax revenue should the final debtor default on the payment under the guarantee.

34 FIA (Financial-Information Agency) of the FBiH

35 <https://www.parlament.ba/session/OSessionDetails?id=2283>

36 Data about expenditures are provided by FBiH FIA (Financial-Information Agency).

37 There are no PPPs on the state level as this subject is regulated by legislation on other government levels.

38 <https://www.mft.gov.ba/Content/OpenAttachment?id=c56e4f18-9189-42d4-b0d0-4e9e9a72b67e&lang=hr>

The amount of insured deposits in commercial banks is not known, but the reported total amount of deposits in 2021 was around BAM 14.5 bil.³⁹ The deposit insurance is paid out by the Deposit Insurance Agency without implications on the budget, and only in the case if one of the two entities' banking supervision agencies revokes the commercial banks' license. Potential liability for the IBiH budget based on court cases that are being conducted against BiH is 167 mil⁴⁰, and this is presented in the financial report of IBiH for 2021. Other fiscal reporting available in the financial reports is on currency risk, interest rate risk, and refinancing risk. The Council of Ministers reports information on all significant contingent liabilities in the financial reports, and assessors have not identified contingent liabilities not included in the reports. Hence, the score for the present dimension is A.

PI-11. Public investment management

This indicator is designed to assess the essential elements of the PIM framework, namely the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. The coverage is CG and the period of assessment is the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-11. Public investment management (M2)	D	
11.1. Economic analysis of investment projects	D	There are no formal guidelines on how the economic analysis of proposed projects is to be conducted. Moreover, the opinions which Ministry of Finance and Treasury issues prior to the formal approval of each multiannual project by the Council of Ministers are only partly based on the economic evaluation of the respective project under consideration. The PIP for the period of 2022-2024 was not officially adopted by the Council of Ministers.
11.2. Investment project selection	D	There is no evidence that relevant project selection criteria are actually applied in practice, especially in light of the fact that the Commission ⁴¹ that is supposed to undertake the task of investment project appraisal and prioritization has never been established.
11.3. Investment project costing	C	Total capital cost is presented only for the forthcoming year in the budget documentation.
11.4. Investment project monitoring	D	Full physical and financial monitoring of the project is supposed to be conducted once a year as prescribed by the Article 15 of the relevant bylaws. ⁴² However, this decree was published in the Official Gazette only at the end of 2021 and will be applied for the fiscal year 2022. Currently a report containing only information on expenditure of funds on public investment projects is produced annually.

39 <https://www.klix.ba/biznis/finansije/gradjani-bih-u-bankama-cuvaju-vise-od-14-milijardi-km-prvi-put-vise-u-km-nego-u-stranim-valutama/221028118>

40 <https://www.mft.gov.ba/Content/OpenAttachment?id=7f2b0624-5cf8-48ab-93f5-f81926075fe6&lang=bs>

41 Article 8 of the Decision foresees the establishment of a Commission for assessing priority public investments of the Institutions of BiH.

42 Financial monitoring is also conducted by the Department for Financial Planning of Development and Coordination of International Economic Assistance and is done on the basis of information entered into PIMIS software.

This indicator defines major investment projects as projects satisfying both of the following criteria:

- The total cost of the project amounts to 1 percent or more of total annual budget expenditure,
- The project is among the largest 10 projects (by investment cost) for each of the five largest central government units, measured by the units' investment project expenditure.

Seven projects satisfied the above criteria in the last completed fiscal year (2021). They are shown in the table below.

Table 11.1.A: List of major investment projects

#	Project description	Ministry in charge	Project cost
1	Construction of building for the organizational units of the agency	Ministry of Communication and Transport – IDDEA Agency for identification documents, registers and data exchange	BAM 22,530,000
2	Construction of facilities for permanent accommodation and work of the Agency	Ministry of Security-Agency for Education and Professional Training	BAM 12,192,200
3	Construction of a facility for accommodation and training of the Special Support Unit	Ministry of Security - State Agency for Investigation and Protection	BAM 9,263,000
4	Construction of bridge across river Sava	Ministry of Communication and Transport	BAM 25,425,790
5	Closure of collective accommodation centers	Ministry of Human Rights and Refugees	BAM 55,166,455
6	Construction of border crossing Svilaj	Indirect Tax Authority	BAM 19,932,000
7	Construction of joint border crossing Bratunac-Ljubovija (BiH-R. Srbija)	Indirect Tax Authority	BAM 14,500,000

Formulation of public investments within the PIM framework of BiH at the technical level is done on the basis of the Project Identification Form (PIF) which is filled in through PIMIS by each institution that wants to initiate a public investment project. The main output of this process is the Public Investment Program (PIP) proposal, a three-year rolling strategic document that provides an overview of public investment projects. At the state level, the MFT, namely its Department for Financial Planning of Development and Coordination of International Economic Assistance, prepares PIP only for the level of BiH Institutions, while the entity-level MoFs are responsible for the preparation of their own respective PIPs.

The methodology for PIP preparation and implementation is primarily regulated by the bylaws (PIM Decision 2021 and PIM Order 2018). However, the PIP preparation and implementation process as it stands now lacks several essential elements which significantly undermine the integrity of the process and especially undermine its key purpose which is to support better investment decision-making on the part of the Council of Ministers.

Major interventions to reform the PIM process are planned within the EU Funded capacity-building project "PIPMS – Strengthening the Public Investment Management for Results". Project interventions are aligned with PFM Reform Strategy for the level of BiH Institutions and the bulk of the project interventions have been planned for the years 2023 and 2024.⁴³

43 Improve legal and methodological framework; Strengthen the capacities of budget beneficiaries and other relevant beneficiaries; Improve the identification, formulation, and prioritization of public investment projects in line with sector strategies and/or development goals; Fine-tune the Public Investment Management Information System (PIMIS); Improve public investment reporting and transparency.

11.1. Economic analysis of investment projects

The need for having an adequate PIM framework is not recognized sufficiently at the level of the Council of Ministers. At the level of BiH Institutions, there are no formal guidelines on how economic analysis of proposed projects is to be conducted (namely there are no guidelines for the preparation of Pre-feasibility and Feasibility analysis, Multicriteria Analysis, and/or other relevant analytical framework for appraisal of investment projects). Moreover, the opinions⁴⁴ that the MoFT issues prior to the formal approval of each multiannual project by the Council of Ministers are only partly based on the economic evaluation of the respective project under consideration.⁴⁵ The PIP 2022-2024 was not officially adopted by the Council of Ministers. Based on available information, the score for this dimension is D.

11.2. Investment project selection

Standard criteria for prioritization of each investment are publicly available and are prescribed by the Annex 2 of the PIM Decision.

However, there is no evidence that these criteria are actually applied in practice, especially considering that the Commission for assessing priority public investments of the Institutions of BiH has never been established. Moreover, Article 3 of the 2021 Instruction which explains the process of approval of multi-annual projects makes no mention of project prioritization and hence does not appear to be harmonized with Article 8 of the PIM Order therefore undermining the integrity of the PIM framework with respect to the prioritization process of public investments. Hence, since the standard criteria are published but not applied and there are conflicting provisions in the procedural framework for project selection, the score for this dimension is D.

11.3. Investment project costing

This dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated. Such information is only presented in the context of BFP preparation and adoption process. Hence, scoring for this dimension is based on the review of the relevant information presented in the last adopted BFP⁴⁶, namely Table 2 which contains an Overview of approved capital projects and projects in implementation by BiH Institutions. Hence, given the fact that the total capital cost is presented only for the forthcoming year in the budget documentation the score for this dimension is C.

11.4. Investment project monitoring

Relevant PIM functions are not sufficiently integrated into the management structures of the line ministries and other budget users (i.e. there is a low level of accountability for project performance) which has led to significant implementation delays of most major public investment projects and overall poor project performance. In this overall context, Council of Ministers have introduced a new decree at the end of 2021 which foresees that a report containing information on full physical and financial progress of public investment projects is produced once a year as prescribed by Article 15 of the Decree/Instruction. However, this decree was published in the Official Gazette only at the end of 2021 and will be applied for the fiscal year 2022. Currently a report containing only information on expenditure of funds on public investment projects is produced on an annual basis (i.e. such report does not contain information on physical progress of public investment projects).⁴⁷ On the other hand, line ministries and other budget

44 Issuance of such opinions is foreseen by the Rules of Procedures of BiH Council of Ministers (CoM), Official Gazette 22/03 which requires MoFT to deliver its opinion on financial implications of any such project which is proposed for adoption by the CoM.

45 Namely, there is a partial requirement for the completion of cost-benefit analysis only in the instance that a project proposal foresees procurement of buildings in order to substitute for office rental (Article 5 of the abovementioned Instruction).

46 Budget Framework Paper for BiH Institutions for the period 2022.-2024 was adopted on 26 May 2022 and hence before the stipulated cut-off date for this PEFA which is July 1, 2022. The document is available at:

<https://www.mft.gov.ba/Content/OpenAttachment?id=eb790f67-585e-49cf-bd84-2bf9b7f9707f&lang=bs>

47 See for example: Information on the expenditure of funds in the year 2021 on projects included in the public investment program/ development investment program of the institutions of Bosnia and Herzegovina for 2021-2023. The document is available at:

<https://www.mft.gov.ba/Content/OpenAttachment?id=7c6a1005-8b7a-4d87-b403-34bd918b92cd&lang=bs>

users may produce reports containing some limited information on physical progress of public investment projects, however this is not a regular annual practice.⁴⁸ Hence given that the regulatory framework for project monitoring was not operational and that reports focus on cost rather than physical progress, the score for this dimension is D

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. For the last completed fiscal year, 2021, coverage is CG for PI-12.1, BCG for PI-12.2, and both CG and BCG for PI-12.3

Indicator/Dimension	Score	Brief justification of the score
PI-12. Public asset management (M2)	C	
12.1. Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets through a balance sheet which is prepared on a quarterly basis. Information on income from interest and exchange rate differences is also separately presented in the Consolidated budget execution report.
12.2. Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and land, including information on their usage and age, which is published annually. However, the status of state property is still unresolved.
12.3. Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of non-financial assets are established. Partial information on transfers and disposals is included in budget documents and financial reports.

The MoFT BiH is responsible for the Financial Management Information System (ISFU) which includes the auxiliary module of fixed assets (which is in use since 2015) or the registry of fixed assets. As explained in dimension 12.2, this register is used as the source of information for the Consolidated Budget Execution Report.

The PFM Strategy for Institutions of BiH 2021-2025 aims to focus internal controls on risks in the effective management of revenue, expenditures, assets, and liabilities. The goal is to strengthen the accounting methodology, followed by further automation and integration of data, records, and reports. This measure should result in an increased capacity for financial analysis and improve the quality of overall financial reporting. The aim of the activity is to put internal controls in place to provide timely, complete, and accurate data for revenue, expenditure, asset, and liability management at the institutional level, where the BiH MoFT is to be responsible for managing fiscal risks and ensuring the overall sustainability of public finances.

12.1. Financial asset monitoring

The MoFT BiH reports on the income from interest and exchange rate differences, in the Consolidated Budget Execution Report of BiH Institutions. The balance sheet is prepared on a quarterly basis and contains an overview of the categories of financial assets: cash, securities, loans, and receivables owned by the government. There is no information on the performance of the portfolio of financial assets on

48 See for example a brief report for one of the major investment projects listed in the table above (i.e. Construction of bridge across river Sava). The report is available at:

<http://www.mkt.gov.ba/Content/OpenAttachment?id=d0606719-75e0-4d2a-926f-3f1f89a7efe4&lang=bs>

an annual basis, apart from what can be concluded from the balance sheet. Foreign reserves, financial claims, and monetary gold are held and owned by the Central Bank of BiH.

The Law on Amendments to the Law on the Central Bank of Bosnia and Herzegovina stipulates the distribution of the net profit of the Central Bank of Bosnia and Herzegovina in the ratio of 60% for the Budget of the institutions of BiH and 40% for the increase of capital and reserves of the Central Bank of Bosnia and Herzegovina if it meets the criterion that the amount of initial capital and general reserves (retained earnings) is equal to 5% of the total assets. The Central Bank of BiH reports to the Parliamentary Assembly of Bosnia and Herzegovina. The score for the present dimension is C.

12.2. Nonfinancial asset monitoring

The analysis of non-financial tangible and intangible assets is an integral part of the Consolidated Report on the budget execution of the Institutions of Bosnia and Herzegovina and shows the state of assets by budget users, the opening and ending balances. The information on non-financial assets of the Institutions of Bosnia and Herzegovina is published annually. Data with details of the transfer, write-off or disposal of property taken from the ISFU module of fixed assets (or registry of fixed assets) is tabulated in the Consolidated budget execution reports as follows:

- Basis for depreciation by budget users - contains information on the total amounts of non-financial tangible and intangible assets by budget users, beginning and ending balances, purchases, donations, sales, disposals, revalorization, and adjustments caused by other factors.
- Write-off and accumulated depreciation by budget users - contains information on the total amounts of non-financial tangible and intangible assets by budget users, write-offs and accumulated depreciation, sales, disposals, revalorization, and adjustments caused by other factors.
- Basis for depreciation by accounts - contains information on the total amounts of non-financial tangible and intangible assets by accounts, beginning and ending balances, purchases, donations, sales, disposals, revalorization, and adjustments caused by other factors.
- Basis for depreciation by accounts - contains information on the total amounts of non-financial tangible and intangible assets by accounts, write-offs and accumulated depreciation, sales, disposals, revalorization, and adjustments caused by other factors.
- Overview of capital investments by budget users - planned vs. realized expenditure, shown as a lump sum by budget users, and separately by budget users and the following non-financial asset categories: land, buildings, equipment, other non-financial assets, non-financial intangible assets, reconstruction, and maintenance.
- Overview of capital investments by economic categories: land, buildings, equipment, other non-financial assets, non-financial intangible assets, and reconstruction and maintenance.
- Overview of non-financial assets donated in kind during the year by budget users and the following categories: land, buildings, motor vehicles, furniture, computer equipment, software, and other equipment.

In the mentioned fixed assets module, budget users enter non-financial assets information by category and code of non-financial assets, and this module provides the possibility of detailed reporting on the state of assets: inventory number, category, name, month, and year of acquisition, purchase value, depreciation for the current year, total depreciation and present value. Information on the usage and age is available in the register and it is published annually. The reports for the last fiscal year have been available as evidence.

Table 12.2.A: Nonfinancial assets of Institutions of BiH

Categories	Subcategories	Where captured	Comments
Fixed assets	Buildings and structures	Registry of fixed assets (ISFU module of fixed assets)	Budget users maintain the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value and accumulated depreciation.
	Machinery and equipment	Registry of fixed assets (ISFU module of fixed assets)	Budget users maintain the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value and accumulated depreciation.
	Other fixed assets	Registry of fixed assets (ISFU module of fixed assets)	Budget users maintain the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value and accumulated depreciation.
Inventories	—	Registry of fixed assets (ISFU module of fixed assets)	Budget users maintain the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value and accumulated depreciation.
Valuables	—	Registry of fixed assets (ISFU module of fixed assets)	Budget users are maintaining the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value.
Non-produced assets	Land	Registry of fixed assets (ISFU module of fixed assets)	Budget users are maintaining the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value.
	Mineral and energy resources	Not captured	Not assigned. Subject to further decision on responsibilities for accounting.
	Other naturally occurring assets	Not captured	
	Intangible non-produced assets	Registry of fixed assets (ISFU module of fixed assets)	Budget users are maintaining the Register of fixed assets through the ISFU system. Information on fixed assets/non-financial assets is published annually in the Budget execution report, in the form of assets' monetary value and accumulated depreciation.

Source: Consolidated Budget Execution Report for 2021

Even though significant progress has been made regarding the nonfinancial assets monitoring, as it is evidenced through published annual reports, the Audit Report on the Consolidated Budget Execution Report of Institutions BiH for 2021 highlighted that fixed assets are not realistically stated, that is, they are underestimated by an unknown amount due to the unresolved status of state property (beyond fixed assets registry). Hence, the score for the present dimension is C.

12.3. Transparency of asset disposal

Rules, regulations, and procedures related to the transfer or disposal of financial and non-financial assets include:

- Rulebook on accounting with accounting policies and procedures for users of the budget of Institutions of BiH
- Preparatory activities of BiH institutions in the fixed assets module (register of fixed assets) - data entry, record, and write-off
- Instructions on donation, i.e., exchange of non-financial assets between budget users and donation of non-financial assets to external users, which determines the process and method of donation, i.e. exchange or transfer of ownership rights over non-financial assets of Institutions of BiH.

If the transfer of ownership rights over non-financial assets takes place between BiH institutions, the consent of the BiH MoFT is required, and if the donation of non-financial assets takes place between a budget user and non-budget entity, the budget user must obtain the opinion on the proposed decision on the transfer of ownership rights from the BiH MoFT, and the final decision on donating non-financial assets is made by the Council of Ministers of BiH. The Consolidated Budget execution report of the Institutions of BiH provides information on the sale of fixed assets by organizational and economic classification. According to the Audit Report of the Consolidated Budget Execution Report of the Institutions of BiH for 2021, budget users conducted the sale of fixed assets in accordance with the instructions of the BiH MoFT. Hence, the score for the present dimension is C.

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. Coverage is CG for all three dimensions - at the time of assessment for PI-13.1, for the last completed fiscal year (2021) for PI-13.2, and at the time of assessment with reference to the last three completed fiscal years for PI-13.3 (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-13. Debt management (M2)	B+	
13.1. Recording and reporting of debt and guarantees	B	Data on external debt of Institutions of BiH are updated in the information system on a daily basis and directly reconciled with creditors on a quarterly basis, while reports on external and domestic public debt stock and servicing are published on the website of the BiH MoFT on a quarterly, semi-annual, and annual basis. Data on external and domestic debt of Institutions BiH is complete and accurate.
13.2. Approval of debt and guarantees	A	The Sector for relations with financial institutions within the MoFT BiH is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity.

13.3. Debt management strategy	B	Debt management strategy covering existing and projected debt BiH (including debt of Institution BiH which is separately elaborated) with a horizon of four years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. The report on the implementation of DMS is an integral part of it. Institutions BiH do not have an annual plan of borrowing.
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The obligation and priority of providing funds for the payment of the state debt is established by the Law on Borrowing, Debt, and Guarantees of BiH, which, among other things, defines that the state debt represents an absolute and unconditional obligation of the state, and the claims, in terms of repayment of the principal and payment of interest, represent the first and foremost claims of all state revenues, regardless of their source. In addition to that, the priority of payment of foreign public debt is also defined in the Law on Financing of Institutions of BiH.

The MoFT is responsible for the servicing of external state debt of BiH, including the external debt of Institutions BiH.

The debt of BiH institutions, as assessed on this indicator, is very small and makes up less than 1% of the total state debt.⁴⁹ However, in 2020, compared to 2019, there was a nominal increase in the total stock of external debt (including debt of entities and BD) in relation to GDP, and an increase in refinancing risk and interest rate risk, which was mostly caused by borrowing based on the new RFI arrangement (Rapid Finance Instrument) with the IMF to combat negative consequences on economic activity caused by the COVID-19 pandemic.

The gaps in public debt management and the need for improvement identified by the relevant international financial institutions are largely overcome, i.e. the MoFT's public debt management process has been significantly improved. There are plans to harmonize the reporting methodology with regard to the precision and accuracy of terms, definitions, and classification of public debt according to ESA standards, in order to enable consistent, reliable, and comparable forms of reporting at all levels. The strategy for improving the PFM of BiH 2021-2025 aims to strengthen debt management.⁵⁰

13.2. Recording and reporting of debt and guarantees

Due to easier understanding, wherever Institutions of BiH are explicitly stated, it refers to the debt of Institutions BiH only, and when BiH is stated, it includes debt of Institutions BiH, entities, and Brčko District. All reports on the external and domestic debt include information on the debt of Institutions BiH, entities, and Brčko District, each separately presented in a document.

Reports on the public debt of BiH, as well as reports on the external debt of BiH, are published quarterly on the website of the BiH MoFT. The sector for public debt prepares quarterly reports on the servicing of the foreign debt of BiH, which is then submitted to the Sector for budget, and forms part II of the Consolidated Budget Execution Report of the Institutions of BiH and international obligations of BiH. Information on the state of public indebtedness of BiH is published every six months, which contains detailed information on domestic debt, external debt, and guarantees.

An Analysis of the Sustainability of the Public Debt of BiH is published annually, covering a three-year period. The latest analysis was prepared for the period 2021-2024.

⁴⁹ Debt management of the other levels of government (FBiH, RS and BD BiH) are assessed in the respective indicators.

⁵⁰ Build capacity to measure government debt in line with ESA 2010 and provide examples from the EU and region, Conduct gap analysis of debt reporting in compliance with ESA 2010, with improvement recommendations, Determine the scope of data exchange between the MoFT and Entity and BD MoFs to ensure timely and comprehensive public debt reporting, Adapt/update existing state and Entity/BD debt software or acquire and install new uniform debt recording, analysis, and management software.

Debt records, debt reports, payment orders, revenues, and expenditures on the external debt servicing are made in the software for the analysis, monitoring, and records of the public indebtedness of Bosnia and Herzegovina, which is an additional module of the ISFU system. Calculations and data records in the ISFU system are the basis for the automatic posting of orders that are transferred to the treasury ledger on a monthly basis, and the creation of various reports on the external and domestic debt of Bosnia and Herzegovina. All records on foreign debt are reconciled directly with creditors on quarterly basis,⁵¹ while records on direct external and domestic debt of subnational governments are submitted quarterly by entity ministries of finance and the Finance Directorate of the Brčko District. Data on external debt of Institutions of BiH are updated in the information system on a daily basis and directly reconciled with creditors on a quarterly basis, while reports/information/analyses on external and domestic public debt stock and servicing are published on the website of the BiH MoFT on a quarterly, semi-annual, annual basis. The debt structure of Institutions BiH shows only external debt which means that Institutions BiH have no domestic debt. Therefore, external debt and guaranteed debt records are considered complete and accurate for Institutions of BiH. Based on the analysis and supporting evidence, the score for the present dimension is B.

13.2. Approval of debt and guarantees

Borrowing and management of debt, debt securities, and loan guarantees on behalf of the Council of Ministers are prescribed by the Law on Borrowing, Debt, and Guarantees of BiH, which also establishes the jurisdiction of the BiH MoFT in terms of borrowing, i.e. implementation of procedures for external borrowing and management of the state debt, through management, recording, monitoring, servicing and preparation of plans regarding the state debt. Also, the law prescribes the obligation of publishing information on the state debt.

The MoFT is responsible for conducting negotiations and carrying out procedures for concluding loan and debt securities agreements. The Ministry submits to the Council of Ministers the initiative for conducting negotiations in order to conclude a loan agreement. The initiative includes a brief description of the project; reasons for borrowing; the amount of the proposed external state debt; conditions of the proposed external state debt; and the proposal of the Ministry. The Council of Ministers considers the initiative, and if it accepts it, appoints a delegation for negotiations.

After the negotiations are completed, the MoFT submits to the Council of Ministers a draft of the loan agreement and the basis for concluding the loan agreement, which contains: constitutional basis; the reasons for which it is proposed to conclude a loan agreement; authorization to sign a loan agreement; an indication of the amount of funds required for the execution of the loan agreement and the method of securing them; assessment of whether the preparation and implementation of the loan agreement require the adoption of new laws or the amendment of existing ones; a proposal that the loan agreement or one of its parts be temporarily applied until the agreement enters into force.

After the Council of Ministers accepts the draft loan agreement, it submits it to the Presidency of Bosnia and Herzegovina with the proposal of the signatories. The Presidency of Bosnia and Herzegovina makes a decision to accept the external state debt and appoints the signatory of the credit agreement.

The Ministry is also responsible for conducting negotiations on state guarantees. Together with the proposal for issuing guarantees, the Ministry submits the following to the Council of Ministers:

- credit agreement,
- in the case where the borrower is an entity, district, canton, or municipality, the decision of the competent legislative body,
- purpose of the loan,
- in cases where the borrower is not financed from the budget, a guarantee from a commercial

⁵¹ External auditors have not singled out the completeness and/or accuracy of debt data as an issue.

bank or a guarantee from the entity or the District, and

- proof that the request for issuing a guarantee was published in the "Official Gazette of Bosnia and Herzegovina" 21 days before the possible granting of consent for approval.

The Council of Ministers conducts a review and makes a decision approving the issuance of a state guarantee. After receiving the decision of the Council of Ministers approving the issuance of the state guarantee, the Ministry begins coordination for the issuance of the state guarantee. The MoFT submits to the Council of Ministers a report that defines the actual conditions of the state guarantee.

The Presidency of Bosnia and Herzegovina appoints the signatory to the agreement on external state guarantees. As a condition for the application of state guarantees, the Parliamentary Assembly must approve them, and the guarantees will bear confirmation of such ratification.

The procedure is followed in practice. Hence, the score for the present dimension is A.

13.3. Debt management strategy

Medium-term Debt Management Strategy of BiH is a document that combines the debt management strategies of the Federation of BiH, the Republika Srpska and Brčko District of BiH, and the external debt of the Institutions of BiH.

The medium-term debt management strategy of BiH provides a broader picture of the debt portfolio of BiH through an analysis of current debt, its interest rate, foreign currency rate, and refinancing/rollover risk, variations in indebtedness to shocks, defines medium-term debt management goals, and provides guidance to decision-makers on borrowing.

The debt management strategy with a horizon of four years is updated and published annually. It is adopted by the Council of Ministers of BiH, which mandates the BiH MoFT to apply guidelines for future external borrowing. The report on the implementation of the BiH Debt Management Strategy in the previous period is an integral part of it. In the last three adopted DMS, the Institutions of BiH did not have annual plans for new borrowing. Furthermore, for the period 2021-2024, the Institutions of BiH have no plans for new borrowing, except for withdrawals from already existing contracted loans. In case of a need for new external financing, the guidelines defined by the DMS of BiH will be applied. DMS of BiH defines guidelines separately for Institutions BiH, entities, and BD. Hence, the guidelines that refer to BiH Institutions indicate strategic objectives in terms of the intended direction and target ranges for the major indicators of risk (current debt, interest rate risk, foreign currency risk, refinancing risk).

Institutions of BiH do not have a government annual plan of borrowing.

The DMS foresees and provides a tabular overview of potential sources of external financing, with associated major indicators of risk for the whole country, including entities and Brčko District. Furthermore, DMS describes the current debt and risk situation in the last fiscal year against strategic objectives in a three-year period (information provided for the whole country, including entities and Brčko District). Hence, the score for the present dimension is B.

PILLAR FOUR: Policy-based fiscal strategy and budgeting

This pillar measures whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Overall performance: key strengths and weaknesses

Macroeconomic forecasts are prepared in spring and fall by the BiH Directorate for Economic Planning. These forecasts are available for three fiscal years and are published in the BiH Global Framework of fiscal balance and policies (GFF) and the BiH Medium term expenditure framework (MTEF). They are reviewed by the Fiscal Council but are not presented to the BiH Parliamentary Assembly. Fiscal forecasts are prepared by the MAU of the Governing Board of the ITA and the BiH MoFT for a three-year period. They are also part of the GFF and MTEF. Alternative scenarios are only partially available (qualitative assessment). However, performance is weak in this area due to no timely adoption of GFF and MTEF for all three considered periods. The PFM reform strategy recognizes the need to improve macroeconomic and macro-fiscal forecasts, especially in the area of strengthening human resources.

In the area of fiscal strategy, PFM system performance is weak. In substance, the fiscal strategy is presented through the MTEF and Economic Reform Program (ERP). The fiscal strategy is adopted by the BiH Council of Ministers but is not presented in the BiH Parliamentary Assembly. There are no reports on progress in the implementation of the fiscal strategy.

Expenditure estimates are presented for the budget year and the two following fiscal years by administrative, economic, and functional classification. The reform strategy recognizes the need to link strategic goals and budgets (program budgeting) which is currently weak. Recent improvements are that forward estimates are used to anchor the preparation of the budget ceiling for the following year. Although the budget calendar is prescribed by law, there have been serious delays for 2021 with the budget still not adopted.

The budget preparation process is weak. In recent years, the budget calendar has not been respected due to political disagreements. Generally, the budget reflects expenditure ceilings approved by the government.

Legislative scrutiny of budgets is also weak. In recent years, budgets were adopted according to urgent procedures and the hearing committees were not given enough time to analyze the documents. Also, there is a lack of technical capacity in the hearing committees.

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. For the last three completed fiscal years (2019, 2020, and 2021), coverage is whole economy for PI-14.1 and CG for PI-14.2 and 14.3.

Indicator/Dimension	Score	Brief justification of the score
PI-14. Macroeconomic and fiscal forecasting (M2)	D+	
14.1. Macroeconomic forecasts	D	Available forecasts of key macroeconomic indicators for the budget year and the two following fiscal years with underlying assumptions; updated at least once a year and reviewed by the Fiscal Council; not sent to the legislature. No timely adoption of the BiH GFF and BiH MTEF for three periods.

14.2. Fiscal forecasts	D	Available forecasts of revenue, expenditure, and the budget balance for the budget year and the two following fiscal years with underlying assumptions; also an available explanation of the main differences from the forecast made in the previous years' budget; not sent to the legislature. No timely adoption of the BiH GFF and BiH MTEF for three periods.
14.3. Macro-fiscal sensitivity analysis	C	There are available alternative scenarios with qualitative assessment.

As already stated above, macroeconomic forecasts are made by the BiH Directorate for Economic Planning (BiH DEP) twice during the year, in the spring and the fall. The three-year macroeconomic forecasts are part of the BiH GFF and the BiH MTEF. The BiH GFF is reviewed and adopted by the Fiscal Council, while the BiH MTEF is adopted by the Council of Ministers but not submitted to the BiH Parliamentary Assembly. For the last three completed fiscal years, the BiH GFF was adopted for the three periods 2020-2022⁵², 2021-2023⁵³ and 2022-2024⁵⁴. BiH GFF 2022-2024 was adopted only in 2022. BiH MTEF was adopted for two periods 2021-2023⁵⁵ and 2022-2024⁵⁶. BiH MTEF 2022-2024 was adopted only in 2022 because of late adoption of BiH GFF 2022-2024. However, BiH MTEF was not adopted at all for 2020-2022 because of the late adoption of the GFF 2020-2022.

The BiH GFF and BiH MTEF show that the three-year forecasts are made for GDP growth, inflation, and interest rates. There are no forecasts for the exchange rate. However, the local currency is pegged to the euro.

Although macroeconomic forecasts and underlying assumptions are not available in the budget documents submitted to the legislature⁵⁷, they are available in the BiH GFF and BiH MTEF which are documents based on which the budget is prepared.

As already stated in the previous indicators, fiscal forecasts for indirect taxes are prepared by the Macroeconomic Unit of the Governing Board of the Indirect Tax Authority, while non-tax revenues are prepared by the BiH Ministry of Finance and Treasury. Fiscal forecasts for 2021⁵⁸ (+2 years) and 2022 (+2 years) are published in BiH MTEF and BiH GFF, while for 2020 (+2 years) are published in the BiH GFF.

Fiscal forecasts of revenues and expenditures are presented by type. The budget balance is also presented for three fiscal years. The underlying assumptions on the basis of which the fiscal forecasts were made are also presented in BiH MTEF and BiH GFF.

Fiscal forecasts in BiH MTEF and BiH GFF are normally made based on the spring macroeconomic forecasts. Those are normally updated in the fall for annual budget purposes.

An explanation of the main differences from the forecast made in the previous years' budget is provided to some extent in the Economic Reform Program (ERP)⁵⁹ BiH prepared by the BiH DEP and adopted by the BiH Council of Ministers. Although ERP is not sent to Parliament, that is one of the foundations for preparing BiH MTEF.

52 <https://www.mft.gov.ba/Content/OpenAttachment?id=d819a6dd-5577-48bd-bdbf-448777e94517&lang=bs>

53 <https://www.mft.gov.ba/Content/OpenAttachment?id=d8188a89-b37d-4efc-b9e3-bacb60601a6b&lang=bs>

54 <https://www.mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=bs>

55 <https://www.mft.gov.ba/Content/OpenAttachment?id=889fc207-a8ef-4be0-88ee-bcc07aa4ce00&lang=bs>

56 <https://www.mft.gov.ba/Content/OpenAttachment?id=eb790f67-585e-49cf-bd84-2bf9b7f9707f&lang=bs>

57 <https://www.parlament.ba/session/OSessionDetails?id=2218&ConvernerId=1>

58 Budget year and the two following fiscal years

59 <http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US>

Central (base) fiscal forecasts and risks are presented in BiH MTEF for the budget year and the two following fiscal years. Alternative scenarios are not presented in the BiH MTEF and there is no information about any indication of considering alternative scenarios in that document. However, alternative macroeconomic scenarios as well as sensitivity analysis of the budgetary projections to alternative scenarios and risks are presented to some extent (qualitative aspect) in the ERP.

The Strategy for Improving PFM in Institutions of BiH 2021-2025 identifies plans to improve forecasting (strengthen the BiH MoFT capacities for fiscal analysis and projections of revenues; develop technical and HR capacities of the BiH DEP)

- improve fiscal coordination, consolidation, and reporting (strengthen the capacity of the BiH MoFT to consolidate fiscal data; improve fiscal consolidation in line with EU standards).

14.1. Macroeconomic forecasts

The forecasts of key macroeconomic indicators are available for the budget year and the two following fiscal years together with the underlying assumptions; forecasts are updated at least once a year and reviewed by the Fiscal Council. Macroeconomic forecasts and underlying assumptions are not available in the budget documents submitted to the legislature. They are only available in the BiH GFF and BiH MTEF. Although the BiH MTEF was not adopted for 2020-2022, the macroeconomic forecasts are available in the BiH GFF for 2020-2022. However, due to late adoption of both BiH GFF and BiH MTEF 2022-2024 (adopted only in 2022), the score for the present dimension is D. If all documents had been timely adopted for all three periods, the score would have been C.

14.2. Fiscal forecasts

The forecasts of revenue (by type), expenditure, and the budget balance for the budget year and the two following fiscal years together with the underlying assumptions are available. Fiscal forecasts for the two following fiscal years and underlying assumptions are not available in the budget documents submitted to the legislature. They are available in the BiH GFF and BiH MTEF which are not sent to the legislature. Also, an explanation of the main differences from the forecast made in the previous years' budget is available in ERP. ERP is also not sent to Parliament but is one of the foundations for preparing BiH MTEF. Although the BiH MTEF for 2020-2022 is not adopted, fiscal forecasts are available in the BiH GFF for 2020-2022. However, due to late adoption of both BiH GFF and BiH MTEF 2022-2024 (adopted only in 2022), the score for the present dimension is D. If all documents had been timely adopted for all three periods, the score would have been C.

14.3. Macro-fiscal sensitivity analysis

The alternative macroeconomic scenarios, as well as sensitivity analysis of the budgetary projections to alternative scenarios, and risks are published in the ERP in terms of qualitative assessment. Hence, the score for the present dimension is C.

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. The coverage is CG across dimensions and the scope is the last three completed FYs in dimension 15.1 and the last completed FY (2021) in dimensions 15.2 and 15.3.

Indicator/Dimension	Score	Brief justification of the score
PI-15. Fiscal strategy (M2)	D+	
15.1. Fiscal impact of policy proposals	D*	No sufficient information to assess.
15.2. Fiscal strategy adoption	C	The Council of Ministers adopts and publishes the fiscal strategy, but does not send it to the legislature.
15.3. Reporting on fiscal outcomes	D	Neither the BiH Council of Ministers nor the BiH MoFT prepares reports on fiscal outcomes, and the BiH MoFT does not prepare the report on achieved fiscal goals from the MTEF and ERP BiH for its own needs.

15.1. Fiscal impact of policy proposals

Within the ERP BiH for which the MTEF is the baseline, a description of the fiscal impact of structural reforms is included. However, ERP BiH does not reflect fiscal impact of all policy proposals. The information on the fiscal impact of all policy proposals was not provided to the assessors by the BiH MoFT. Therefore, the score for this dimension is D*.

15.2. Fiscal strategy adoption

The Fiscal Strategy of the BiH level is included in the MTEF that should be adopted annually for three fiscal years. On the proposal of the BiH MoFT, the BiH Council of Ministers should adopt the MTEF by mid-June, as prescribed by the Law on Financing of the BiH institutions, and should be published on the website of the BiH MoFT.

The purpose of the MTEF is to set a strategic framework and upper ceilings for resources, within which an annual budget should be prepared. Preparation and drafting of the BiH Institutions Budget for the next fiscal year is based on the MTEF, which provides projections of revenue, expenditure, and financing for the three-year period. The MTEF includes time-bound and quantified fiscal goals, with qualitative objectives and descriptions for the MTEF's specific period. Quantified goals relate to a macroeconomic framework, total public revenue and expenditure, planned deficit/surplus, public debt projection, and capital spending.

The MTEF is connected to a document relating to the ERP. The ERP similarly defines a medium-term framework for macroeconomic and fiscal policy, with updated data collected up to its drafting. The BiH Council of Ministers adopts the MTEF but does not send it to the BiH Parliament. ERP is also not sent to Parliament. Based on the analysis and supporting evidence, the score for this dimension is C.

15.3. Reporting on fiscal outcomes

The Law on Financing of the BiH institutions does not prescribe the obligation to draft separate reports on progress made during the implementation of fiscal goals included in the 2021 MTEF and ERP, nor does it prescribe drafting of the analysis of the disparities from the defined goals, defined in previous versions of the documents. Neither the BiH Council of Ministers nor the BiH MoFT prepares mentioned reports, and the BiH MoFT does not prepare the report on achieved fiscal goals from the MTEF and ERP for its own needs. Hence, the score for the present dimension is D.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. Coverage is BCG for last budget submitted to the legislature for PI-16.1, 16.2 and 16.3, and last medium-term budget /current medium-term budget for PI-16.4

Indicator/Dimension	Score	Brief justification of the score
PI-16. Medium-term perspective in expenditure budgeting (M2)	D+	
16.1. Medium-term expenditure estimates	B	BiH Institutions MTEF for 2022-2024 presents an annual budget and two following fiscal years allocated by administrative and economic classification ⁶⁰ .
16.2. Medium-term expenditure ceilings	D	No link between the first budget circular and aggregate expenditure ceilings for the budget year and the two following years.
16.3. Alignment of strategic plans and medium-term budgets	D	At BiH Institutions government level, budget requests are not systematically linked to relevant development/strategic plans and sector strategies. As strategies are not costed is not possible to establish a materiality threshold as required for score C.
16.4. Consistency of budgets with previous year's estimates	D	Due to the budget non-adoption for 2021.

Since 2005, the State MoFT has set out to modernize its budget planning processes and systems through the introduction of a medium-term budget planning and preparation framework⁶¹.

The Medium-term Budget Planning and Preparation framework for BiH is based on the concept of a “rolling” three-year budget and forward estimates. Rolling three-year budget and forward estimates are intended to simplify and improve the transparency of budget preparation as well as to improve the predictability of budget funding in order to facilitate the planning process of activities and priorities of budget users.

At the BiH Institutions' government level, budget requests are not systematically linked to relevant development/strategic plans and sector strategies.

Elements of long-term strategic planning have not been regulated at the level of BiH Institutions yet. It is necessary to carry out activities to achieve compatibility and harmonization of the medium-term planning process with the budget process and to establish clear links between the program budget and strategic documents and medium-term work plans of institutions, which will be implemented by the MoFT in cooperation with the BiH DEP and budget beneficiaries⁶² In line with the Strategy, Measure III, by end of 2025, BiH Institutions need to do the following:

- Standardize long-term/strategic planning,
- Improve the legal and methodological framework for medium-term planning, monitoring, and reporting of BiH institutions,
- Improve the credibility and usability of the BFP,
- Improve the monitoring and evaluation system,
- Polish the PIMIS, the medium-term planning module,
- Improve program budgeting and monitoring processes.

60 The 2015 Reporting Rulebook for BiH Institutions prescribes reporting by functional classification and the reports contain data on the execution of expenditures by functional classification but as of the time of the assessment, there is no clear and detailed methodology for dividing expenditures (budget) into functional/program classification.

61 BiH Institutions' medium-term budget planning process is one that: has a clearly defined budget timetable and responsibilities, sets out a clear fiscal strategy based on the level of resources available to the State government, prioritizes the allocation of scarce resources to the State BiH's most important economic and social policy objectives, improves the predictability of budget policy and funding, ensures more effective and efficient use of Government resources, improves transparency and accountability of Government policies, programs and decision-making, and ensures that the financial impacts in future years are taken into account when making policy decisions and that such decisions are made during the budget planning cycle.

62 Strategy for Improving Public Finance Management in Institutions of BiH 2021 - 2025

16.1. Medium-term expenditure estimates

Medium-term expenditure estimates have been in budgeting practice in Bosnia and Herzegovina since 2005. At the level of BiH Institutions, multiyear (medium-term) fiscal forecasts are produced as part of the process leading to the preparation of the MTEF, including forward estimates of expenditure for each budget user (i.e., estimates for the forthcoming budget year and the two following fiscal years, allocated by administrative, economic, and functional classification). Once approved by the Council of Ministers BiH, the budget years estimates establish the budget heads' budget ceilings for the forthcoming budget year. Forward estimates are used to anchor the preparation of the following year's budget ceilings; medium-term budget estimates are updated annually, where each year MoFT prepares a 3-year MTEF building on the previous year's budget and estimates.

Article 5(b) of the Law on the Fiscal Council requires the Fiscal Council⁶³ to adopt the Global Framework of Fiscal Balance and Policies in BiH, which set out the following: proposed fiscal targets of the budgets of BiH Institutions, FBiH, RS, and DB, proposed macroeconomic projections and the projection of the total indirect taxes and their allocation for the next fiscal year; and proposed ceiling on the borrowing in the budgets of BiH Institutions, FBiH, RS, and District Brčko (DB). All these elements are contained in the Global Framework of Fiscal Balance and Policies in BiH for 2022-2024 (same as was the case in previous years), which was adopted by the Fiscal Council in March 2022⁶⁴. The Global Framework includes:

- a. macroeconomic projections prepared by the Directorate for Economic Planning,
- b. indirect taxation revenue prepared by the MAU of the ITA Governing Board,
- c. overall tables of total aggregate categories of revenues, expenditures, and financing for BiH institutions, FBiH, RS, and DB which are set out only as an illustration and are not binding,
- d. several sentences that briefly set out the ceiling for the budget of BiH Institutions and the State's share of indirect taxation, and revenues, and mention a target to reduce both the primary fiscal deficit in BiH and total public consumption over the medium term,
- e. proposal for the ceiling for the borrowing of the budgets of institutions of BiH, FBiH, RS, and DB.

MTEF constitutes a preliminary draft budget including an overview of budget users' priorities and indicative expenditure ceilings by the source of funding – see more on MoFT link⁶⁵. Based on the analysis and supporting evidence, the score for the present dimension is B.

16.2. Medium-term expenditure ceilings

MoFT produces budget statement within MTEF by program, based on information submitted by budget users through Budget Instruction No.1⁶⁶. MTEF includes statements of program objectives, performance indicators, and budget ceilings. Initial budget ceilings of expenditures for the current and two following years are determined by the sector level and at the level of budget beneficiaries (budget heads). Once the MTEF is approved by CoM, MoFT sends Budget Instructions No.2 out to budget users informing them of medium-term budget ceilings and asking for their final program structure (existing/new program initiatives) within approved budget ceilings.

According to the valid budget calendar, the MTEF document should be approved by CoM by the end of June each year and sent to BiH Parliament in the form of information. In July, MoFT issues Budget Instructions No.2 with approved budget ceilings for the budget year– the first budget circular. That was

63 Fiscal Council is a coordination body that, by using necessary inputs (macro-projections developed by the Economic Planning Directorate, indirect taxes revenue projections developed by OMA), aims to establish, through a Global Framework, consistent budget planning parameters at all levels of government in BiH. Ultimately, legislative authorities of each level of government are responsible of fiscal policy pursuant to Constitutional responsibilities.

64 <https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=hr>

65 (<https://mft.gov.ba/Content/OpenAttachment?id=eb790f67-585e-49cf-bd84-2bf9b7f9707f&lang=hr>)

66 Budget Instruction No. 1 defines a procedure for budget users on how to prepare medium-term expenditures in line with current budget and previous MTEF, and adopted budget calendar.

not the case in 2022. BiH Institutions' MTEF 2022-2024 was approved by CoM in May 2022 passing the budget calendar deadline for almost a year. This interrupted the whole budget schedule which put MoFT into a position to skip issuing Budget Instruction No.2 as the first budget circular on time. In addition, the 2022 annual budget was approved by BiH Parliament in 30 June 2022.

There is no link between the first budget circular and aggregate expenditure ceilings for the budget year and the two following years (that were approved in a serious delay by the government). Hence, the score for the present dimension is D.

16.3. Alignment of strategic plans and medium-term budgets

Apart from the fact that Bosnia and Herzegovina as a country does not have its own development strategy (the last BiH Development Strategy from 2010 had never been adopted⁶⁷), the strategic development/sector strategic planning process has significantly improved over the last decade. In 2021, the Council of Ministers BiH adopted the BiH PFM strategy for 2021-2025; in March 2022, ERP BiH for 2022-2024 was adopted⁶⁸; in May 2022, Council of Ministers BiH adopted MTEF 2022-2024, State Medium-term debt management strategy for 2021-2024, BiH Framework Energy Strategy until 2035, and similar.

Strategic planning linkage with the budgeting process is still an issue across the country but local governments including BiH Institutions are constantly working on overcoming the parallelism existing between those two processes. Namely, BiH Institutions' MTEF includes the analysis of medium-term budget priorities covering the forthcoming annual budget and the two following fiscal years – based on the budget users' submissions for costed new spending proposals. Such proposals are more specific individual initiatives/spending requirements based on adopted legislation rather than forming part of a broader country development strategy or specific sector strategies. Therefore, the existing sector strategies produced by some budget institutions have no uniform structure and the whole sector strategic development process is not the result of an embedded institutionalization procedure. As a result, it is very hard to link the elements in the strategic documents with the elements of the program budget. In addition, at the level of BiH Institutions, the program budget structure has not been fully implemented.

Nevertheless, the strategic planning process at the level of BiH Institutions has started. The Medium-term Work Program⁶⁹ of the BiH Council of Ministers is a strategic/operational document, which ideally should be based on a 'missing' long-term country development strategy. In line with the Medium-Term Work Program document, BiH institutions are obliged to develop and publish their medium-term plans where their specific objectives (according to their mandates) are defined contributing to the achievement of medium-term goals established by the CoM Medium Term Work Programs. However, due to political problems at the level of BiH Institutions, the Medium-Term Work Program for 2022-2024 has not yet been approved.

To summarize, at the BiH Institutions government level, budget requests are not systematically linked to relevant development/strategic plans and sector strategies. As strategies are not costed is not possible to establish a materiality threshold, therefore, based on the analysis and supporting evidence, the score for the present dimension is D.

16.4. Consistency of budgets with previous year's estimates

This dimension assesses the extent the which the expenditure estimates in the last medium-term budget (MTEF 2021-2023) establish the basis for the current medium-term budget (MTEF 2022-2024). Due to the fact that BiH Parliament has never adopted the 2021 budget, there is no justification for comparing those two documents, MTEF 2021-2023 with MTEF 2022-2024.

Hence, the score for the present dimension is D.

67 http://www.dep.gov.ba/razvojni_dokumenti/razvojna_strategija/Archive.aspx?langTag=bs-BA&template_id=140&pageIndex=1

68 Economic Reform Program (ERP) contains elements of a long-term strategy given that apart from a medium-term macroeconomic and fiscal policy framework it contains a comprehensive structural reform programs.

69 http://www.dep.gov.ba/sredprograda/sprvm2022/SPRVM_20-22_final.pdf

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. Coverage is BCG for the last budget submitted to the legislature for PI-17.1 and 17.2, and the last three completed fiscal years for 17.3.

Indicator/Dimension	Score	Brief justification of the score
PI-17. Budget preparation process (M2)	D+	
17.1. Budget calendar	D	In the last few years, at the level of BiH Institutions, the budget calendar is not adhered to, mainly due to political disagreements.
17.2. Guidance on budget preparation	C	The annual budget reflects budget users' ceilings approved by the government after MoFT completed discussions with Budget Users on previously submitted final draft budgets.
17.3. Budget submission to the legislature	D	In the assessed timeframe, BiH Institutions did not adhere to the approved budget calendar.

Since 2005, the BiH Institutions of Bosnia and Herzegovina (BiH) have introduced a range of budget process reforms aimed at strengthening public expenditure management and planning. These reforms have two key objectives, namely to develop expenditure priorities and budget plans over the medium term, and to more closely link budget allocation decisions to the economic and social priorities of the country.

The preparation of medium-term budget plans is therefore intended to assist BiH to develop a more strategic basis for budget allocations that reflect national policy priorities and objectives⁷⁰.

According to the Strategy⁷¹, apart from the activities under Measure III that has already been elaborated above under B.I. 16, BiH Institutions by the end of 2025, need to complete the following (Measures IV):

- Review and update procedures for multi-annual commitments,
- Build capacity to measure government debt in line with ESA 2010,
- Determine the scope of data exchange between the MoFT, and Entity and BD MoFs to ensure timely and comprehensive public debt reporting,
- Ensure consistent application of prescribed classifications throughout the budget cycle.

17.1. Budget calendar

This dimension assesses whether a fixed budget calendar exists and the extent to which it is adhered to. At the level of BiH Institutions, a detailed Budget calendar is set by the Law on Financing of BiH Institutions. At the beginning of the budget process in January each year, MoFT issues Budget Instructions No.1, setting out the budget requirements, for each stage of the budget cycle including the budget calendar. Budget Instructions No.2 is issued following the adoption of the three-year Budget Framework Paper and includes the initial budget ceilings for the upcoming annual budget for each Budget User as approved by the BiH Council of Ministers.

70 Medium-term budget planning and preparation Manual prepared to provide guidance to the Ministry of Finance and Treasury (MoFT) and Budget Users at the level of the Institutions of BiH; developed by the DFID funded SPEM Project 2011.

71 Strategy for Improving Public Finance Management in Institutions of BiH 2021 - 2025

Table 17.1.A Budget calendar for the last budget submitted to the legislature

Task	Responsibility	Date in Budget calendar	Actual date for 2022 budget preparation	Met in practice for 2022 budget (Y/N)
Distribution of Budget instructions No.1	MoFT	31 January 2021	29 January 2021 ⁷²	Y
Submission of Budget User Priority Review Tables	Budget Users	15 April 2021	56% up to 15 April 2021 and 44% up to end of April 2021 ⁷³	N
Global Framework of Fiscal Balance and Policies in BiH	Fiscal Council	31 May 2021	31 March 2022	N
MTEF submitted to the Council of Ministers by the MoFT	MoFT	15 June 2021	23 May 2022	N
MTEF adopted by the Council of Ministers BiH	Council of Ministers BiH	30 June 2021	26 May 2022	N
Budget Instructions No. 2 issued (including budget ceilings)	MoFT	01 July 2021	08 July 2021 ⁷⁴	N
Submission of Budget Instructions No.2	Budget Users	01 August 2021	7% submitted on time and 87% by end of August 2021 ⁷⁵	N
Budget user discussions	MoFT/Budget Users	15 Aug to 15 Sep 2021	65% of all discussions were completed by 15 September ⁷⁶	Y
Budget submitted to Council of Ministers BiH	MoFT	01 October 2021	27 May 2022	N
Budget adopted by the Council of Ministers BiH and submitted to the Presidency of BiH	Council of Ministers BiH	15 October 2021	07 June 2022 ⁷⁷	N
Budget adopted by BiH Presidency	BiH Presidency	01 November 2021	08 June 2022 ⁷⁸	N
BiH Presidency submits budget to BiH Parliament	BiH Presidency	01 November 2021	08 June 2022	N
BiH Parliament approves budget	BiH Parliament	31 December 2021	27 June 2022 ⁷⁹	N

72 <https://www.mft.gov.ba/Content/OpenAttachment?id=95a71445-182d-495c-a2c1-cd0e1b1eade1&lang=hr>

73 Source: supporting tables submitted by MoFT

74 Confirmed by MoFT, Budget Sector email

75 Source: supporting tables submitted by MoFT

76 Source: supporting tables submitted by MoFT

77 <https://www.paragraf.ba/dnevne-vijesti/07062022/07062022-vijest1.html>

78 <https://www.slobodnaevropa.org/a/bih-budzet-predsjednistvo-parlament/31889137.html>

79 <https://rtvbk.ba/usvojen-prijedlog-zakona-o-budzetu-institucija-bih-za-2022-godinu/>

In the assessed timeframe (2022 budget proposal), the budget calendar has not adhered mainly due to political disagreements. Based on the analysis and supporting evidence, the score for the present dimension is D.

17.2. Guidance on budget preparation

During the budget year, MoFT issues two sets of budget instructions, Budget Instructions (BI) No.1 and Budget Instructions No.2. BI No.1 sets out the detailed guidelines and instructions for the preparation of Budget User priority review tables (BUPRTs), including high-priority new spending proposals, proposed revenue measures, and savings options, consistent with the priorities of the Council of Ministers BiH and in line with Budget User's three-year work program.

Following the submission of the BUPRTs, the MoFT prepares a draft MTEF that sets out, among other things, the underlying macroeconomic indicators and fiscal outlook, proposed budget expenditure priorities for the budget and forward estimates period, and budget ceilings for each Budget User, in administrative and program classification. Once the Council of Ministers has approved the MTEF, the MoFT issues Budget Instructions No.2 setting out the budget ceilings for each Budget User (in accordance with the approved MTEF) for the forthcoming year, together with instructions for the preparation of budget requests.

During the month of August, Budget Users are required to prepare their detailed budget estimates in accordance with these ceilings. The MoFT and Budget Users carry out discussions following the distribution of BI No. 2. Through the discussions, some adjustments to the ceilings may be permitted in accordance with government policy priorities and subject to the approval of final budget ceilings by the Council of Ministers BiH. Based on the analysis and supporting evidence, the score for the present dimension is C.

17.3. Budget submission to the legislature

This dimension assesses the timeliness of the submission of the annual budget proposal to the legislature. In the case of BiH Institutions, the executive government is represented by the Council of Ministers BiH, but the annual budget proposal is submitted to the BiH Parliament by BiH Presidency which usually happens right after the BiH CoM adopts the budget.

The table below presents the dates of submission of the annual budgets to the BiH Parliament in 2019 to 2021 (covering the budgets for 2020, 2021, 2022).

Table 17.3.A: Actual dates of budget submission for the last three completed fiscal years

Fiscal year	Action	Responsibility	Date in Budget calendar	Actual date for budget submission
2020	BiH Presidency submits the budget to BiH Parliament	BiH Presidency	01 November 2019	26 June 2020
2021	BiH Presidency submits the budget to BiH Parliament	BiH Presidency	01 November 2020	On 24 June 2021, BiH Presidency adopted the 2021 annual budget proposal ⁸⁰
2022	BiH Presidency submits the budget to BiH Parliament	BiH Presidency	01 November 2021	On 8 June 2022, BiH Presidency adopted the 2022 annual budget.

Due to political issues the annual budget for 2021 has never been adopted by BiH Parliament⁸¹.

In the assessed timeframe, BiH Institutions did not adhere to the approved budget calendar in the last four years; hence, the score for the present dimension is D.

⁸⁰ <https://www.slobodnaevropa.org/a/predsjedni%C5%A1tvo-bih-usvojilo-bud%C5%BEet-za-2021-godinu/31324730.html>

⁸¹ In the written answers received from MoFT BiH, Budget Sector, the Draft Law on the Budget of BiH Institutions and International Obligations of BiH for 2021 has never been adopted and therefore BiH Institutions were financed on the basis of four quarterly decisions on temporary financing issued by the Council of Ministers of BiH during 2021.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. Coverage is BCG for last completed fiscal year (2021) for PI-18.1, 18.2 and 18.4, and last three completed fiscal years for PI-18.3 (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-18. Legislative scrutiny of budgets (M1)	D	
18.1. Scope of budget scrutiny	D	At the BiH Parliament, very limited legislative budget scrutiny is taking place.
18.2. Legislative procedures for budget scrutiny	D	The legislative's role and power over the budget process is very limited
18.3. Timing of budget approval	D	In the last four-five years, both Committees at BiH Parliament were not able to undertake detailed analysis/budget hearings due to the fast budget adoption procedure that was taking place.
18.4. Rules for budget adjustments by the executive	B	Clear rules are set up for in-year budget adjustments by the executive government.

The Parliamentary Assembly of Bosnia and Herzegovina is the highest-level legislative body of Bosnia and Herzegovina and consists of two Houses: the House of Representatives and the House of Peoples. All legislative decisions enter into force upon adoption by both Houses of the Parliamentary Assembly of BiH. The Parliamentary Assembly of BiH enacts laws, approves the budget, and makes decisions on the sources and the amount of revenue needed for financing the institutions of Bosnia and Herzegovina and its international obligations. The Parliamentary Assembly confirms the appointment of the Chair and Members of the BiH Council of Ministers, grants consent to ratification of international treaties and decides on other issues that are necessary to exercise its own responsibilities or those assigned to it by an agreement between entities⁸².

Each of the houses has its budget and finance committees (Committee for Finance and Budget of the House of Representatives and Committee for Finance and Budget of the House of Peoples), which have a significant role in scrutinizing and amending the Government's budget.

18.1. Scope of budget scrutiny

Standing procedures for budget scrutiny have been established at BiH Parliament, enabling Budget and Finance Committees, both Houses, to review the annual budget proposal and report to the full session of the Parliamentary Assembly⁸³. In practice, however, there is limited legislative scrutiny that is taking place.

In the last few years, including 2021, both Committees did not have enough time to analyze draft annual budgets, meaning the details of revenue and expenditure, mainly because of the urgent adoption procedure requested by the BiH Council of Ministers. Given the time constraints of receiving budget proposal, the Committees' members had practically no time for public discussions nor the Committee's prior working meetings with relevant entities required by the standard procedure of legislative budget scrutiny. In case of the 2021 budget, which has never been adopted, both Committees received the budget proposal in June 2021 for review but legislative scrutiny function never took place. For 2022 budget year, Committees had sessions in June 2022 but again with no legislative scrutiny. In addition, BiH Parliament Committees

82 <https://www.parlament.ba/Content/Read/24?title=Op%20ipodaci&lang=en>

83 Each of the Houses has its own Budget and Finance Committee (9 members in House of Representatives and 6 in House of People), which are in charge of both audit reports and budget plan considerations. More information on the Finance Committees is available at official website: <https://www.parlament.ba/committee/read/18> and <https://www.parlament.ba/committee/read/17>

have no technical capacity (professional in-house or external staff) to support their work⁸⁴. Based on available information, the score assigned is D.

18.2. Legislative procedures for budget scrutiny

The budget review processes are established by the Law on Financing of the BiH Institutions. The BiH Presidency is required to submit a proposed budget to the Parliamentary Assembly by November 1 each year and the Parliamentary Assembly is expected to discuss the proposed budget and adopt the annual budget law by December 31.

The best example of possible causes taken into the assessment analysis can be viewed from the example of the adoption of the 2020 annual budget⁸⁵. Namely, on 18 June 2020 (eight months behind schedule), MoFT submitted the draft annual budget for 2020 to the BiH Presidency. BiH Presidency adopted the 2020 Law on the budget proposal and international obligations (BiH Institutions' annual budget) on 26 June 2020 and submitted on the same day to the BiH Parliament⁸⁶. BiH Parliament, House of Representatives, Committees for Finance and Budget, in its session No.14, dated 15 July 2020, approved the 2020 budget proposal following a discussion that lasted for an hour. After being adopted by the House of Representatives on the urgent session dated 27 July 2020, the 2020 budget proposal was submitted to the House of Peoples; two days later, again, on the urgent session of the House of Peoples on 29 July 2020, the 2020 budget proposal was finally approved and adopted.

Apart from a serious delay in the budget process, this example illustrates that legislative review and budget hearings were not included in the 2020 budget cycle. Based on available information, the score assigned is D.

18.3. Timing of budget approval

As stated above, in the last four-five years, both Committees were not given enough time to analyze draft budget given that they received annual budgets in the form of budget proposal and were requested for a fast (urgent) adoption procedure.

Table 18.3.A: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Actual date of approval
2020	On 18 June 2020, MoFT submitted the draft annual budget for 2020 to the BiH Presidency. On 26 June 2020, BiH Presidency in a fast procedure adopted and submitted the 2020 annual budget proposal to the BiH Parliament Assembly
	BiH Parliament Assembly, House of Representatives, adopted the 2020 budget on 15 July 2020 ⁸⁷ . The same was done by the House of Peoples on 29 July 2020 ⁸⁸
2021	On 25 March 2021, MoFT submitted the draft annual budget for 2021 to the BiH Presidency. On 24 June 2021, BiH Presidency adopted the 2021 annual budget proposal ⁸⁹
	BiH Parliament Assembly, House of Representatives, adopted the 2021 budget on 28 April 2022 ⁹⁰ , but the House of Peoples has never adopted the 2021 annual budget

84 Within the BiH Parliament, a small specialized research division has been established to provide services for all Committees of both Houses but with weak technical capacity to provide the BiH Parliamentary Assembly and Committee members in particular with adequate analytical support in finance and budget matters.

85 Parliament BiH has never adopted the 2021 annual budget.

86 [https://static.parlament.ba/doc/130273_Prijedlog%20zakona%20o%20Budzetu%20\(B\).pdf](https://static.parlament.ba/doc/130273_Prijedlog%20zakona%20o%20Budzetu%20(B).pdf)

87 <https://ba.n1info.com/vijesti/a448176-predstavnicki-dom-psbih-usvojio-budzet-za-2020-godinu/>

88 <https://balkans.aljazeera.net/news/balkan/2020/7/29/usvojen-budzet-bih-za-2020>

89 <https://www.slobodnaevropa.org/a/predsjedni%C5%A1tvo-bih-usvojilo-bud%C5%BEet-za-2021-godinu/31324730.html>

90 <https://www.akta.ba/vijesti/bih/147751/predstavnicki-dom-psbih-usvojen-prijedlog-budzeta-institucija-bih-za-2021>

2022	On 07 June 2022, a draft annual budget for 2022 was submitted to the BiH Presidency. On 08 June 2022, BiH Presidency adopted the 2022 annual budget;
	BiH Parliament Assembly adopted the 2022 budget on 27 June 2022.

Source: Consolidated Budget Execution Report for 2021

The table above shows that parliamentary committees for budget and policy analysis, in the assessed period did not have adequate time to undertake detailed analysis/budget hearings due to the fast budget adoption procedure. In addition, a complex political situation during 2021/2022 left the BiH Institutions functioning on temporary financing. Based on the available information, the score for the present dimension is D.

18.4. Rules for budget adjustments by the executive

Law on Financing of BiH Institutions, Article 16, provides for budget allocations within the approved budget to be amended without ex-ante approval by the Parliamentary Assembly. If the commitments were to exceed approved ceilings, BiH Ministry of Finance and Treasury, in accordance with the Law on the Budget of BiH Institutions, and the instruction for budget adjustments that is prepared every year, at the request of the budgetary unit, approves the restructuring/redistribution of funds, thereby approving increases/decreases of established budget ceilings by budget positions within the approved budget of the budgetary unit (see 21.4). The mentioned procedure cannot lead to breaking through the total projected cash flows. In addition, according to the Law, the redistribution of funds is exceptionally allowed between the budget beneficiaries, if approved by the BiH Council of Ministers, after receiving the opinion of the MoFT.⁹¹ Here, the respective budgetary units participate in the process and the decision is made by the BiH Council of Ministers.

In accordance with the procedure of temporary financing that took place during the 2021 budget year, the budget covers only the expenditures necessary for the functioning of the institutions of Bosnia and Herzegovina. No allocations are approved during that period. Budget users cannot start new or expanded programs and activities until the budget is approved.

Based on the available information, the clear rules exists and are adhered to in most instances, therefore, the score for the present dimension is B.

91 <https://mft.gov.ba/Content/OpenAttachment?id=7012d1ec-cac2-46d4-ac07-2328072ee17f&lang=hr>

PILLAR FIVE: Predictability and control in budget execution

The pillar examines whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Overall performance: key strengths and weaknesses

Revenue administration is in good shape. The Indirect Tax Authority is responsible for the collection and distribution of indirect taxes to all four levels of government (BiH, RS, FBiH, and BD) from a single account. The largest part of budget revenues for the budget of BiH institutions is from indirect taxes. The ITA uses various channels of communication with taxpayers, both online and offline. Taxpayers are provided with information about their rights and obligations. ITA has developed a risk management strategy (registration, filing, reporting, and payment), grounded in risk analysis performed by types of revenues and taxpayers. The ITA fulfills most planned tax controls and fraud investigations. The share of arrears in collected indirect tax revenues in 2021 was 6% for the whole of BiH (the age of arrears is unknown). The reform strategy recognized the need to improve the coordination between the ITA and entities' tax administrations, as well as to strengthen the capacities of the ITA.

The accounting for revenues is performing well. Revenue from indirect taxes collected on a single account is distributed to the four levels of government on a daily basis, while reconciliation is done monthly. Revenues that are under the jurisdiction of the BiH level are collected directly to the treasury single account.

The predictability of in-year resource allocation is also relatively good. Consolidation of TSA bank accounts is done daily, while foreign currency accounts weekly. Cash forecasting is done on a quarterly and monthly basis. Commitment ceilings for actual spending are available to budgetary units one month in advance. Budget reallocations were made in a transparent and predictable manner.

There are no outstanding liabilities at the BiH level.

Payroll and personal records are updated and reconciled automatically at least monthly. All new hires and promotions are checked against the budget and systematization of positions. The internal control of the payroll is satisfactory, but lacking set procedures. Payroll is partially audited annually by the supreme audit institution.

Procurement is regulated by the law that is at the level of BiH. The Law covers all levels of government (not only BiH, RS, FBiH, and BD, but also cantons and municipalities). The two main bodies responsible for managing public procurement are the BiH Public Procurement Agency and the BiH Procurement Review Body. As far as procurement is concerned, it is generally at a satisfactory level. There is an E-Public Procurement Portal where all information for all contracts is published. Only 65% of awards were through competitive methods. Also, the transparency of informing the public was at a basic level. The situation is similar to procurement complaints management. The reform strategy recognized the need for further improvement in the area of procurement. This refers to legislation, e-governance, and capacities of the institutions.

The internal control of non-salary expenditures is performing soundly. There is a clear segregation of duties throughout the expenditure process. Expenditure control is automatically regulated through the ISFU information system. There are payment rules and procedures that are followed. Internal audit is operational in most budgetary units, so stronger procedures and rules are in place, which is an improvement over the previous PEFA assessment. The reform strategy plans further improvements in commitment controls.

The internal audit is good except for the management's weak response to the recommendations of the internal audit. Internal audit is operational for budgetary entities that spend most of the budgetary expenditures and that collect most of the budgetary revenues, focused on the adequacy and effectiveness of internal controls. There are internal audit plans that are followed. Internal audit units distribute reports with recommendations to stakeholders. For internal audit, the reform strategy recognizes the need for improvements in the area of IT technologies and the strengthening of human capacity.

PI-19. Revenue administration

This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. Coverage is CG at time of assessment for PI-19.1 and 2 and for the last completed fiscal year (2021) for PI-19.3 and 19.4.

Indicator/Dimension	Score	Brief justification of the score
PI-19. Revenue administration (M2)	B	
19.1. Rights and obligations for revenue measures	A	Up-to-date information on obligations and rights is available to the public through various channels
19.2. Revenue risk management	A	BiH ITA has a risk management process presented at three levels: strategic, tactical, and operational. Strategy on Compliance Improvements on Indirect Taxation for Period from 2022 to 2024; covers all categories of revenues (VAT, excises, and customs) and taxpayers
19.3. Revenue audit and investigation	C	ITA as an entity that collects most of its revenue undertakes audits and fraud investigations using a compliance improvement plan and completes the majority of audits and investigations
19.4. Revenue arrears monitoring	D	Age of the stock arrears year-on-year is not available.

The BiH ITA is an entity that administered/collected 83% (see Table 19.1) of the collected revenues for the BiH Institutions Budget in 2020. Indirect taxes (comprising of the VAT, customs and excises) are administered by the BiH ITA. Indirect taxes are collected on a single account and allocated to the BiH level in a fixed amount, as stated in PI-3. Table below shows collected revenues of the BiH Institutions Budget in 2020 from indirect taxes, grants, and other revenues.

Table 19.1.A: Collection of IBiH budget revenues

Type of revenues	Amount (KM)	% of total	Administration and/or collecting entity
Indirect taxes	780,000,000	83%	BiH ITA
Grants and other revenues	163,073,147	17%	Other entities
TOTAL	943,073,147	100%	/

Note: in line with PI-3

The Strategy for Improving PFM in Institutions of BiH 2021-2025 has identified the following needs:

- strengthen capacities and cooperation among institutions to fight tax and customs fraud (monitor and evaluate the implementation of the established exchange mechanism between the ITA and tax authorities of the entities and BD; sign a memorandum of understanding between the Border Police and the ITA),
- improve indirect tax compliance (further align customs and tax legislation and practices with EU legislation, improve a risk management strategy and policy, and an action plan in the area of customs; develop a strategy to improve indirect tax compliance for the period 2022 - 2024; develop a debt servicing strategy for indirect taxes),
- strengthen ITA administrative and operational capacities (develop and implement an ITA business continuity plan; develop an HR management strategy and action plan; develop and implement a multi-year capital investment plan).

19.1. Rights and obligations for revenue measures

The Communication Strategy of BiH ITA⁹² for the period from 2020 to 2023 defines external communication goals, including easier access to information about rights and obligations for taxpayers. Target groups for that goal are legal entities and natural persons (entrepreneurs and citizens) that meet the threshold for VAT registration. The purpose of communication varies among those groups because of various knowledge of indirect tax legislation and the usage of e-services. Communication channels are offline, online, and a combination of the two. Offline communication channels include press releases and conferences, media appearances, guides and instructions, educational workshops and seminars, forums and round tables, written correspondence, and telephone communication. Online communication channels include web page⁹³, YouTube⁹⁴, and info e-mail.

Taxpayers can find information about the obligations and rights on the website of the BiH ITA. Regarding the information on obligations, these are stated in the law and bylaws available on the website, but also through easier access to information on registration, tax declarations, payments, tax calendar, and other relevant information. At the beginning of 2018, BiH ITA enabled the use of the e-portal application⁹⁵ which allows the taxpayers to submit VAT and excise returns electronically with access to their analytical tax card. Information on the rights of taxpayers related to the appeal procedure, is available in the BiH Law on Indirect Taxation Procedure⁹⁶ but also in the Charter of Rights and Obligations of Taxpayers⁹⁷. All information is up to date.

In 2022, BiH ITA opened its first regional service center⁹⁸ in Sarajevo. Another two are planned to be open in the other three regional centers: Banja Luka, Mostar, and Tuzla. Service centers of the BiH ITA are intended for all payers of indirect taxes who will be able to personally receive information in the field of indirect taxes, as well as instructions and clarifications for any problem regarding the application of regulations in the field of indirect taxation in BiH. Likewise, all other taxpayers in BiH will be able to receive basic information about the obligation to register and enter the VAT system in BiH, as well as how requests for entry into the VAT system are submitted, and what all obligations and rights are. Also, a VAT guide brochure is available to taxpayers.

BiH ITA as an entity collecting/administering most of the revenues provides taxpayers with access to comprehensive and up-to-date information on obligations and rights through various channels. Hence, the score for the present dimension is A.

19.2. Revenue risk management

The Department for Analysis and Risk Management of the BiH ITA has a business process diagram from which the risk management process can be seen at three levels: strategic, tactical, and operational.

BiH ITA developed a Strategy on Compliance Improvements on Indirect Taxation Legislation for the Period from 2022 to 2024⁹⁹. This is the second developed Strategy on Compliance. The first one was developed for the period 2019-2021.

92 <https://www.uino.gov.ba/portal/wp-content/uploads/3-O-NAMA/6-STRATEGIJE-strateski-dokumenti/Strategija-komunikacije-UIO-2020-2023-15-07-20.pdf>

93 <https://www.uino.gov.ba/>

94 <https://www.youtube.com/@uinobih7229>

95 <https://www.uino.gov.ba/portal/bs/e-usluge/e-portal/>

96 https://www.uino.gov.ba/portal/wp-content/uploads/PROPISI/1_UIO/3_Zakon_o_postupku_indirektnog_oporeivanja/1_Zakon/B/B-1-Zakon-o-postupku-indirektnog-oporeivanja-Sluzbeni-glasnik-BiH-broj-8905.pdf

97 <https://www.uino.gov.ba/portal/wp-content/uploads/99-ZAHTJEVI-I-UVJERENJA-ostali-dokumenti/Prava-i-obaveze-obveznika/BOS-Povelja-o-pravima-i-obavezama.pdf>

98 <https://www.uino.gov.ba/portal/bs/novosti/otvoren-prvi-servis-centar-uio-u-sarajevu/>

<https://business-magazine.ba/2022/03/25/otvoren-prvi-servis-centar-uio-bih-sarajevu/>

99 <https://www.uino.gov.ba/portal/wp-content/uploads/3-O-NAMA/6-STRATEGIJE-strateski-dokumenti/3-Strategija-postivanja-propisa-2022-2024-vanjska-FINAL-p-18-03-22.pdf>

Through the Strategy on Compliance, specific programs are adopted and developed to deal with various risks through the four pillars of compliance: registration in the register of taxpayers, filing the tax declarations, accurate reporting, and payment of obligations. As part of the Strategy on Compliance, there is a chapter on *Efficient collection and revenue allocation*, which covers risk analysis, better use of data, registration improvement, refund analysis, strengthening the control function, arrears management, and the fight against fraud and organized crime.

BiH ITA performed risk analysis by types of revenues and key taxpayers' segments, identified the most significant risks, gave recommendations for risk mitigation, continuously carried out the selection of risky taxpayers, and created and implemented programs of compliance with tax regulations in certain risky segments.

The work of the BiH ITA is based on the use of a broad information base which in addition to internal data, also uses external data obtained through exchange with domestic and foreign institutions.

In the registration phase, based on the data from the available records of the BiH ITA and third parties, BiH ITA verifies the accuracy and completeness of the submitted documentation for registration. ITA has intensified its activities on recognition and registration of persons who have exceeded the taxable threshold and have not applied for registration¹⁰⁰, deregistration of taxpayers who have stopped performing the taxable activity, and correction of incorrect data in the register.

BiH ITA dedicated efforts and developed a whole set of activities aimed at the effective management of refunds. Some of these activities are assessment of the validity of refunds through standardized test procedures in which a large number of organizational units participate, risk assessment of the taxpayer through the risk analysis module, analysis of documentation, and conducting audits (office, field).

In general, most of the audits are aimed at taxpayers for whom significant suspicion exists that they are not fulfilling their obligations. The efforts of the BiH ITA are aimed at constant improvement and strengthening audit functions by introducing modern IT tools, expanding the data that are used, and relying to a greater extent on risk analysis and indirect methods of tax liability assessment.

BiH ITA pays great attention to research, discovering, documenting, and preventing all forms of smuggling, customs, tax, and other misdemeanors and criminal offenses and works closely with the prosecutor's offices.

The provisions of *the Instructions on the manner of dealing with value-added tax and excise declarations and the determination/calculation of value-added tax*¹⁰¹ regulate the handling of tax declarations, as well as the method of tax determination/calculation by official duty (by BiH ITA), which the BiH ITA files on behalf of the taxpayer and which is automatically created in the information system of the BiH ITA. The provisions of *the Instructions on the procedure for refunds and approving tax credits based on the filed value-added tax declaration*¹⁰² prescribe, among other things, the procedure for submitting amended or supplementary tax declarations by taxpayers.

BiH ITA has a risk management process presented at three levels: strategic, tactical, and operational. There is a Strategy on Compliance Improvements on Indirect Taxation for the Period from 2022 to 2024, which covers all categories of revenues (VAT, excises, and customs) and taxpayers. Hence, the score for the present dimension is A.

100 Rulebook on registration and entry into the unified register of indirect tax payers:

<https://www.uino.gov.ba/portal/bs/propisi/porezi/>

101 <https://feb.ba/uputstvo-o-nacinu-postupanja-sa-prijavama-za-porez-na-dodanu-vrijednost-i-prijavama-akcize-i-rezrezom-poreza-po-sluzbenoj-duznosti/>

102 <https://feb.ba/uputstvo-o-postupku-povrata-i-odobranju-poreznog-kredita-po-osnovu-podnosenja-prijave-za-porez-na-dodanu-vrijednost/>

19.3. Revenue audit and investigation

BiH ITA developed the Action plan for 2021 for the implementation of Strategy on Compliance 2019-2021 (Action plan). That can be considered as a compliance improvement plan to mitigate identified compliance risks. The document covers all categories of revenues, key payers' segments, and risks associated with registration, filing of declarations, accurate reporting, payment, and other. There is a Report on the realization of the Action plan, which quantifies the results and reports on deliverables planned through the Action plan. Plans of audits that belong to the Department for audit and the Department for audit of large taxpayers are confidential documents. The aggregate data on the plans and realization of tax controls and fraud investigations for 2021 were provided by the ITA.

Plans of audits that belong to the Department for audit, and Department for audit of large taxpayers are confidential documents. However, the BiH ITA provided the following aggregate information for 2021 from which can directly be comparable plan and achievement in the sense of audits and investigations:

Table 19.3.A: Revenue audit and investigation by the BiH ITA

Type of tax audit/fraud investigation	Planned	Carried out	Percentage completed
Full audit	5,302	5,902	113%
Partial (informative) audit	2,747	2,661	97%
Investigation	120	101	84%

BiH ITA as an entity that collects most of the revenues undertakes audits and fraud investigations using a compliance improvement plan and completes the majority of audits and investigations. Hence, the score for the present dimension is C.

19.4. Revenue arrears monitoring

Failure to comply with obligations and payment deadlines can serve as an indicator of non-compliance with other obligations of indirect taxes for which reasons ITA monitors and analyzes arrears data through various procedures, on several levels, and creates programs to improve the collection of arrears. The information on revenue arrears from the BiH ITA shows the revenue arrears on 31 December 2021 by revenue categories. Arrears related to all levels of government are included in the information since all revenues are collected at a single account and later allocated to various levels of government based on a coefficient. So, it is not possible to calculate the share of BiH level revenues arrears. It is possible to calculate for the entire country. The ratio of arrears on 31 December 2021 and collected revenues in 2021¹⁰³ is 6% (BAM 486 mil.). However, it is not possible to disaggregate the stock based on age composition year on year.¹⁰⁴

Hence, the score for the present dimension is D.

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. Coverage is CG at time of assessment.

¹⁰³ https://www.uino.gov.ba/portal/wp-content/uploads/3-O-NAMA/2-Plan-rada/1-lzvjestaj_o_radu/lzvjestaj-o-radu-UINO-2021.pdf

¹⁰⁴ Information on the annual stock of arrears, as assessed in PI-20.3, is available and reconciled between the ITA and the treasury. This information does not include any evidence of year on year changes in stock of arrears.

Indicator/Dimension	Score	Brief justification of the score
PI-20. Accounting for revenue (M1)	A	
20.1. Information on revenue collections	A	Revenues, that are under the authority of the BiH level, are collected through the TSA; Indirect taxes are distributed to BiH on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data.
20.2. Transfer of revenue collections	A	Revenues are either paid directly to TSA or transferred on a daily basis.
20.3. Revenue accounts reconciliation	A	Reconciliation is made at least monthly.

The ITA, on behalf of and for the account of BiH, Federation of BiH, Republika Srpska, and Brčko District, opens and maintains a Single Account consisting of accounts with commercial banks for the collection of revenues and accounts/sub-accounts with the Central Bank of Bosnia and Herzegovina¹⁰⁵. The banks transfer the total collected revenues in the aggregate amount every day to the account with the BiH Central Bank. The bank will report electronically and daily to the ITA on all individually executed payment transactions.

The ITA is responsible for the collection, transfer, and distribution of the collected revenues to the revenue beneficiaries. The collected revenues are distributed daily and transferred to the accounts opened by revenue users. The ITA established a bookkeeping system (tax bookkeeping) that provides information on collected revenue by types of revenue, payers, and amount of arrears, as well as data on transfers and distribution by revenue beneficiaries. The ITA prepares a monthly revenue report for the needs of the users, after consolidating the bookkeeping activities for the month. The revenue report shows how the amount stated in the report has been distributed to the beneficiaries of the revenues. The ITA will explain and discuss any difference between the revenue distributed daily and the revenue distributed as stated in the monthly report.

The BiH MoFT, in accordance with the provisions of the Law on Financing of BiH Institutions¹⁰⁶, manages the TSA, which consists of all bank accounts maintained on behalf of BiH MoFT with the BiH Central Bank and several commercial banks, through which all transactions related to budgetary funds are performed. The BiH MoFT has a main budget account with a large number of sub-accounts at the BiH Central Bank. With commercial banks, BiH MoFT has a deposit account (used for payment of public revenues), a transaction account (for payment of liabilities of budgetary units), and an account for payment of salaries to budgetary units. All the listed accounts (and sub-accounts) are linked to the Treasury General Ledger system. Consolidation of bank accounts is done daily, after delivery of statements in electronic format and uploading to the ISFU system. It should be noted that BiH MoFT has signed technical memoranda with commercial banks, which prescribes the technical part of the implementation of payment orders, the bringing of funds to cover obligations, the formation and sending of EFT (electronic fund transfer) orders, bank statements, complaints, the contact person for operational communication on a daily basis.

20.1. Information on revenue collections

Revenues that are under the authority of the BiH level, are collected through the TSA by type of revenues (which are coded by category and clearly distinguishable) and can be put into a report on a daily basis. In practice, there are no daily revenue reports for the reason that there is no need for them since bank statements of deposit accounts are obtained on a daily basis, through which the revenue transfer to the Central Bank of BiH is monitored. Statements are uploaded to the ISFU system so that a report can be generated from the Cash Management (CM) module on payments to accounts on a daily basis. Indirect taxes are distributed to BiH level on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data.

105 <https://www.paragraf.ba/propisi/bih/zakon-o-uplatama-na-jedinstveni-racun-i-raspodjeli-prihoda.html>

106 <https://www.parlament.ba/law/LawDetails?lawId=1116>

Table 20.1.A: Information on revenue collection (BiH Institutions Budget)

Collecting entity	Category of revenue	Total amount collected ¹⁰⁷ in 2020	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by revenue type	Consolidated into a report	Consolidated
BiH ITA (Single Account)	Indirect taxes, broken down by categories	BAM 780,000,000 (83 %)	Daily in reference to the daily distribution of revenues; consolidated into the report on a monthly basis	N/A because those funds are transferred from the Single Account	Y	Y
BiH Treasury (TSA)	Grants and other revenues	BAM 163,073,147 (17 %)	Directly paid to TSA	Y	Y	Y

Based on the analysis and supporting evidence, the score for the present dimension is A.

20.2. Transfer of revenue collections

Since revenues under the authority of the BiH level are paid to TSA through banks, the funds are made available immediately. Revenues from indirect taxes are transferred on a daily basis.

Table 20.2.A: Transfer of revenue collections

Collecting entity	Category of revenue	Frequency of revenue collections transfer to the Treasury
BiH ITA (Single Account)	Indirect taxes	Daily
BiH Treasury (TSA)	Grants and other revenues	Direct payments to TSA through banks

Hence, the score for the present dimension is A.

20.3. Revenue accounts reconciliation

The Indirect Tax Authority, the entity collecting most of the revenues, makes reconciliations on a monthly basis. Since all revenues that are under the authority of the BiH level are paid to TSA through banks, reconciliation of accounts is available on a daily basis.

Table 20.3.A: Revenue accounts reconciliation

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assess-ments	Collections	Arrears	Transfers to Treasury
BiH ITA (Single Account)	Indirect taxes	Monthly	End of month for previous month	Y	Y	Y, for the reporting period (quarterly)	Y
BiH Treasury (TSA)	Grants and other revenues	Daily (direct payments to TSA)		NA	Y	NA	Direct payment to TSA

Hence, the score for the present dimension is A.

¹⁰⁷ As described under PI-19 to determine the materiality

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. Coverage is BCG at time of assessment for PI-21.1 and for last completed fiscal year (2021) for PI-21.2, 21.3 and 21.4.

Indicator/Dimension	Score	Brief justification of the score
PI-21. Predictability of in-year resource allocation (M2)	B+	
21.1. Consolidation of cash balances	B	All bank and cash balances are consolidated on a weekly basis
21.2. Cash forecasting and monitoring	A	Cash flow planned on a quarterly and monthly level based on actual cash inflows and outflows
21.3. Information on commitment ceilings	C	Commitment ceilings are available one month in advance
21.4. Significance of in-year budget adjustments	A	Adjustments to budget allocations took place once and are done in a transparent and predictable way

The BiH MoFT has a main budget account with a large number of sub-accounts at the BiH Central Bank. With commercial banks, BiH MoFT has a deposit account (used for payment of public revenues), a transaction account (for payment of liabilities of budgetary units) and an account for payment of salaries to budgetary units. All the listed accounts (and sub-accounts) are linked to the Treasury General Ledger system. Accounts in the Central Bank which are not used for payments are mainly foreign currency accounts.

21.1. Consolidation of cash balances

Consolidation of bank accounts is done daily, after delivery of statements in electronic format and uploading to the ISFU. It should be noted that BiH MoFT has signed technical memoranda with commercial banks. Consolidation of foreign currency accounts is done manually on a weekly basis.

Table 21.1.A: Consolidation of cash balances

Bank and cash - List of accounts	Frequency of reconciliation
Bank accounts - part of TSA	Daily
Foreign currency accounts - Central Bank	Weekly

Based on the analysis and supporting evidence, all bank and cash balances are consolidated on a weekly basis, so the score for the present dimension is B.

21.2. Cash forecasting and monitoring

The BiH MoFT prepares a cash flow plan on a quarterly and monthly level. The plan shows projections of revenues and expenditures of the budget of the Institutions of BiH, as well as the differences in revenues and expenditures for the period covered by the plan. The plan is based on reports from the ISFU system (general and subsidiary ledgers), and in accordance with the BiH Law on the Budget¹⁰⁸, the Decision on Temporary Financing of BiH Institutions, annual and periodic reports on the execution of the BiH Budget and other legislation. Back in 2015, the BiH MoFT issued an Instruction for the preparation of a cash flow plan.

Cash flow is planned on a quarterly and monthly level, based on actual cash inflows and outflows. Hence, the score for the present dimension is A.

¹⁰⁸ This is in general. The budget for 2021 has not been adopted yet.

21.3. Information on commitment ceilings

Given that the budgetary units' operational plans are entered through the ISFU system for each month individually, budgetary units have Reports on available funds from the system, which are approved on the basis of submitted and controlled operational plans of budgetary units for certain period and on the basis of relevant documentation for certain types of expenditures and projects.

Commitment ceilings are available one month in advance. Hence, the score for the present dimension is C.

21.4. Significance of in-year budget adjustments

In 2021 there was only one Decision of the BiH Council of Ministers no. 170/21 on the redistribution of funds from the Budget of the BiH Ministry of Justice to the Budget of the BiH Institute for the execution of criminal sanctions and other measures in the amount of BAM 1.8 mil. The decision was made on the basis of the Law on financing BiH institutions and on the basis of the Law on the BiH Council of Ministers, at the proposal of the BiH Ministry of Justice. Although all requests for redistribution/restructuring are initiated by the budget users and do not qualify for scoring as per PEFA methodology, their number is known to have gone up due to Covid as reflected in score C on PI-2.2.

When a decision on the redistribution of funds between budgetary units was proposed, respective budgetary units participated in the process, and the decision was made by the BiH Council of Ministers and published in the BiH Official Gazette. Adjustments to budget allocations took place once and are done in a transparent and predictable way. Hence, the score for the present dimension is A.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears and the extent to which a systemic problem in this regard is being addressed and brought under control. Coverage is BCG for the last completed fiscal year (2021) for PI-22.1 and at time of assessment for PI-22.2.

Indicator/Dimension	Score	Brief justification of the score
PI-22. Expenditure arrears (M1)	A	
22.1. Stock of expenditure arrears	A	No outstanding liabilities are reported in the financial statements.
22.2. Expenditure arrears monitoring	A	Considering overall soundness of commitment controls (PI-25.2 is A) and payments (PI-25.3 is A), the arrears monitoring meets the A score requirements.

According to the Law on Financing of BiH Institutions¹⁰⁹ unpaid obligations are considered to be any obligation that needs to be paid and which has not been fully paid on the day the payment is due.

In practice, BiH institutions plan the budget based on their obligations and implement strict discipline in terms of payments. There are no delays in payment because the Treasury pays every week all due obligations that the budgetary units have entered into the ISFU and so far there have been no problems with liquidity because the revenues collected and belonging to the Institutions of BiH are recorded on a cash basis, i.e. in accordance with the relevant provisions of the Law on Financing of BiH Institutions and the Rulebook on Accounting with Accounting Policies and Procedures for Budgetary Units of BiH Institutions (Rulebook on Accounting)¹¹⁰. Salaries are paid by the 10th of the current month for the previous month.

The BiH institutions have no outstanding liabilities. There is a question if it can happen that a budgetary unit does not timely enter the obligation in ISFU, and this causes a delay in payment and arrears accordingly. However, based on the Law on Financing of BiH Institutions and the Rulebook on Accounting,

109 <https://www.parlament.ba/law/LawDetails?lawId=1116>

110 <https://www.mft.gov.ba/Content/OpenAttachment?id=67fdf496-3128-4c78-a7e4-e1eb7d49e9d7&lang=bs>

the responsibility for planning and creating obligations within the approved budget rests exclusively with the budgetary unit, i.e., the authorized person of the budgetary unit. It is prescribed that budgetary units are not allowed to create obligations, i.e., expenditures or burdens of budget positions if the funds for those expenditures or burdens of budget positions are not approved within the amount allocated for that budgetary unit. Although the Rulebook on Accounting defines that "attention must be paid to all types of accounting documents and efforts must be made to make their path to accounting as short as possible", in practice, situations may occur where budgetary units are late in entering their obligations into the information system, which further makes delays in payments made by the BiH Ministry of Finance and Treasury. On-demand, reports on arrears (if any) can be created from the system.

22.1. Stock of expenditure arrears

The BiH institutions do not have outstanding liabilities¹¹¹ for 2019, 2020, and 2021. Although the budget was not adopted in 2021, the execution was based on temporary financing throughout 2021, and no outstanding liabilities were accumulated because the already established spending program continued at the level from 2020, in accordance with the relevant provisions of the Law on Financing of BiH Institutions related to temporary financing. The reported stock of arrears for 2019, 2020 and 2021 in the budget execution reports was nil. Available data from the audit report does not raise this issue within the reported findings. Hence, the score for the present dimension is A.

22.2. Expenditure arrears monitoring

Performance on monitoring of arrears falls outside of the PEFA criteria: the data on any potential arrears can be generated on demand from ISFU but formal reports are not generated. There are no reported arrears in the budget execution reports and the issue of payments due and not settled is not raised in any of the financial and compliance audit report for the period. Score A on this dimension is assigned on the basis of the PEFA Fieldguide based on the satisfactory performance of commitment controls (PI-25.2 scored A) and payment controls (PI-25.3 scored A).

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. Coverage is CG at time of assessment for PI-23.1, 23.2 and 23.3 and for last three completed fiscal years for PI-23.4 (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-23. Payroll controls (M1)	C+	
23.1. Integration of payroll and personnel records	B	Reconciliation of the payroll with personnel records takes place automatically, at least monthly. All changes are made based on the decision of the Council of Ministers. New employment and promotions are checked against the approved budget and a list of approved staff positions.
23.2. Management of payroll changes	A	Personnel records and payroll are updated at least monthly and retroactive adjustments are under 1 percent.
23.3. Internal control of payroll	C	Sufficient control exists to ensure the integrity of the payroll data. However, the procedure itself is nonexistent.
23.4. Payroll audit	A	Financial and compliance audits cover payroll all budgetary units every year.

111 Payments are made every week.

Based on the information from the BiH MoFT, within the system for Centralized calculation and payment of wages and allowances (COIP) in the institutions of BiH, there is a Personnel records module that contains data on employees in the institutions of BiH (employee register). There are no reported reforms planned regarding payroll processing.

23.1. Integration of payroll and personnel records

Salaries are calculated and paid through the COIP system on the basis of data entered in the personnel records, and the system supports reconciliation of payroll with the employee register automatically at least once a month. Before each recruitment, checks are carried out whether the funds for the specific position are planned in the Budget of the BiH institutions, which provides the number of approved staff positions. BiH MoFT gives its opinion on the proposed decision. Every new employment is approved by the Council of Ministers of BiH. All changes in personnel records, as well as the entry of data for the calculation of wages and allowances, are entered by budgetary units. The processes are automated. Also, recruitment and promotion are carried out in accordance with the adopted systematization of positions (approved staff positions) of each institution individually. Hence, the score for the present dimension is B.

23.2. Management of payroll changes

Based on the information from the BiH MoFT, personnel records and payroll are updated at least monthly. Retroactive adjustments are rare since the reconciliation of payroll with the employee register is done automatically at least monthly thus limiting the possibilities for arrears (as indicated in PI-22). Retroactive adjustments remained under 1 percent as per internal reports made available by the Treasury. Based on the available evidence, the score for the present dimension is A.

23.3. Internal control of payroll

The updating of personnel records (based on documentation) and automatically the payroll is carried out by budgetary units, which happens as part of the system of internal control.

The process (using the example of the BiH MoFT as a budgetary unit) entails:

- Employees of the Department for Legal, Personnel, General and Common Affairs (Department) maintain personnel records through the OCEAN personnel records system.
- All personnel changes, starting from the establishment of an employment relationship, internal transfers, promotion through internal vacancies, and termination of the employment relationship, are managed through the personnel records.
- Advancement through pay grades and changes in transport decisions are also entered as changes through personnel records.
- The employees of the Department are obliged to update the personnel records and enter the basic data about the employee, the coefficient for calculating the salary, and the amount of compensation for transportation costs. The data on the previous work experience of the employee is especially important because the amount of past work (years of work experience) that is calculated based on this.
- The salary calculation officer in the Department for Financial and Accounting Affairs, based on the data entered in the Department for Legal, Personnel, General, and Common Affairs, performs the salary calculation through the OCEAN system.
- Salary calculation cannot be carried out without updating the data in the personnel records. The salary calculation is done on the basis of data from the personnel records. The procedure itself is not prescribed, but the changes are entered on the basis of acts (decisions, certificates, etc.) to the employee register and in accordance with the technical requirements of the software itself. Based on these data, salary calculation is performed, which reconciles the personnel register and the payroll.

Based on this process and its system of internal control, sufficient control exists to ensure integrity of the payroll data. However, the procedure itself is not documented.

Hence, the score for the present dimension is C.

23.4. Payroll audit

BiH institutions are subject to external audit, which includes programs for auditing payroll, which is performed annually for all institutions. The audits include tests that would discover any potential fictitious employees and provide an insight into the weaknesses relating to internal controls. The auditors verify whether the controls over staff employment (irregularities in employment and remuneration, control of existence of staff or the so called ‘ghost workers’), calculation and payment of salary, as well as occurrence of any personnel data irregularities, have been implemented as foreseen through compliance and financial audits. This implies a strong system of audits of the payroll system that expose control weaknesses, resulting in score A for the present dimension.

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. Coverage is CG for the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-24. Procurement (M2)	C+	
24.1. Procurement monitoring	A	The stipulated information was accurately prepared and published through E-Public Procurement Portal for all contracts.
24.2. Procurement methods	C	The percentage of awarded contracts through competitive methods in the 2021 fiscal year was 64.56%.
24.3. Public access to procurement information	C	The requirements are met for 3 elements out of possible 6 the score for the present dimension is C.
24.4. Procurement complaints management	C	The requirements are met in 3 out of 6 required instances hence the score for this dimension is C.

The existing BiH Procurement system has been anchored in the Public Procurement Law which was adopted in 2004 with the aim of establishing an efficient and effective procurement system in BiH. Since then the law has seen two major updates, namely one in 2014 and the most recent one in 2022.

The law defined rights duties and responsibilities of the participants in the public procurement procedures at all levels of government in BiH (BiH Institutions, RS, FBiH, BD, Cantons, and Municipalities), established legal protection and procurement review procedures, as well as competencies of the key institutions responsible for the management of public procurement system, namely BiH Public Procurement Agency (PPA) and BiH Procurement Review Body (PRB).

As explained in the general description, all levels implement the legislative framework in line with their competencies (including decisions on procurement method used), while the functions for procurement monitoring, public access to information and appeals are centralized at the level of the Institutions of BiH.

The reform process of the PP system in BiH has mostly been implemented within the EU-funded IPA framework. Below is a summary table listing key technical assistance projects implemented since 2004:

Table 24.1.A: Technical assistance projects in PP domain since 2004

Technical assistance projects in PP domain since 2004	Implementation Period	Project Value (in EUR Million)
EU Support to the Public Procurement System of BiH - Phase II	2004-2007	1.99
Strengthening the institutional capacity of the Public Procurement Review Body of Bosnia and Herzegovina	2007-2008	0.24
Strengthening the institutional capacity of the Public Procurement Agency of Bosnia and Herzegovina	2008-2009	0.2
Development of an information system for public procurement notices (GO-PROCEDURE)	2009-2011	0.09
Strengthening Public Procurement in BiH	2014-2016	1.37
Strengthening the Public Procurement System in Bosnia and Herzegovina	2019-2021	1.94

The projects focus on establishing a functional PP system in BiH and bringing it in line with the relevant provisions of EU Acquis.

Additional assistance was also provided through a GiZ-funded project “Support to Public Institutions of BiH” which supported the establishment of the E-Public Procurement Portal (E-PP), a database of all relevant information on public procurements at all levels of government in BiH.

Further procurement reform efforts are foreseen by the 2021-2025 PFM Reform Strategy of BiH Institutions. Specific measures have been laid out within Pillar IV of the document and contained under measure IV.5 – Strengthening Public Procurement. The measure is to be implemented through five activities:

- Further align the legal framework with EU legislation,
- Develop and strengthen a system for monitoring public procurement procedures,
- Develop training capacities in the public procurement system,
- Improve legal protection in the public procurement system,
- Ensure further development of e-procurement.

24.1. Procurement monitoring

This dimension assesses the extent to which prudent monitoring and reporting systems are in place within government to ensure value for money and promote fiduciary integrity and in particular concerns the extent of information that is available on contracts awarded. The highest score for this dimension requires that there is a database of records maintained for all contracts including data on what has been procured, the value of procurement, and who has been awarded contracts. The data needs to be accurate and complete for all procurement methods for goods, services, and work.

In the case of BiH, this data is available through the E-Public Procurement Portal which can be easily accessed by the public and is presented in the form of a *contract award notice* which contains all three key required segments of information. Moreover, for all contracts concluded in the 2021 fiscal year a public award notice containing the stipulated information was accurately prepared and published through E-Public Procurement Portal, as verified by the BiH PPA.¹¹² EPP Portal contains the information from all government levels. As per PPL, Article 36 there is no threshold under which specific procurement procedures could be exempt from the obligation of being reported through the EPP Portal. Hence, the score for this dimension is A.

112 Further information is available in Report on the monitoring of public procurement procedures for the year 2021 which can be accessed via the following link:

<https://cms-ajn.azureedge.net/documents/8d9fa42a-fbfe-44f2-97e5-50763455359c.pdf>

24.2 Procurement methods

This dimension analyzes the percentage of the total value of contracts awarded with and without competition. A good procurement system ensures that procurement uses competitive methods, except low-value procurement under an established and appropriate threshold. The highest score requires that 80% or more of the total value of contracts in the last completed fiscal year are awarded through competitive methods.

The total value of contracts awarded through open competitive procedure is provided in the table below:

Table 24.2. A Total value of contracts awarded through open competitive methods in 2021

Government level	Value of contracts in open competition (in BAM)	Project Value (in EUR Million)
Institutions of BiH	125,312,656.17	6.92%
RS	758,293,569.09	41.89%
FBiH	895,302,586.06	49.46%
Brčko Distrikt	31,428,871.57	1.74%
Total for all levels	1,810,337,682.89	100%

Source: Annual report on awarded contracts in public procurement procedures in 2021, PPA, 2021

Hence, for Bosnia and Herzegovina as a whole (i.e., using the procurement data covering all the levels of government) the amount of BAM 1,810,337,682.89 which is stated in the table above represents 64.56%¹¹³ of the total value of contracts awarded in the 2021 fiscal year. Hence the score for this dimension is C.

24.3. Public access to procurement information

This dimension reviews the level of public access to complete, reliable, and timely procurement information. Public dissemination of information on procurement processes and their outcomes are also key elements of transparency. Information should be accessible without restriction, without the requirement to register, and free of charge.

Table 24.3.A Key procurement information to be made available to the public

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Y	The information on the regulatory framework for procurement is available on the website of BiH PPA: https://www.javnenabavke.gov.ba/bs-Latn-BA/legislation
(2) government procurement plans	N	BiH PPA does not publish this information. This is under the purview of each contracting authority per PPL. Even though the government procurement plans are under the purview of each contracting authority there is nothing preventing BiH PPA from presenting this information on either its website or E-PP.
(3) bidding opportunities	N	According to BiH PPA access to the e-auction is possible only for qualified bidders in the specific public procurement procedure.
(4) contract awards (purpose, contractor and value)	Y	As explained under the previous dimension.
(5) data on resolution of procurement complaints	Y	Data on the resolution of procurement complaints for each particular case can be accessed through E-Procurement Portal: https://www.ejn.gov.ba/Resolution/ResolutionSearch
(6) annual procurement statistics	N	Annual procurement statistics are usually provided in the form of Annual report on the monitoring of public procurement procedures. However, the last such report was published for the fiscal year 2019: https://www.javnenabavke.gov.ba/sr-Cyrl-BA/reports

113 The Annual Report can be accessed at: <https://cms-ajn.azureedge.net/documents/8d9fa42a-fbfe-44f2-97e5-50763455359c.pdf>

Moreover, the government stopped publishing annual procurement monitoring reports in 2019 due to the following reasons. The monitoring report for 2020 was not adopted by the Council of Ministers of Bosnia and Herzegovina as the report in its proposal form did not receive the required majority. Moreover, the proposal of the Report on the monitoring of public procurement procedures for 2021 has been sent for adoption, but it has not yet been put on the agenda of the session of the Council of Ministers of BiH. Given that the requirements are met for 3 elements out of possible 6 the score for the present dimension is C.

24.4. Procurement complaints management

This dimension assesses the existence and effectiveness of an independent, administrative complaint resolution mechanism.

In Bosnia and Herzegovina complaints are reviewed by BiH PRB which fulfills the following key criteria for measuring performance under this dimension:

Table 24.4.A: Key criteria for measuring performance of procurement complaints management

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Y	See BiH PPL.
(2) does not charge fees that prohibit access by concerned parties	N	PRB does charge fees. The actual amounts are defined under Article 108 of PPL and can range from BAM500 to BAM10,000 and are tied to the estimated value of the procurement (or if this information is not available as part of the tender documentation are set at a fixed level of BAM2000 per complaint). The fees were instituted in 2014 to discourage unwarranted complaints and could subsequently be reclaimed by the complaining parties if the complaint was found to have merit however the way the relevant provisions were defined in effect seems to have been designed to discourage complaints altogether. In spite of this, the complaints have risen three-fold since 2014 when the new PPL was adopted with complaints reaching record levels in 2020 (3868 cases as compared to 1132 cases registered in 2014) ¹¹⁴ .
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	N	The process is defined under PPL, Articles 107-114 though clarity of these provisions is questionable and may be subject to interpretation. Hence given the lack of clarity of the relevant provisions the answer is No. There are no by-laws or guidelines in place which help clarify and explain the relevant process in a straightforward and user-friendly fashion.
(4) exercises the authority to suspend the procurement process	Y	See for example the latest Procurement Review Board Annual Report for 2021 which on p. 10 and in Table 6 indicates a number of which 1790 resolved cases out of 3782 complaints received all together. It is not clear however how many of these have resulted in the suspension of the procurement process ¹¹⁵ . On the other hand, the fact that there are so many cases that have been rejected on purely administrative grounds is a further indicator of a lack of clarity and transparency in the entire process. Moreover, roughly 1 in 10 of the PRB decisions are successfully challenged in court. The information on the actual value of these cases and hence the extent of their negative impact on the governance system in BiH which could indeed be sizable is not provided in the PRB Annual Report.

114 Procurement Review Board Annual Report for 2021:

https://www.urz.gov.ba/izvjestaji/izvjestaj%20o%20radu/izvjestaj_o_radu_2021.pdf

115 Request for information sent to PRB has not yielded any specific explanation for their "yes" or "no" answers.

(5) issues decisions within the timeframe specified in the rules/ regulations	N	<p>The timeframe for the issuance of decision was only loosely defined under Article 111 of PPL. Namely, deadlines were defined only with respect to the receipt of the complaints submitted through the contracting authority only (as defined under Article 107) and not from the point of submission of the actual complaint to the contracting authority (which could hypothetically delay forwarding of the actual complaint and thus stall the entire process.</p> <p>Once the contracting authority forwards a complaint to PRB then the PPL stipulates deadlines for the issuance of final and binding decision of either 30 days or a maximum of 60 days in the event that the case is deemed to be complex.</p> <p>In the latest version of the law adopted in 2022 article 107 which stipulated that the complaints could only be submitted through the contracting authority was deleted together which presumably means that the complaints from now on can be submitted directly to PRB.</p> <p>The PRB generally processes the cases within the stipulated timeframe of either 30 or 60 days from their receipt from the contracting authority however given that there was a lack of clarity on the timeframe under which the contracting authority could withhold the submitted complaints the answer for this aspect is No.</p>
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Y	<p>These elements are defined under article 111 of PPL and the latest annual report mentioned above.</p>

Inadequate implementation of the Public Procurement Law and inconsistency of the decision-making of the Public Procurement Review Board has been reported as major problems in the PP domain according to the latest [2021 SIGMA Monitoring Report for BiH](#).

The concern is with the treatment and processing of complaints which have been steadily rising since 2014 to the record level of 3868 in 2020. This impacts on the effectiveness of PP system in BiH which has yet to see an effective institutional remedy. Moreover, subsequent decisions of the Public Procurement Board (PRB) are often challenged in BiH courts, an issue which has also been Highlighted in the latest 2021 SIGMA Monitoring Report.

What the report does not state however is the actual value of the procurement decisions which are appealed through the BiH court system which may be significantly higher than the percentage quoted above thereby bringing into question the overall benefit of the entire procurement system which has been implemented in Bosnia and Herzegovina to date.

These findings are further corroborated by the latest BiH SAI Performance Audit Report on Procurement which notes that the identified weaknesses in the public procurement system and especially the aspects which concern the performance of the Public Procurement Review Board, diminish citizens' trust in the work of institutions and undermine value for money for BiH taxpayers.¹¹⁶

The requirements are met for element (1), (4) and (6) hence the score for this dimension is C.

116 BiH Supreme Audit Institution: *Problems and Shortcomings of Institution of Bosnia And Herzegovina in the Public Procurement System*, December 2021. The findings concerning the performance of the PRB are covered on pp. 42-44. The report is available at: <http://www.revizija.gov.ba/Content/DownloadAttachment?Id=028f7eae-3164-4a48-bfe4-7c6e7c5b16cc&langTag=hr>

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. Coverage is CG at time of assessment.

Indicator/Dimension	Score	Brief justification of the score
PI-25. Internal controls on non-salary expenditure (M2)	A	
25.1. Segregation of duties	A	Clear segregation of duties throughout the expenditure process has been established.
25.2. Effectiveness of expenditure commitment controls	A	Controls on the expenditure side are systematically established through the ISFU system.
25.3. Compliance with payment rules and procedures	A	The procedure that exists in practice is respected in all payments. All exceptions have proper authorization and reasonable justification.

The Strategy for Improving PFM in Institutions of BiH 2021-2025 has identified the following needs:

- strengthen commitment controls (review and update procedures for multi-annual commitments; ensure records to enable a review of contractual obligations and monitoring of the implementation thereof - timely access of the BiH MoFT to up-to-date records of contractual obligations).

25.1. Segregation of duties

When entering and approving the obligations of budgetary units, there is a separate person who enters the obligations in the ISFU system and a separate person who approves the obligations in the ISFU system. The Law on the Budget of BiH Institutions¹¹⁷ stipulates that budgetary units are obliged to adopt internal procedures for creating obligations. Internal procedures determine the process, procedures, and responsible persons for logging, entering, and approving the obligations of the budgetary units that are submitted to the BiH Ministry of Finance and Treasury. They also provide for separation of responsibilities in specific processes (i.e., authorization, registration, custody of assets, and reconciliation) whereas audit is the responsibility of internal and external auditors as assessed in PIs 26 and 30 below.

At the request of the budgetary units, the BiH Ministry of Finance and Treasury assigned to each budgetary unit special authorizations for entry and approval, which are systemically regulated through the ISFU system.

In addition, the payment function in the ISFU system is a separate function that is performed separately from the entry and approval of obligations. There is clear internal Instruction on the allocation of officials and the payment procedure through transaction accounts with commercial banks and the BiH Central Bank (Internal instruction), where the segregation of the payment process is visible. Payments are carried out separately in the TSA in the BiH Ministry of Finance and Treasury, which does not have the authority to either enter or approve obligations.

The Annual Consolidated Report on the System of Financial Management and Control in the Institutions of Bosnia and Herzegovina for the Year 2021¹¹⁸ confirms that 92% of institutions use written procedures to ensure the application principles of segregation of duties, i.e., insures that the same person does not perform planning, procurement and contracting activities, accounting records, payments and controls. This includes separation of responsibilities for (a) authorization; (b) registration; (c) custody of assets; and (d) reconciliation or audit.

117 <http://www.sluzbenilist.ba/page/akt/oruyMxUqogztz5k76kjn45ho=>

118 <https://chj.mft.gov.ba/Content/OpenAttachment?id=2d8b2622-e021-4293-bee8-b8e5802fe16b&lang=bs>

Clear segregation of duties throughout the expenditure process has been established. Hence, the score for the present dimension is A.

25.2 Effectiveness of expenditure commitment controls

Controls on the expenditure side are systematically established through the ISFU, i.e., through treasury operations, so that the BiH MoFT has budgetary control of expenditures by organizational codes, economic codes (on synthetic accounts according to the chart of accounts), source of funds classification (according to financing sources) and the project classification (for earmarked funds). The classification is defined by the Rulebook on Accounting with Accounting Policies and Procedures for Budgetary Units of BiH Institutions¹¹⁹.

Commitments entered into ISFU by budget users are automatically controlled against the annual budget as well as the approved monthly operational plans of budgetary units (see PI-21.3) that align with the projected cash flow.

Hence, the score for the present dimension is A.

25.3. Compliance with payment rules and procedures

Based on information from the BiH MoFT, exceptions to payments that did not follow the procedure are almost nonexistent in practice. The Internal instruction provides an exemption for payments only at the request of the budgetary unit and upon approval of the assistant minister if it is an urgent payment, such as a VAT payment, or when it comes to the registration of an institution's car whose registration has expired or will expire in a day or two. These payments are in any case very rare and insignificant in terms of the number of payments and their amount. Payment orders for the first six months of 2022, which refer to the payment of the obligations of the five largest budgetary units, were carried out in accordance with the aforementioned Internal instruction. The documentation was signed by the assistant minister and the minister.

The payment procedure regulated by Internal instruction is respected in all payments, with the exceptions reported by the Treasury at under 0.01 percent at the time of the assessment. All such exceptions have had proper authorization and reasonable justification, also in accordance with the Internal instruction. Hence, the score for the present dimension is A.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit. Coverage is CG at time of assessment for PI-26.1 and 26.2, for the last completed fiscal year, 2021, for PI-26.3, and for PI-26.4, for audit reports that should have been issued in the last three fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-26. Internal audit (M1)	C+	
26.1. Coverage of internal audit	B	Internal audit is operational for central government entities representing 80% of the total budget expenditure and 83% of total budget revenues.
26.2. Nature of audits and standards applied	B	Internal auditors in all internal audit units respect and adhere to the prescribed work methodology, Code of Ethics, and Internal Audit Standards, which are focused on evaluations of the adequacy and effectiveness of internal controls.

119 <https://www.mft.gov.ba/Content/OpenAttachment?id=67fdf496-3128-4c78-a7e4-e1eb7d49e9d7&lang=bs>

26.3. Implementation of internal audits and reporting	A	Annual audit programs exist. 130 regular and follow-up audits out of 142 planned audits in 2021 were realized, or the percentage realization is 92%.
26.4. Response to internal audits	C	Budget users are required by the law to prepare an annual financial report and submit it to the MoFT no later than March 1st of the current year for the past year, together with information on the implementation of the system of internal controls during the year and the activities undertaken to implement the audit recommendations from the previous year. Up to 57% of the recommendations are implemented in 2019, 2020, and 2021.

Central Harmonization Unit (CHU) which is established in accordance with the Law on Internal Audit of BiH Institutions and Stabilization and Association Agreement between the European Communities and their Member States and BiH, has the obligation to establish and develop the system of internal financial control in the institutions of BiH, and as a separate segment of this system is the structure of internal audit in the institutions of BiH. The decision on criteria for establishing internal audit units in BiH institutions is adopted in August 2019, and prescribes that internal audit units will be established in the institutions that fulfill the following criteria:

- Total annual budget greater than 10 million BAM,
- The number of employees in the institution is higher than 200, or that the number of employees is higher than 150 if the institution is organized in such a way that it has more than two regionally established organizational parts,
- The level of completed transactions or collected revenues from activities that, in total, exceed the amount of 15 million BAM,
- The level of risk involved, which represents the probability of an event occurring that may affect the achievement of the organization's goals.

Support for the introduction and development of public internal financial control in Bosnia and Herzegovina was also provided by the European Union through the implementation of technical assistance projects financed from the IPA (Instrument for Pre-Accession Assistance) support funds for Bosnia and Herzegovina.

The PFM Strategy 2021-2025 aims to ensure the quality and application of software solutions to improve internal audit process to meet international standards, fill vacant posts in internal audit units, and to focus internal audit on ensuring added value in high-risk areas.

26.1. Coverage of internal audit

As of the end of 2021, in the 19 institutions of Bosnia and Herzegovina and in 1 public enterprise, the internal audit has been either fully functionally established and staffed or is in the process of being established in accordance with the applicable regulations.

In the following tabular overview, depending on the level of functional and personnel establishment of the internal audit, which is regulated by the Law on Internal Audit in the Institutions of Bosnia and Herzegovina, the Decision on Criteria for the Establishment of Internal Audit Units in the Institutions of Bosnia and Herzegovina, and the Rulebook on the Employment of Internal Auditors in the Institutions of Bosnia and Herzegovina, institutions are classified into three groups, while the fourth part of the table contains data for a public enterprise in which an internal audit has also been established in accordance with the relevant regulations.

Table 26.1.A: Number of BiH institutions with established internal audit unit

Number of institutions in which the internal audit unit is fully functional and staffed in accordance with regulations in the field of internal audit	10
Number of institutions in which the internal audit unit was established in accordance with the regulations but was not fully staffed	6
Number of institutions where internal audit has not been established in accordance with the relevant regulations	3
Public enterprises in which the internal audit unit is fully functional and staffed in accordance with regulations in the field of internal audit	1

Source: Annual Consolidate Report on Internal Audit for 2021

Ten IAUs perform the internal audit function in only one parent institution, and nine IAUs perform the internal audit function for the parent institution and several other BiH institutions, as stipulated by the Decision on Criteria for Establishing IAUs in BiH Institutions and based on the agreement on performing internal audit function. IAUs, which have the full headcount as required by the staffing scheme, cover 66.38% of the budget of BiH institutions. IAUs, which are partially staffed, cover 18.45% of the budget of BiH institutions.

Institutions with the largest budget share are institutions in which, in accordance with the Decision on the criteria for establishing internal audit units in the institutions of BiH, the internal audit unit performs the role of internal audit only in that (parent) institution. The 16 institutions where IAU is established and functional account for 80% of the total budget expenditure and 83% of total budget revenues.

Therefore, the internal audit is fully operational for government entities representing most of the total budgeted expenditures (80%) and most of the budgeted government revenue (83%).

Based on the analysis and supporting evidence, the score for the present dimension is B.

26.2. Nature of audits and standards applied

The function of internal audit in BiH institutions is clearly defined and established by the Law on Internal Audit of BiH Institutions, and in the uniform and harmonized work methodology for internal auditors, which also includes internal audit standards.

The Code of Ethics of Internal Auditors in the Institutions of BiH, the Charter of Internal Audit, the Manual for Internal Audit, the Standards of Internal Audit, and the Agreement on the Performance of the Internal Audit Function define the basic principles and relationships of service providers - internal auditors and managers of internal audit units, and users of internal audit services - institution management.

In order to assess the effectiveness and efficiency of internal audit activities and identify opportunities for its improvement, the Internal Audit Standards mandate the adoption and maintenance of the Internal Audit Quality Assurance and Improvement Program, which, among other things, includes the constant monitoring of the performance of internal audit activities by the head of the internal audit unit, as well as external evaluation by a qualified, independent evaluator or team of evaluators, which is conducted at least once in five years. External evaluation of internal audit can give real results only in internal audit units that are fully staffed, i.e. they have a manager of the internal audit unit and one or more internal auditors. As of 2021, six institutions were understaffed. The Rulebook on the Internal Audit Quality Assurance and Improvement Program was adopted at the end of 2021.

Through the annual reports of the internal audit units of the institutions of BiH and on the basis of constant communication with the internal audit staff, which takes place through meetings, training, issuing opinions and notifications to inquiries, the CHU performs supervision over compliance with the methodology of internal audit work and monitors the performance of units for internal audit of BiH institutions.

According to the data obtained from the annual reports of the internal audit units, in the internal audit units that are fully staffed, an internal quality assessment and supervision of the audit engagement was carried out in the reporting period in full or partially, while in internal audit units that have only one internal auditor, the consistent implementation of prescribed procedures was not possible.

According to the Annual Consolidated Report prepared by the CHU, internal auditors in all internal audit units respected and adhered to the prescribed work methodology, Internal Audit Standards, and Code of Ethics during the audit engagements. Furthermore, the method of internal audit units' organization in the institutions of BiH is based on a decentralized model alongside the principles of "3E" (economy, effectiveness, and efficiency), with clearly defined competencies of the internal audit units regarding the performance of the internal audit function in the Institutions of BiH.

Based on the analysis and supporting evidence, the score for the present dimension is B.

26.3. Implementation of internal audits and reporting

All internal audit units in BiH institutions are required under Art. 15.19. of the Law on Internal Audit of BiH Institutions, to prepare and submit to the BiH MoFT CHU annual internal audit reports. Based on annual reports submitted IAUs, the BiH MoFT CHU prepares an annual consolidated report on internal audit in BiH institutions, which includes basic data on the internal audit system in BiH institutions, data on IAUs and internal auditors, data on audited institutions, data on internal audits performed by the IAU institutions of BiH, data on activities undertaken to implement the conclusions of the BiH Council of Ministers, as well as data on the activities of the BiH MoFT CHU.

The internal audit units submit to the CHU, through annual reports, their work plans approved by the head of the institution, as well as information on all performed internal audits, including information on compliance with regulations during the audit.

All internal audit units, in which SAI BiH conducts audits, noted that they cooperated with the auditors of the SAI BiH, both through the exchange of audit documentation and audit reports, as well as through support for the implementation of given recommendations for the improvement of the PIFC (public internal financial control) system.

The following table provides information on the number of planned internal audits by internal audit units, and the number of realized regular and follow-up audits. The follow-up audits refer to internal audits through which the implementation of recommendations given in earlier reports was monitored.

Table 26.3.A: Number of planned and realized internal audits

Internal Audit Units	Number of planned internal audits	Number of realized regular internal audits	Number of realized follow-up internal audits	Percentage realization
Parliamentary Assembly of BiH	8	4	4	100%
Ministry for Human Rights and Refugees of BiH	7	3	4	100%
Ministry of Foreign Affairs of BiH	9	6	1	78%
Border Police of BiH	7	3	3	86%
State Investigation and Protection Agency of BiH	6	3	3	100%
Intelligence-Security Agency of BiH	4	4		100%
Indirect Tax Authority of BiH	7	4	3	100%
Agency for Identification Documents, Registers and Data Exchange of BiH	7	3	4	100%

Service for Common Affairs of the Institutions of BiH	7	4	2	86%
Court of BiH	1	1		100%
Central Internal Audit Unit of MoFT BiH	21	10	8	86%
Ministry of Defense of BiH	17	8	9	100%
Ministry of Justice of BiH	5	2	3	100%
Ministry of Civil Affairs of BiH	4	2	2	100%
Ministry of Foreign Trade and Economic Relations of BiH	6	3	2	83%
Ministry of Communications and Transport of BiH	6	2	3	83%
Ministry of Security of BiH	6	2	2	67%
Directorate for Coordination of Police Bodies of BiH	4	4		100%
Bosnia and Herzegovina Air Navigation Services Agency	6	3	2	83%
BHRT	4	3	1	100%
TOTAL	142	74	56	92%
		130		

Hence, the score for the present dimension is A.

26.4. Response to internal audits

Budget users are required by the law to prepare an annual financial report and submit it to the MoFT no later than March 1st of the current year for the past year, together with information on the implementation of the system of internal controls during the year and the activities undertaken to implement the audit recommendations from the previous year.

Based on the Annual Consolidated Report for 2021, it can be seen that in 2021, 20 internal audit units performed a total of 133 audits in which 457 recommendations were made, which compared to 2020, when 19 internal audit units prepared 100 reports and gave a total of 302 recommendations, representing an increase in the average number of performed audits per internal audit unit, by 1 audit. From 5.3 audits per internal audit unit, as averaged by internal audit units in 2020, there was a slight increase to 6.6 audits per internal audit unit in 2021. In 2019, 102 internal audits were conducted, and 308 recommendations were issued.

In 2021, 49.5% of given recommendations were implemented, while 22.5% of recommendations were not implemented. Based on the data for the year 2020, more than half of the total recommendations were implemented (169 recommendations out of 302, or 56%), while 39 recommendations were partially implemented, and the deadline for implementation has not yet expired for 32 recommendations. The percentage of unrealized recommendations in 2020 was 20%. Based on the data for 2019, 56.2% of recommendations were implemented, 8% of recommendations were partially implemented, 12% of recommendations were not implemented, and 24% of given recommendations were still in the process of implementation.

In general, the largest number of recommendations made by internal auditors in their reports for 2019, 2020 and 2021 refer to recommendations related to improving the process of financial management and control, public procurement process and realization of contracts based on public procurement, and improvement in high-risk areas specific to the work of institutions.

According to the Audit Report on the Consolidated Budget Execution Report of the BiH Institutions for 2021, the Council of Ministers did not analyze the efficiency of the work of the internal audit units of BiH institutions, in terms of the scope of audit activities that are carried out on an annual level. Furthermore, in 2021, the Council of Ministers did not ensure the conditions for conducting quality control of internal audit work because the Rulebook on the Internal Audit Quality Assurance and Improvement Program in BiH institutions, proposed by the Central Harmonization Unit, was adopted only at the end of 2021.

Based on the analysis and supporting evidence, the score for dimension is C.

PILLAR SIX: Accounting and reporting

This pillar analyzes whether accurate and reliable records are maintained and whether the information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Overall performance: key strengths and weaknesses

Timely bank account reconciliation is facilitated by comprehensive coverage of the TSA. Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way.

ISFU is used to produce in-year budget reports that provide a consolidated picture of all revenues and expenditures and progress against the approved budget. The Law on Financing of BiH Institutions establishes a modified accrual basis as a basis for recording budget revenues and expenditures of BiH institutions. The modified accrual basis implies accounting records of income in the period when they become available and measurable, and expenses at the time of the commitment. Budget execution reports are prepared quarterly within 8 weeks of the end of each quarter, but published several months after. Coverage and classification of reports allow direct comparison to the original budget. The IPSAS standards have not yet been officially adopted and there are no adequate accounting policies at the level of BiH institutions, which can cause the same accounting issue to be treated differently in different institutions.

Financial reports for the budgetary central government which contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations supported by reconciled cash flow statement are prepared annually and are comparable with the approved budget. Financial reports for the budgetary central government are usually submitted for external audit within 6 months of the end of the fiscal year, with the exception of 2021 when financial reports were submitted against the deadline prescribed by the law. The standards used in preparing annual financial reports are not disclosed.

Since the accounting and reporting in the Institutions of BiH are supported by a number of information systems, which are not fully integrated, the PFM strategy 2021-2025 aims to enable further integration of the PFM IT systems to minimize the possibility of errors and delays in the preparation of reports. Furthermore, the PFM Strategy envisages the implementation of IPSAS accounting standards by 2025.

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. Coverage is CG for PI-27.1 and BCG for PI-27.2, 27.3 and 27.4. Time period is at time of assessment for all four dimensions, specifically covering the preceding fiscal year (2021) for PI-27.1, 27.2 and 27.3.

Indicator/Dimension	Score	Brief justification of the score
PI-27. Financial data integrity (M2)	A	
27.1. Bank account reconciliation	A	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.
27.2. Suspense accounts	N/A	There are no suspense accounts in use.
27.3. Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared in a timely way.
27.4. Financial data integrity processes	B	Access and changes to records are restricted and recorded and results in an audit trail.

Key PFM processes are supported by a number of information systems:

- Financial Management Information System (ISFU) for recording income, expenses, assets, and transactions
- Centralized Payroll Information System (COIP)
- Budget Planning and Management Information System (BPMIS)
- Information system for public investment management and monitoring of donor activities (PIMIS) with modules for public investment projects and medium-term planning of BiH institutions
- Information system for recording and monitoring of concluded international agreements (SOFI)
- Other management and accounting information systems in individual institutions of BiH.

Incomplete integration of the IT systems currently in use requires manual transmission and processing of data, and increases the possibility of errors and delays in the preparation of reports.

A higher degree of integration of these IT systems would enable the introduction and implementation of systematic controls in the budget planning processes, transaction records, and budget execution reporting. This would facilitate monitoring and decision-making in order to ensure fiscal discipline, strategic allocation of resources, and operational efficiency of the use of public funds. Therefore, the PFM strategy 2021-2025 aims to enable further integration of the PFM IT systems.

27.1. Bank account reconciliation

Consolidation is carried out daily, after the delivery of bank statements in electronic format and loading into the ISFU system, which is defined by technical memoranda with commercial banks. Part of the accounts in the Central Bank of Bosnia and Herzegovina (these accounts are not used for payments) are recorded with manual entries and their processing (mainly foreign currency accounts) is done in a period of 5-7 days. At the end of the year, IOS (balance of assets and liabilities) must be exchanged with all commercial banks, and sometimes for the purposes of external audits of banks and other internal audits, the above data is exchanged at shorter intervals.

The Ministry maintains auxiliary books for all accounts that are part of the TSA, in which changes in balance are visible on a daily basis. The bank statements are also reconciled with the balance in the Treasury's General Ledger. If there is any discrepancy between the data received from the bank and the books maintained by the Ministry, they are immediately investigated (internally/with the bank) and resolved without any delay (very often by the end of the day).

Bank account reconciliation is conducted daily, with every change in the account, and usually at most within a week from the end of each week. Hence, the score for the present dimension is A.

27.2 Suspense accounts

There are no suspense accounts at the level of Institutions BiH.

Hence, the score for the present dimension is N/A.

27.3. Advance accounts

It should be emphasized that the MoFT does not have separate advance accounts in the single treasury account system, but that the payment of advance invoices is made as well as the regular payments of budget users from the transaction accounts of commercial banks. Advance invoices are defined by the respective Contracts concluded between budget users and suppliers (usually for larger capital expenditures and up to 20% of the stipulated contract). They are recorded on the advance accounts that are regulated by the Rulebook on Accounting and are closed by budget users when the appropriate conditions are met or when temporary or final situations from the respective individual contracts are issued.

There are also advances for travel orders, and their reconciliation is done in accordance with the Decision on the amount of per diems for official travel in the institutions of BiH, which prescribes both the method and the deadline for justifying the expenses of business trips. As it was confirmed by the Sector for

Treasury MoFT BiH, reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. The amount of advance payments at the end of 2021 was BAM 305,031 (0.03% of the budget) which are cleared by the end of January 2022. All advance accounts are cleared in a timely way and there were no reported audit findings suggesting otherwise.

Hence, the score for the present dimension is A.

27.4. Financial data integrity processes

The integrity of financial data is ensured by restricting access to the ISFU system, and only persons with assigned access data can enter data and make changes, where the trace of those changes is visible and linked directly to the person making the changes (audit trail). There is no team that monitors data entry and changes. There are documented procedures that regulate access to the ISFU system and data entry and changes. Hence, the score for the present dimension is B.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy, and timeliness of the information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. Coverage is BCG for the last completed fiscal year, 2021.

Indicator/Dimension	Score	Brief justification of the score
PI-28. In-year budget reports (M1)	D+	
28.1. Coverage and comparability of reports	A	The in-year reports include a budget execution report, which includes revenues and expenditures, information on debt servicing, and debt stock, as well as the balance sheet. The data in the report is prepared in the same format as the annual budget - that is, by economic and administrative classifications. Coverage and classification of data allow direct comparison to the original budget. Information includes all items of budget estimates. There are no de-concentrated units at the level of Institutions BiH.
28.2. Timing of in-year budget reports	D	Budget execution reports are prepared quarterly within 60 days after the end of the quarter but published several months after (for 1st, 2nd, 3rd, and 4th quarter of 2021, reports were published in June 2021, July 2022, July 2022, and August 2022, respectively).
28.3. Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. The report issued for the end of the second quarter contains the analysis of trends and issues and it is useful for analysis of budget execution. Information on expenditure is covered at the commitment stage.

The MoFT is responsible for ensuring the functioning of the system for the adoption and application of accounting procedures, preparation of reports on the execution of the IBiH budget, reporting by budget beneficiaries, and management of the Single Treasury Account and the Treasury General Ledger system. Reports on the execution of the Institutions of BiH budget are prepared in accordance with the Rulebook on Financial Reporting for BiH Institutions, while accounting records in the Treasury General Ledger are made in accordance with the Rulebook on Accounting with accounting policies and procedures for beneficiaries of the Budget of BiH institutions.

The PFM strategy 2021-2025 aims to improve financial reporting by ensuring consistent application of prescribed classifications throughout the budget cycle.

28.1. Coverage and comparability of reports

In-year budget execution reports are prepared in accordance with the relevant provisions of the Law on Financing of BiH Institutions (Article 22), the Rulebook on Financial Reporting, and the relevant instructions issued to budget users by the BiH MoFT. Reports are prepared by the MoFT after the end of each quarter – that is, for the first three, six, and nine months of the financial year – and they are submitted to the Council of Ministers for consideration and adoption within 60 days after the end of the quarter.

The reports prepared by the MoFT during the year include a report on the execution of the budget, which includes revenues and expenditures, information on debt servicing, and debt stock, as well as the balance sheet. The data in the report is prepared in the same format as the annual budget - that is, by economic and administrative classifications. Coverage and classification of data allow direct comparison to the original budget. Information includes all items of budget estimates. Hence, the score for the present dimension is A.

28.2. Timing of in-year budget reports

In-year budget reports can be produced on a daily basis in the treasury ISFU system, to which budget users have direct access. Full quarterly reports are produced for submission to the Council of Ministers within 60 days after the end of each quarter. In-year consolidated reports on the budget execution of the institutions of BiH and the international obligations of BiH for 2021 were prepared within 60 days after the end of the quarter, but dates of publication were as follows:

First quarter – publication date 24th June 2021

Second quarter – publication date 3rd July 2022

Third quarter – publication date 4th July 2022

Fourth quarter – publication date 4th August 2022.

Hence, the score for the present dimension is D.

28.3. Accuracy of in-year budget reports

Based on the data available for assessment, the in-year reports appear to be complete and comprehensive. The report issued for the end of the second quarter contains analysis of trends and issues. IPSAS standards have not yet been officially adopted and there are no adequate accounting policies at the level of BiH institutions, which can cause the same accounting issue to be treated differently in different institutions. These are not disclosed in the actual in-year reports but has been noted by the external auditors. Information on expenditure is covered at both commitment and payment stages. Hence, the score for the present dimension is C.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. Coverage is BCG for the last completed fiscal year (2021) for PI-29.1, the last annual financial report submitted for audit for PI-29.2, and the last three years' financial report for PI-29.3 (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-29. Annual financial reports (M1)	D+	
29.1. Completeness of annual financial reports	A	Financial reports for the budgetary central government are prepared annually and are comparable with the originally approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement.
29.2. Submission of reports for external audit	C	Financial reports for the budgetary central government for 2021 were submitted for external audit within 9 months of the end of the fiscal year, on August 17th, 2022.
29.3. Accounting standards	D	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports, however, are not disclosed.

The Law on Financing of BiH Institutions establishes a modified accrual basis as a basis for recording budget revenues and expenditures of BiH institutions. By adopting and applying international public sector accounting standards whose translation, publication, and monitoring under the Law on Accounting and Auditing of BiH is the responsibility of the BiH Commission for Accounting and Auditing, the conditions for harmonized coverage and processing of accounting data and comparison of financial statements for the public sector in BiH will be met.

The PFM Strategy 2021-2025 aims to prepare a roadmap and preparatory activities to implement the International Public Sector Accounting Standards (IPSAS), prepare relevant standards for consolidated fiscal reporting, and develop and strengthen the accounting profession in BiH institutions.

29.1. Completeness of annual financial reports

Annual reports for 2021 are comprehensive for institutions at the level of Bosnia and Herzegovina and include information on revenues, expenditures, financial and non-financial assets, liabilities (and long-term liabilities), guarantees, as well as reconciled cash flow. All the reported information is provided in the same format as the originally approved budget.

Table 29.1.A: Financial reports of the Institutions of BiH

Financial report	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Annual budget execution report	August 17, 2022	Y	Y	Y	Y

Financial statements also include detailed information on foreign debt servicing, which provides detailed data on the funds provided for foreign debt servicing, as well as data on realized payments, with a comparison of execution in relation to the budget repayment plan, as well as the state of foreign debt of Bosnia and Herzegovina at the end of the reporting period.

Hence, the score for the present dimension is A.

29.2. Submission of reports for external audit

The Consolidated report on the budget execution of the institutions of BiH and international obligations of BiH for the year 2021 was submitted to the Supreme Audit Institution of BiH on August 17, 2022, against the legal deadline which is June 30, 2022. One of the reasons for the delay is that the budget for BiH institutions for 2021 was not adopted. For 2019 and 2020, the Consolidated report on the budget execution was submitted to the SAI within the deadlines prescribed by the law. Hence, the score for the present dimension is C.

29.3. Accounting standards

Annual financial reports are prepared in accordance with the Rulebook on Accounting and the Rulebook on Financial Reporting for BiH Institutions. The Law on Accounting and Auditing of BiH, which was adopted back in 2004, defined that until the publication of international accounting standards for governments and other legal entities from the public sector, budgets, budget users, and extra-budgetary funds in BiH will apply the valid regulations of the institutions of BiH, entity and District on accounting and financial reporting. The aforementioned international accounting standards for the public sector have not been adopted even in 2021. By adopting and applying international accounting standards for the public sector, the implementation, publication, and monitoring of which, in accordance with the Law on Accounting and Auditing of BiH, is entrusted to the Commission for Accounting and Auditing of BiH, the conditions for compliance and processing of accounting data of the public sector would be met, as well as the possibility comparing financial reports for the public sector in Bosnia and Herzegovina.

According to the Audit report of the Consolidated Budget Execution Report of the institutions of BiH and the international obligations of BiH for 2021, there has been a long-standing slowness in the implementation of activities on the adoption of international accounting standards for the public sector - IPSAS. The standards used in preparing annual financial reports are not disclosed. Hence, the score for the present dimension is D.

PILLAR SEVEN: External scrutiny and audit

Public finances are independently reviewed and there is an external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance: key strengths and weaknesses

External audit and scrutiny in the Institutions of BiH are conducted by the SAI BiH and the Parliamentary Assembly of BiH. The SAI BiH performs financial, compliance, and performance audits. In line with the legislation, the SAI BiH audits 74 institutions and the Consolidated budget execution report of the IBiH each year. Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAs during the last three completed fiscal years. The audits have highlighted relevant material issues and systemic and control risks.

The SAI BiH performs audits diligently and submits the audit reports to the Parliamentary Finance and Budget Committee within three months after receiving the financial statements from audit subjects. A system for follow-up of audit recommendations by the auditees is foreseen in the legislation but most of the given recommendations have been repeated for several years, and are the result of the lack of management responsibility of the institutions for their non-implementation, the absence of systemic solutions, the lack of appropriate law and by-law procedures; and additional restrictions due to non-adoption or delays in the adoption of the budget of BiH institutions.

Through the analysis of the given recommendations and their implementation over several years, it can be concluded that mostly the recommendations are implemented in cases where the action of the single institution to which it was given is needed.

The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. However, SAI BiH does not have a foundation in the Constitution. The SAI has unrestricted and timely access to records, documentation, and information.

The PFM strategy 2021-2025 envisages the introduction of new audit methodologies aligned with international standards, constitutional positioning of the SAI BiH, development of an audit management information system, development and implementation of SAI's communication strategy, and strengthening the systematic monitoring of issued recommendations and audit reports.

PI-30. External audit

This indicator examines the characteristics of external audit. Coverage is CG for the last three completed fiscal years for PI-30.1, 30.2, 30.3 (2019, 2020, and 2021) and at time of assessment for PI-30.4.

Indicator/Dimension	Score	Brief justification of the score
PI-30. External audit (M1)	C+	
30.1. Audit coverage and standards	A	Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAs during 2019, 2020, and 2021. The audits have highlighted relevant material issues and systemic and control risks.
30.2. Submission of audit reports to the legislature	A	Audit reports were submitted to the legislature within three months from receipt of the financial reports by the Supreme Audit Institution for 2019, 2020 and 2021.

30.3. External audit follow-up	C	A formal response was made by the executive or the audited entity on audits for which follow-up was expected, during 2019, 2020, and 2021. Most of the given recommendations have been repeated over the assessed period (2019-2021), and are the result of the lack of management responsibility of the institutions for their non-implementation, the absence of systemic solutions, the lack of appropriate law and by-law procedures; and additional restrictions due to non-adoption or delays in the adoption of the budget of BiH institutions.
30.4. Supreme Audit Institution independence	A	The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation, and information.

The SAI BiH is required by the law to conduct a financial audit of budget beneficiaries (74 institutions in total). The Supreme Audit Office BiH is legally required to apply and adhere to the standards of the International Organization of Supreme Audit Institutions (INTOSAI) - the so-called ISSAI framework which, since 2019, has been transformed into INTOSAI Professional Pronouncements Framework (IFPP).

The PFM strategy 2021-2025 aims to develop a strategic development plan for the Audit Office of the Institutions of BiH 2021 – 2025, maintain compliance of current and introduce new audit methodologies in line with the requirements of international standards, advocate for the constitutional positioning of the Audit Office of the Institutions of BiH in accordance with INTOSAI regulations, develop and implement an information system to manage the audit process, and build capacity for specific audit areas.

30.1. Audit coverage and standards

All audit reports prepared by SAI BiH for 2019, 2020, and 2021 (financial audit and performance audit), with the exception of the audit report of the Intelligence-Security Agency of BiH, which is not public and is prepared by the special committee in the Parliamentary Assembly of BiH, and submitted through the special procedure, can be found on the website of the SAI BiH. In 2021, the SAI BiH audited 74 institutions that are financed from the budget of the Institutions of BiH. Annual reports for 2021, as described in 29.1.A are comprehensive for Institutions BiH and include information on revenues, expenditures, financial and non-financial assets, liabilities (and long-term liabilities), guarantees, as well as reconciled cash flow, and as such, were subject to external audit by SAI BiH.

The SAI's financial audit work methodology is based on the Financial Audit Guide, which describes the audit procedures. The methodology of the financial audit chronologically shows the procedures and actions in all stages of the audit, starting with the regulations related to the acceptance of the engagement, the planning of the audit, and the execution of the audit and reporting on the performed audits, as well as the disposal of documentation. All procedures are aligned with the International Standards of Supreme Audit Institutions (ISSAI). Given that these standards are continuously updated, the audit methodology is also subject to changes and represents a "living matter" that is constantly supplemented and refined. Starting with the audit cycle for 2016, the Financial Audit Guide and a new methodology are applied, the approach to the audit is based on risk and reliance on the auditee's internal controls. Thus, the audit work focuses on significant risks and key issues, which contributes to a smaller volume of necessary detailed testing in the event that the internal controls of the subject of the audit function well. Also, a once-documented audit process, according to this approach, enables the use of the same documents that are updated in the next audit cycle, which makes the audit process more efficient and saves audit resources.

The financial audit methodology was changed for the audit cycle for 2018 when, in accordance with the then-amended reporting standards, chapters on "key audit issues" were included in the financial audit reports for audit subjects that have the largest share in the budget of BiH institutions, which contributes to a better understanding financial audit reports. Namely, the key audit issues are those issues which, according to the auditor's professional assessment, are of the greatest importance in the audit of the financial statements of the current period, and these issues are focused on in the context of the audit of the financial statements as a whole and when forming an opinion. In 2021, activities were carried out to improve the IT audit methodology and the IT audit manual. The basis of the performance audit methodology consists of ISSAI performance audit standards, Performance Audit Guide, and Quality Assurance Guide in Performance Audit. The SAI, according to existing standards and guides, intends to continue to develop specific procedures for each important stage of performance review.

The quality of the financial audit is ensured through mandatory steps in the audit process, which are supported by the financial audit methodology. These steps cover the different stages in the audit process (planning, execution, and reporting). Internal work instructions and checklists have been prepared for each stage of the audit. The quality control system consists of quality control and quality control monitoring. Quality control during the financial audit process is performed at the level of the audit team for each audit and in all stages of the audit. Quality control includes policies and procedures that, at the time of the audit, ensure that the audit process is carried out in accordance with audit standards, rules, and procedures.

The absence of appropriate software for managing audit activities that provide the possibility of electronic approval of documents, download of subsequent documents after approval, and visible traces of corrections significantly complicate this first level of quality control. As a temporary solution, until the establishment of software for monitoring the audit process (Audit Management System - AMS), the Department for Development, Methodology, and Quality Control has prescribed electronic monitoring of the audit process through the audit folder in the existing Windows program with appropriate permissions to access these folders. In connection with the establishment of the audit management system (AMS), activities aimed at its implementation continued and the preparation of the project task for the implementation of AMS within the IPA II program started.

Quality monitoring is performed through an independent internal review (hot review) and quality assurance (cold review). A hot review is a control that is carried out during the audit and, accordingly, enables corrections to be made in the audit activities immediately during the audit cycle or before the audit reports become final. During 2021, all draft financial audit reports for 2020 were subject to independent internal review by those not involved in the audit process. This control gave additional value to the audit reports, considering the corrections made in the text of the report regarding the findings and recommendations of the audit, and the compliance of the report itself with the adopted report model. A cold review is a control that is carried out after an audit has been completed and implies an independent assessment of quality control procedures and an independent internal review in order to improve the entire audit process. This quality control is performed by a person, or a team, who did not participate in either the audit process that is the subject of the review or the independent internal review.

In 2021, in accordance with ISSAI standards, the office carried out an almost complete rotation of audit staff with the aim of reducing the risk of getting closer to the organization being audited, as well as the risk of endangering the auditor's professional skepticism due to long-term engagement with the same entity. The rotation takes place after 3 to 5 years of involvement in the audit of an institution.

The following table shows the audit opinions for the period 2019-2021:

Table 30.1.A: Audit coverage

Audit Opinion	Number of budget beneficiaries		
	2019	2020	2021
Unqualified opinion	21	22	21
Unqualified opinion with emphasis of matter	44	43	44
Qualified opinion	2	0	0
Qualified opinion with emphasis of matter	7	8	8
Adverse opinion	0	0	0
Disclaimer opinion	1	1	1
TOTAL:	75	74	74

Source: <http://www.revizija.gov.ba/Content/Read/skraceni-izvjestaji>

Hence, the score for the present dimension is A.

30.2. Submission of audit reports to the legislature

Every year, the SAI is obliged to submit to the Parliament of BiH an audit report on the Consolidated budget execution report of the Institutions of Bosnia and Herzegovina and the international obligations of Bosnia and Herzegovina for the previous year, within 90 days after receiving the annual report on the Budget execution.

The following table shows the dates of receipt of annual reports on budget execution and the dates of submission of audited reports to the Parliament of BiH:

Table 30.2.A: Timing of audit reports submission to the legislature

Fiscal years	Dates of receipt of the financial reports by the audit office	Dates of submission of the financial audit reports to the legislature
2019	June 29, 2020	September 28, 2020
2020	June 11, 2021	September 9, 2021
2021	August 17, 2022	November 15, 2022

The Ministry of Finance and Treasury of BiH submits annual reports on budget execution to the SAI by the end of June in accordance with the Law on the Budget, and the SAI reports to the Parliament by the end of September each year. The deadlines were met, except in the case of 2021, for which the budget was not adopted, financing was carried out on the basis of temporary financing decisions during 2021, and the delivery of the Consolidated Budget execution report of the institutions of BiH for 2021 was also delayed, therefore the audit report is submitted to the BiH Parliament on 15th November 2022.

Hence, the score for the present dimension is A.

30.3. External audit follow-up

Audited institutions are obliged to send a response to the SAI and the Ministry of Finance and Treasury of BiH within 60 days of receiving the audit report, which states the actions taken by that institution to overcome the weaknesses, irregularities, and violations identified in the audit report. In the financial audit report for each individual institution, the SAI states whether the institution submitted this response in relation to the financial audit report for the previous year.

In relation to the audit reports for 2019, out of 74 audited institutions, three of them did not submit a response stating the actions taken by that institution to overcome the weaknesses, irregularities, and violations identified in the audit report, while the reports for nine institutions did not contain recommendations, so they were not obliged to submit answers in accordance with Article 16 of the Law on the Audit of BiH Institutions. As far as the report for 2020 is concerned, in the reports on the performed financial audit,

out of 73 audited institutions, four institutions had no recommendations, and therefore no obligation to submit responses, four institutions did not submit responses, and of the remaining 65 institutions that submitted responses, 13 of them submitted them outside the deadline or not in the prescribed manner. As far as the audit for 2021 is concerned, the analysis of the implementation of recommendations and responses has not yet been performed (the audit cycle for 2022 has just begun, at the time of writing the PEFA report).

Through the analysis of the given recommendations and their implementation over assessed period (2019, 2020, and 2021), it can be concluded that mostly the recommendations are implemented in cases where the action of the single institution to which it was given is needed. For recommendations that are common to a number of institutions, certain activities are undertaken, but they have not yet been implemented to the extent that they can be evaluated as implemented. These are mainly recommendations that depend not only on the subjects of the audit but also on the other relevant institutions. In addition, with larger budget users, business processes are more diverse and complex, and often the implementation of recommendations depends on several entities and requires the adoption of systemic solutions from higher levels of government. The largest number of recommendations refer to the auditor's findings in the audit reports, for which a qualified opinion with emphasis of matter is given, and they refer to: inefficiency in the process of harmonizing the rulebook on the internal organization of BiH institutions with the decisions of the Council of Ministers of BiH; an insufficiently transparent recruitment process by engaging persons on a certain period of time without the implementation of the competition procedure with interruptions or without interruption of the employment contract and the hiring of persons on the basis of the work contract for systematized workplaces; weaknesses and shortcomings in the application of the Law on Public Procurement; weaknesses in the control system of the collection of receivables; weaknesses in carrying out the census assets and liabilities; insufficiently efficient and effective implementation of long term capital projects, unresolved status of state property; weaknesses in the functioning of the IT system, etc.

Most of the given recommendations have been repeated over the assessed period (2019-2021), and are the result of the lack of management responsibility of the institutions for their non-implementation, the absence of systemic solutions, the lack of appropriate law and by-law procedures; and additional restrictions due to non-adoption or delays in the adoption of the budget of BiH institutions. The implementation of the SAI's recommendations increases financial discipline and responsibility in the disposal of the funds available to the institutions of BiH.

Based on the analysis and supporting evidence, the score for the present dimension is C.

30.4. Supreme Audit Institution independence

Table 30.4.A: Elements of SAI independence

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1.The SAI operates independently from the executive with respect to:		
- procedures for the appointment and removal of the head of the SAI	Y	The Law regulates the appointment and removal of the AG and DAG. Both positions are appointed by the Parliament after implementing a clearly defined application and selection procedure and are appointed for a term of seven years without the possibility of re-appointment. The appointment procedure is carried out through the parliamentary selection committee.
- the planning of audit engagements	Y	SAI can decide on their work programs without external interference.
- arrangements for publicizing reports	Y	SAI has appropriate legal rights and obligations to report on their work and to make their reports public.

- the approval and execution of the SAI's budget.	Y	Laws satisfactorily enable the financial independence of the audit office. Also, when it comes to changes to the budget during the year, and the execution of payments to the audit office, the MoFT has a role in this and can potentially reject requests.
2. This independence is assured by law.	Y	Supreme audit institutions in BiH do not have a foundation in the Constitution. Although the independence of the Auditor General and Deputy Auditor General does not have a constitutional foundation, the laws provide a satisfactory level of independence protection for the AG and DAG.
3. The SAI has unrestricted and timely access to records, documentation, and information for all audited entities:	Y	SAI has appropriate statutory powers to access the documents, information, and premises and this is respected in practice.

Hence, the score for the present dimension is A.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. Coverage is CG for the last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-31. Legislative scrutiny of audit reports (M2)	C+	
31.1. Timing of audit report scrutiny	C	Scrutiny of audit reports on annual financial reports for 2019, 2020, and 2021 has been completed by the legislature within two, eleven, and four months from receipt of the reports, respectively.
31.2. Hearings on audit findings	A	In-depth hearings on key findings of audit reports that received qualified or adverse opinion take place regularly with responsible officers of the audited subjects that received qualified or adverse audit opinion or disclaimer and with the SAI representatives.
31.3. Recommendations on audit by legislature	C	The legislature issues recommendations on actions to be implemented by the executive. Budget users are required to report to Parliament on the actions they take to implement the recommendations. Feedback indicates, however, that the degree of recommendations implementation is limited.
31.4. Transparency of legislative scrutiny of audit reports	C	The Committee sessions are attended by the Auditor General, the Deputy Auditor General, the audit team leaders, representatives of the institutions, and media representatives. The meeting minutes and reports of the Committee are available on the website of the Parliament of BiH.

The PFM Strategy 2021-2025 aims to develop and implement a communication strategy in the Audit Office of the Institutions of BiH, strengthen systematic monitoring of compliance with recommendations as issued and audit reports, and improve cooperation with stakeholders in order to implement audit recommendations.

31.1. Timing of audit report scrutiny

The Law on the Audit of BiH Institutions (Article 16) prescribes the dates for submission and adoption of the audit report of the SAI BiH for BiH institutions. The audit reports of the Institutions of BiH and the Audit report of the Consolidated Budget Execution Report are submitted for audit review to the Finance and Budget Committee of the House of Representatives and to the Finance and Budget Committee of the House of Peoples.

The following table contains information on the dates of submission and adoption of the Audit report of the Consolidated Budget Execution Report of BiH institutions for the period 2019-2021.

Table 31.1.A: Actual dates of audit report submission and adoption by the BiH Parliament

The fiscal year covered by the report	Date of Audit Report Submission	Date of Audit Report Adoption by the Parliamentary Assembly of BiH		Number of months to complete scrutiny
		House of Representatives	House of Peoples	
2019	September 28, 2020	October 14, 2020	November 24, 2020	Under 2 months
2020	September 9, 2021	April 27, 2022	August 29, 2022	Under 11 months
2021	November 15, 2022	January 31, 2023	March 28, 2023	Under 4 months

Sources: Website of Parliamentary Assembly of BiH

Hence, the score for the present dimension is C.

31.2 Hearings on audit findings

The Finance and Budget Committees classifies audit reports into two groups:

- First group: audit reports with unqualified opinion and unqualified opinion with emphasis of the matter. These are exempt from the Committee procedure until the last session devoted to the consideration of audit reports, where the Committee's opinions on these reports will be adopted.
- Second group: audit reports with qualified opinion, qualified opinion with emphasis of the matter, and adverse opinion. These are considered by the Committee during the public hearings which are attended by the representatives of the subjects of the audit that received qualified opinion or qualified opinion with emphasis of the matter, or adverse opinion.

Table 31.2.A: Number of budget users that attended public hearings

The year covered by the report	Total number of budget users	Unqualified opinion	Qualified opinion	Adverse opinion	Budget users that attended public hearings
2019	74	65	9	0	9
2020	73	65	8	0	0
2021	73	65	8	0	0

Sources: Website of Parliamentary Assembly of BiH

In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities that received qualified or adverse audit opinion or disclaimer.

Hence, the score for the present dimension is A.

31.3. Recommendations on audit by legislature

Audit reports include the recommendations of the Supreme Auditor on the actions to be taken by the government and responsible institutions. The Parliamentary Assembly of BiH usually adopts these reports without amendments.

In 2020, the Committee delivered a letter to the institutions whose audit reports were classified into the second group. The letter contained questions related to institutions explaining the reasons for repeating unrealized audit recommendations and the reasons for partial implementation of financial audit recommendations for the year 2018, for each institution to separately assess whether it needs the development of a multi-year program to eliminate certain deficiencies and problems that were constantly or occasionally repeated in the annual audit reports and that the institutions state any systemic measures that can help solve the problems stated in the audit reports on their financial operations. As a result, all nine institutions from the second group submitted the required information to the Committee. Budget users are required to report to Parliament on the actions they take to implement the recommendations. Feedback indicates, however, that the degree of recommendations implementation is limited.

Monitoring of the implementation of financial audit recommendations for the previous year takes place on an annual basis and is published in the institution's financial audit report (chapter implementation of recommendations), while performance audit recommendations are monitored after a certain period of time has passed since the publication of the report.

In the Annual Report on the Main Audit Findings and Recommendations for 2021, it is stated that the Parliamentary Assembly of Bosnia and Herzegovina should, depending on the competencies of the institutions of Bosnia and Herzegovina, insist on the implementation of the SAI's recommendations, which would raise to a higher level the institutions' seriousness and responsibility in undertaking measures to implement the audit recommendations.

Hence, the score for the present dimension is C.

31.4. Transparency of legislative scrutiny of audit reports

The Committee sessions are attended by the Auditor General, the Deputy Auditor General, the audit team leaders, representatives of the institutions, and media representatives. The meeting minutes and reports of the Committee are available on the website of the Parliament of BiH.

Hence, the score for the present dimension is C.

2.A.3. Effectiveness of the internal control framework

The internal financial control system in the public sector (PIFC) in BiH is composed of the following basic elements: financial management and internal control (FMC), functionally independent internal audit (IA), Central Unit for harmonization and coordination of financial management and control system and methodologies of internal audit (CHU).

On the annual level, the Institutions of BiH conduct self-assessment survey on the state of financial management and control in their respective organizations. The summary of survey findings based on COSO framework, and FMC reports are presented below.

Control Environment

According to the data from the self-assessment survey of the institutions of Bosnia and Herzegovina, 65.94% of the answers are positive to questions in the field of ethics and integrity. 40 institutions have clearly defined rules (internal acts) regarding potential conflicts of interest and how to proceed. Regarding the competencies, a framework for the competencies of civil servants was introduced, which should ensure that employees possess the knowledge and skills necessary to fulfill work tasks. However, competencies are not subject to the annual assessment, so it is not possible to confirm how well the civil servants satisfied the work tasks in terms of possessing and implementing the required competencies. In addition, the annual assessment does not include the issues of delegation of responsibility and the degree or quality of the fulfillment of delegated tasks. Sixty-seven institutions have established the tasks of the person/working group appointed for financial management and control by an internal act, and of these, in 63 institutions, the appointed persons have been assigned the responsibility of regularly reporting to the

head of the institution on the situation in the field of financial management. In practice, most controls in public finance management processes are carried out by financial departments.

CHU MoFT BiH adopts the Training Program in the field of financial management and control in BiH institutions every year. Professional development plans for employees are prepared by 59 institutions, and records of attendance at training are kept by 57 institutions. Still, not all institutions refer their employees to training in areas that are crucial for the improvement of internal controls.

Risk Assessment

A countrywide management information system for risk management, internal control, and monitoring and reporting of the financial management and control activities is in place (PIFC application) and needs to be used for risk assessment, risk mitigation, and internal audit. The testing of the PIFC application was completed in 2021. An insight into the PIFC application was carried out and it was determined that in the course of 2021: 44 institutions completed the Business Process Map in the PIFC application, 35 institutions completed the Risk Register in the application, 6 institutions partially formed the Business Process Map, 4 institutions partially formed the Risk Register, 71 institutions prepared an annual report on the FMC system for 2021. However, risk management is not yet seen as a management activity and remains not incorporated in the decision-making cycle. Measures, i.e. a risk management plan, were adopted in 48 institutions and were implemented in only 39 institutions. One of the recommendations of the Consolidated FMC Report for 2021 is that it is necessary to perform an analysis of the causes of the risk and an assessment of the risk according to the probability of occurrence and impact. The potential of the internal audit function is not sufficiently used to provide information on high risks and recommendations for mitigating them. Recommendations of CHU MoFT BiH, SAI BiH, and the conclusions of the BiH Council of Ministers are numerous and are not fully and timely implemented by the BiH institutions.

Control Activities

During 2021, only 44 institutions updated their internal procedures as a result of response/measures to some of the identified risks. Mechanisms for monitoring the application of internal procedures have been established at 57 institutions in BiH.

Even though the principle of segregation of duties is applied in 68 institutions, it has not yet been established and applied in accordance with the requirements of the Standards of Internal Control in the Institutions of BiH. Application of the principle of segregation of duties is not ensured even through internal procedures. Segregation of duties in IT systems is only ensured at 29 institutions.

Key processes in public finance management are supported by a large number of separate information systems, which are not mutually integrated, and this imposes the need for manual data transfer and processing, increasing the possibility of errors and delays in the preparation of reports. The missing links between the existing IT systems for budget preparation and execution do not allow for monitoring of program execution.

Information and communication

More than 50% of institutions believe that the existing information systems (ISFU, PIMS, BPMS, COIP) meet their reporting needs, although the same data is often manually entered into different information systems. This takes a lot of time and increases the possibility of error.

Monitoring

Continuous monitoring is a process carried out by all employees of the institution, performing the activities and processes for which they are in charge. Another type of monitoring is self-assessment, which is carried out through the preparation of annual reports on the FMC system and their submission to the CHU MoFT BiH. The third type of monitoring is an internal audit.

The current system of monitoring and reporting on financial management and control (FMC) and internal audit (IA) does not link the collected data presented in annual consolidated reports with findings on specific deficiencies of the internal control system from third-party reports (e.g. audits) that can relate both to

individual users and to systemic weaknesses that are characteristic of a large number of institutions and which are related to key processes in the field of management and control. Although they deal with closely related issues, the Council of Ministers of BiH currently considers the consolidated annual report on FMC and the consolidated annual report on IA as two separate documents. The SAI BiH concluded that an efficient system of the FMC has not yet been established in accordance with the Law on Financing of Institutions of BiH and the by-laws adopted by the CHU MFoT BiH.

2.A.4. Impact of PFM performance on budgetary and fiscal outcomes

Aggregate fiscal discipline

Aggregate fiscal discipline aims to align the levels of revenue and expenditures without creating significant fiscal deficits which could jeopardize fiscal sustainability and manage spending within the available fiscal space.

Aggregate expenditure and revenue outturn does not deviate significantly from the approved budget. Fiscal discipline is affected by the comprehensiveness of budget documentation, which is relatively good for BiH institutions with room for improvement. However, public availability of fiscal information is limited in terms of timeliness of information. Overall, the budget classification is satisfactory, the budget documentation is comprehensive and enables budget decisions, transactions, and performance of service delivery;

The extent to which asset and liability management contributes to fiscal discipline varies at the BiH level. There is no adequate monitoring, reporting of fiscal risks, especially in the area of public corporations, which can undermine fiscal discipline. There is no efficient and effective management of public investment resources. On the other hand, the management of public assets and debt follows the principles of good practice and has positive bearing on fiscal discipline.

Fiscal strategy and policy-based budgeting influence fiscal discipline through macroeconomic and fiscal forecasting, fiscal strategy, and medium-term perspective in expenditure budgeting. Macroeconomic and fiscal forecasts are relatively robust for the BiH level, and on the basis of this, a fiscal strategy is prepared that supports aggregate fiscal discipline. However, there is room for improvement, especially in the area of legislative scrutinization, reporting on fiscal results, and program budgeting. The integrity of the budgeting process is hindered by significant deviations from the budget calendar. On the other hand, forward estimates that are used to anchor the preparation of the budget ceiling for the following years through MTEF works to benefit aggregate fiscal discipline.

Predictability and control in the budget execution contribute to fiscal discipline through administration, accounting, expenditure arrears, and control of expenditure and payroll. Accounting of revenues is performed efficiently through TSA. There are no expenditure arrears, which is a significant positive influence of fiscal discipline. Effective expenditure control has been established, while internal control related to payroll control lacks support of adequate procedural framework. The integrity of financial data is relatively sound for BiH institutions, while the availability of comprehensive annual financial reports and regular in-year reporting is at a basic level.

Strategic allocation of resources

Allocating resources in line with strategic priorities contributes to maximizing the impact of public spending for an efficient public sector and economic growth.

The reliability of the budget contributes to the strategic allocation of resources, through reliable revenue forecasting, whereby the revenue outturn does not deviate significantly from the approved budget.

The predictability of in-year resource allocation is relatively good at the BiH level, which enables consistence in implementation of priorities set forth by the budget. Simultaneously, efficient payroll control does not allow for ad hoc increase in payroll costs or salary arrears. Frequent political disputes, however, deteriorate the integrity of the budget process preventing efficient controls by the legislature. Allocation of resources in the budgetary process is ideally performance driven. However, both program budgeting and strategic

planning are in the early stages of development which takes this important input for efficient resource allocation out of the picture. Plans are prepared and published for the majority of budgetary units, but the reporting of performance and results achieved is suboptimal.

Public investment management framework is underdeveloped. Specifically, the lack of clear and consistently applied project prioritization and selection criteria undermines support for the government's goals of economic development. On the other hand, recording and reporting of the incurred debt follows the best practice and positively affects the ability to strategically allocate resources.

Macroeconomic and fiscal forecasts, including fiscal strategy and medium-term budgeting, remain at basic development level and do not contribute sufficiently as prerequisites that enable the BiH Council of Ministers to plan budget allocations in accordance with priorities. Legislative scrutiny is also weak, which further impedes the BiH Council of Ministers' accountability for its decisions on budget policies.

There is a reliable external audit at the BiH level. Efficient and effective external audit and legislative scrutiny are also prerequisites for the government's accountability for allocating resources in accordance with the approved budget.

Efficient service delivery

The manner in which the funds for service delivery are prioritized, budgeted, spent and evaluated, is a key success factor for efficiency of the public services which the government provides to citizens and society.

No significant deviation of the expenditures from the planned budget were observed, which enables efficient provision of envisaged services. However, weaknesses identified in the transparency of fiscal information and reporting on the performance of service delivery units undermine the ability of monitoring the efficiency of service delivery. This pertains mostly to the underdevelopment of performance measurement framework and weak public investment prioritization mechanisms.

Revenue administration including risk management procedures add to the efficiency of service delivery at the level of BiH institutions. Mechanisms put through the TSA enable efficient and comprehensive information on revenue collection, their transfer and reconciliation. In-year resource allocation scheme entailing consolidation of balances and cash management provide for smooth implementation of the budget. Also, internal audit structures in place fulfill their mandate by providing assurance that systems are functioning to achieve objectives efficiently and effectively.

On the downside, there is significant room for development of the procurement system especially in the areas of complaint management and transparency. Also, while integrity of fiscal data is sound, reporting frequency is not optimal while timeliness of submission of annual financial reports of BiH Institutions for external audit impairs efficiency of the service delivery process through frequent delays and failure to provide consistent information that feeds back into the budget preparation process. The Supreme Audit Institution responsible for the external audit of BiH Institutions is found to be strong, well established and sufficiently independent to act professionally and to keep the government accountable for allocating public funds in accordance with the approved budget.

2.B. ANALYSIS OF PFM PERFORMANCE – Federation of BiH



Bosnia and Herzegovina

Federation of BiH

Public Expenditure and Financial Accountability (PEFA)

November 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat

November 30, 2023

2.B.1. Structure of the public sector

Central government sector is made up of the budgetary central government, social security funds, and extrabudgetary units. The budgetary central government of Federation BiH comprises of 67 budgetary units. In addition, the central government includes two social security funds, the FBIH Institute of Health Insurance and Reinsurance and the FBIH Institute for Employment. The FBIH Pension and Disability Fund is included in the budget since 2020. There are 7 extrabudgetary entities (regulatory and other agencies), plus a number of entities legally organized as public corporations.

Sub-national levels of government include cantonal level (10 cantons) and local self-governments (which include 22 cities and 58 municipalities). Sub-national governments are autonomous in the execution of their budgets, and they are financed from their own revenue, portions of central level revenues which are by legislation assigned to the local level, and transfers from the central level. Each canton has its ministries, extrabudgetary units, social security funds, and public corporations. Cantons are responsible for the provision of most of the main public services, including health protection, education, culture, and social protection. The broader public sector includes public corporations but there is no register/list of public companies in the FBIH. Therefore, the number of public companies is unknown.

Table 2.B.1.1: Structure of the public sector (number of entities and financial turn-over)

Year	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
2021	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Federation level	67	7	2	33	3
Cantonal level	There are ten cantons, and each canton has its budgetary units, extrabudgetary units, social security funds, and public corporations.				
Municipal level	There are 80 local governments (cities and municipalities) that have their public corporations.				

There are seven extrabudgetary units at the FBIH level, namely , Public Company FBIH Roads, Public Company FBIH Motorways, FBIH Environmental Protection Fund, FBIH Agency for Water Areas, FBIH Tourist Associations, FBIH Trade Chambers, Fund for Professional Rehabilitation and Training of Persons with Disabilities. Two EBUs on this list are legally incorporated as public corporations (Highways and Roadways) but are considered EBUs in terms of their financing (in line with CBBiH and IMF classification of entities). Two social security funds on the FBIH level are the FBIH Institute of Health Insurance and Reinsurance and the FBIH Institute for Employment (both extra-budgetary funds).

Table 2.B.1.2: Financial structure of central government – actual expenditure (in BAM)

Year	Central government			
2021	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated
Revenue	4,583,546,129	376,035,433	213,579,586	5,173,161,159
Expenditure	4,012,423,809	not available	not available	4,012,423,809
Transfers to (-) and from (+) other units of general government	(348,189,261) 3,183,265	not available	not available	(348,189,261) 3,183,265
Liabilities	7,041,415,302	not available	not available	7,041,415,302
Financial assets	926,993,056	not available	not available	926,993,056
Nonfinancial assets	1,167,783,750	not available	not available	1,167,783,750

Since the Consolidated budget execution reports present the spending by functional classification, it was noted that the largest participation in the total realized expenditures refers to allocations for social contributions and general public services.

Table 1.B: Overview of the scores of the PEFA indicators - FBiH

PFM performance indicator		Scoring method	PI scores				Overall score
			i.	ii.	iii.	iv.	
I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	C	B	A		C+
PI-3	Revenue outturn	M2	B	A			B+
II. Transparency of public finances							
PI-4	Budget classification	M1	D				D
PI-5	Budget documentation	M1	C				C
PI-6	Central government operations outside financial reports	M2	D*	D	D*		D
PI-7	Transfers to subnational governments	M2	B	D			C
PI-8	Performance information for service delivery	M2	C	D	C	D	D+
PI-9	Public access to fiscal information	M1	D*				D
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D*	C	D		D+
PI-11	Public investment management	M2	C	C	D	D	D+
PI-12	Public asset management	M2	C	C	D		D+
PI-13	Debt management	M2	B	A	B		B+
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	C		C
PI-15	Fiscal strategy	M2	D*	B	D		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	A	A	D	D	C+
PI-17	Budget preparation process	M2	B	A	D		B
PI-18	Legislative scrutiny of budgets	M1	C	D	C	B	D
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	B	D*	D*	D*	D+
PI-20	Accounting for revenue	M1	A	A	C		C+
PI-21	Predictability of in-year resource allocation	M2	A	B	C	A	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	D*	D*	D*	A	D+
PI-24	Procurement management	M2	NA	NA	NA	NA	NA
PI-25	Internal controls on non-salary expenditure	M2	B	B	B		B
PI-26	Internal audit	M1	B	B	B	C	C+
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	A	N/A	A	B	A
PI-28	In-year budget reports	M1	A	C	C		C+
PI-29	Annual financial reports	M1	A	A	D		D+
VII. External scrutiny and audit							
PI-30	External audit	M1	A	C	C	A	C+
PI-31	Legislative scrutiny of audit reports	M2	D	B	D	C	D+

2.B.2. Assessment by pillar, indicator and dimension

PILLAR ONE: Budget reliability

This pillar analyzes whether the government budget is realistic and implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance: key strengths and weaknesses

With the inclusion of the Pension Insurance Fund in the scope of the budgetary central government, both budget revenues and expenditures almost doubled in 2020 compared to 2019. Another reason for the budget increase in 2020 compared to 2019 is a threefold increase in planned debt.

Overall evidence suggests that the aggregate budget is generally reliable, given that the deviation between the adopted budget and the budget execution was 7% in 2019, 5% in 2020, and 10% in 2021. The variance of expenditure composition by function remained below 15% in 2019 and 2021 but exceeded 15% in 2020 as a result of COVID. The variance of the expenditure composition by economic type was relatively low, under 10% in 2019 and 2020 and a bit over 10% in 2021. Expenditures from contingency reserves were low, on average at 1.26% of the original budget.

The largest part of the budgetary central government revenues in the FBiH budget is from the pension contributions collected by the FBiH Tax Administration and indirect taxes collected by the Indirect Tax Authority. Indirect taxes are forecasted by the Macroeconomic Analysis Unit (MAU), which is part of the Governing Board of the Indirect Tax Authority, taking into account macroeconomic forecasts prepared by the Directorate for Economic Planning. Social security contributions, income taxes, and other revenues are forecasted by the FBiH Ministry of Finance. Aggregate revenues show relatively little variation. In 2019, the variation was minimal. In 2020, actual revenues were lower than budgeted by 8%, higher than expected due to COVID. In 2021, actual revenues were higher than budgeted by 12% mainly due to conservative forecasting of indirect taxes by the MAU and lower debt repayment, but also due to a more favorable economic situation. Regarding the variance by the composition of revenues, it was low, below 5% in 2019 and 2021, while the higher figure in 2020 due to COVID still remained under 10%.

Given the onset of the COVID-19 pandemic at the end of the first quarter of 2020, almost all activities of the FBiH Government, MoF, and budget beneficiaries were aimed at the emergency response to the pandemic. The Government declared a state of natural disaster was declared, adopted the Law on Mitigation of Negative Economic Consequences was declared (including a number of revenue measures to protect the economy), and revised the 2020 budget accordingly.

Plans are in place to establish program budgeting. It is also planned to improve planning to enable the linkage of sectoral strategies and medium-term financial planning. Another planned reform is related to an improved legal framework for public revenue.

PI-1. Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports for the last three fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	Total expenditures were 93.5% and 104.6% of the originally approved budget in 2019 and 2020, respectively, which means the total expenditure outturn did not deviate by more than 10% in at least two of the three observed years.

FBiH central government spending consists mainly of salaries and allowances (5%), employer's contributions (0.5%), expenditures for materials and services (2%), current transfers and other current expenditures (73%), interest expenditures (2%), capital expenditures (0.30-0.75%), capital transfers (1.5-2%), financial asset expenditures (up to 1%), and debt repayment expenditures (15%). Expenses for debt repayment were excluded from total expenses, and the accrual accounting basis was used to show total expenses. The largest allocations of current transfers and other current expenditures (which are the largest expenditure category) refer to regular monthly transfers: payment of pensions, health insurance contributions at the expense of pensions, payment of benefits for physical disability, funeral expenses, civilian victims of war, military disability benefits, transfer for the implementation of the Law on the Rights of Demobilized Veterans - monetary subsistence allowance, transfer for the implementation of the Law on special rights of recipients of war awards, civil disability benefits. Furthermore, it includes transfers to other levels of government, transfers for healthcare, transfers to non-profit organizations, subsidies to public companies, subsidies to private companies and entrepreneurs, current transfers abroad, and other current expenditures.¹²⁰

1.1 Aggregate expenditure outturn

Total expenditures were 93.5% and 104.6% of the originally approved budget in 2019 and 2020, respectively, which means the total expenditure outturn did not deviate by more than 10% in at least two of the three observed years. From 2020, the Pension and Disability Insurance Fund is an integral part of the FBiH Budget. Consequently, there is an almost double increase in the Budget on the expenditure and revenue side compared to 2019. Another reason for the Budget increase is the threefold increase in planned debt in 2020.

Table 1.1.B Total budget and actual expenditure

	2019	2020	2021
Budget	1,683	3,997	4,477
Actual	1,574	4,180	4,012
% Deviation	93.5%	104.6%	89.6%

Source: *Adopted Budgets and Budget Execution Reports for 2019, 2020, and 2021.*

Based on the analysis and supporting evidence, the score for the present dimension is B.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Coverage is BCG for the last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-2. Expenditure composition outturn (M1)	C+	
2.1 Expenditure composition outturn by function	C	Variance in expenditure composition by administrative classification was less than 15% in at least two of the last three years, 9.1% and 14% in 2019 and 2021, respectively.
2.2 Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years, 6.8% and 8.5% in 2019 and 2020, respectively.

¹²⁰ The data analyzed excludes the spending of cantons (which are responsible for providing the majority of public services, including health care, education, culture, and social care) and local self-government units.

2.3 Expenditure from contingency reserves	A	Expenditure from the contingency reserve was 1% in 2019, 2.7% in 2020, and 0.1% in 2021, therefore the average amount of expenditure from the contingency reserve for the assessed period 2019-2021 was 1.26%.
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The budget of the Government of FBiH is prepared and adopted on the basis of organizational/administrative and economic classification. The functional classification is presented only in the Consolidated Budget Execution Report.

The FBiH PFM strategy 2021-2025 aims to establish program budgeting and improve planning in order to better link sectoral strategies with medium-term financial planning. Furthermore, a special priority is the inclusion of extra-budgetary funds and road directorates in the relevant budgets in the FBiH.

Also, modification of the fiscal rules in the process of budget adoption and execution and the implementation thereof at all levels of government is one of the activities to be implemented as envisaged by the PFM Strategy.

2.1. Expenditure composition outturn by function

The differences between the originally adopted budget and the budget execution at the end of the year are determined according to the organizational/administrative expenditure structure. The total number of divisions (i.e., "budget heads") in the FBiH Government Budget is 42, and for the 20 largest divisions (which account for 96% of the total budget), the difference is shown individually, while for the remaining 22 divisions, the difference is shown against the total sum of the originally adopted budget and the sum of budget execution.

Table 2.1.B: Variance in expenditure composition by administrative structure

	2019		2020		2021	
	Actual realization	Variance	Actual realization	Variance	Actual realization	Variance
Central government FBiH	1,461	132	3,979	707	3,930	549
Variance as % of total		9.1%		17.8%		14%

Source: *Adopted Budgets and Budget Execution Reports for 2019, 2020, and 2021.*

In addition to significant differences between the originally adopted and the executed budget, significant reallocations of spending took place, especially in 2020 and 2021. The largest variance in the execution of expenditures by organizational/administrative classification is in 2020, as a result of the COVID-19 pandemic, which resulted in a significant redistribution of budget items and transfer payments in accordance with the Law on Mitigating the Negative Economic Consequences Caused by the COVID-19 Virus. Based on the analysis and supporting evidence, the score for the present dimension is C.

2.2. Expenditure composition outturn by economic type

The variance in the structure of expenditure execution by economic classification was less than 10% for at least two of the three assessed years. In 2019, 2020, and 2021, the variance was 6.8%, 8.5%, and 11.9%, respectively. Hence, the score for this dimension is B.

2.3. Expenditure from contingency reserves

The budget contingency reserve is planned in the amount of BAM 5,155,000 for each year in the period 2019-2021 (0.1% of the total budget). The budget reserve is used for urgent and unforeseen budget spending that occurs during the budget execution phase. In line with the accounting rules, the budget reserve is planned as a single sum on a separate budget line (since the planned reserve is general, there is no specific type of spending to which it is dedicated in the budget plan), while the budget execution reports show spending in multiple budget lines in accordance with the purpose of spending (e.g., social

transfers). Consolidated budget execution reports provide a detailed overview of the use of the budget reserve. During 2020, funds in the amount of 109.4 million BAM were approved from the FBiH Budget as a result of the COVID-19 pandemic.

Expenditure from the contingency reserve was 1% in 2019, 2.7% in 2020, and 0.1% in 2021, therefore the average amount of expenditure from the contingency reserve for the assessed period 2019-2021 was 1.26%. Based on the analysis and supporting evidence, the score for this dimension is A.

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and the end-of-year outturn. Coverage is BCG for the last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-3. Revenue outturn (M2)	B+	
3.1 Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years, 100% and 111% in 2019 and 2021, respectively.
3.2 Revenue composition outturn	A	Variance in revenue composition was 4% in 2019 and 2021.

The revenues of the FBiH Budget consist of tax revenues (income taxes and indirect taxes) which account for 35% of the total revenues, non-tax revenues (a wide range of administrative, judicial, special fees and charges, fines, and other revenues, which are defined by general and special legal regulations, which account for up to 10% of the total revenues), current transfers and donations (less than 1%), and starting from 2020, contributions for pension and disability insurance (45% of the total revenues). FBiH MoF, Sector for Tax Policy, Public Revenues and Games of Chance is charged with forecasting direct taxes, non-tax revenue and grants under the legislation at the FBiH level (including revenues of the FBiH and its lower government levels).

The PFM Strategy for FBiH 2021-2025 aims to improve the legal framework for public revenue through harmonization of the regulations on taxation of property possession and sale in the FBiH, harmonization of legislation on games of chance with international regulations, improvement of tax administration regulations, and improvement of the system for revenue distribution in the FBiH.

The Law on the Assignment of Public Revenue was adopted in 2006. The FBiH Government recognized a need to conduct a comprehensive analysis of the situation within the FBiH with a view to understanding the current revenues, spending, and the legal framework for allocating competencies within the FBiH. The analysis is expected to provide proposals for allocation models that would better meet the needs within the FBiH.

3.1. Aggregate revenue outturn

The integration of the Pension and Disability Insurance Fund in the FBiH Budget was implemented in 2020. Furthermore, the emergence of the COVID-19 pandemic influenced the adoption of a number of measures, among others, the budget rebalancing that would enable the implementation of the anti-corona law, i.e. subsidizing contributions for mandatory insurance, establishing a guarantee fund, supporting the health system and a number of other activities that were undertaken in 2020, all with the aim of suppressing negative pandemic consequences on the economy.

Compared to 2019, the aggregate revenue outturn, receipts, and funding increased by 109% in 2020, as a result of the integration of the Pension and Disability Insurance Fund into the Budget, resulting in BAM 2,022.5 million collections of contributions for pension and disability insurance, which accounts for 42.69% of the aggregate revenue, receipts, and financing. Also, in addition to the integration of the Pension

and Disability Insurance Fund, the debt in 2020 significantly raised compared to 2019 (from BAM 214,780 to BAM 672,071).

The following table shows the actual revenues compared to the planned revenues, with revenue realization ranging from 94% to 112% in the assessed period.

Table 3.1.A: Aggregate revenue outturn (in million BAM)

	2019	2020	2021
Budget	2,023	4,254	4,105
Actual	2,030	3,905	4,583
% Deviation	100%	92%	111%

Source: *Adopted Budgets and Budget Execution Reports for 2019, 2020, and 2021.*

Based on the analysis and supporting evidence, the score for this dimension is B.

3.2. Revenue composition outturn

The variance in the FBiH budget revenue structure was 4% in 2019, 7.6% in 2020, and 4% in 2021.

Table 3.2.B: Revenue composition variance

	2019	2020	2021
BCG revenue composition variance	4%	7.6%	4%

Source: *Adopted Budgets and Budget Execution Reports for 2019, 2020, and 2021.*

On the other side, revenues from corporate income tax and indirect taxes in 2020 were realized in a significantly smaller amount compared to the previous year, as a result of the situation caused by the COVID-19 pandemic.

Comparing the aggregate revenue outturn at the end of the fiscal year 2021 with the planned revenue for 2021, the revenue from indirect taxes was higher by 12%. This is explained as a result of conservative planning of total VAT revenues by the MAU in October 2020 and the lower realization of public debt repayment compared to what was planned in the Budget for 2021 (9% lower realization of debt repayments).

Furthermore, corporate income tax revenue was realized by 2% less compared to the budget for 2021. The aforementioned result was generated by significantly reduced payments by banks and other financial institutions, which in the "pandemic" year offered affected persons the possibility of a moratorium on loan repayments, but due to the influence of extraordinary collections realized in December 2021, the total execution still reached the closest amount of planned income.

The total revenue realization from contributions for pension and disability insurance in 2021 was 9% higher compared to the planned revenue for 2021 due to a much more favorable realization of macroeconomic indicators related to the labor market compared to the official forecasts used. During 2021, the labor market in the Federation of BiH recorded a much faster growth in the number of employees, compared to the assumed, and due to the lack of qualified labor in certain industries, a continuous increase in wages was also recorded during the year. In addition, extraordinary collections contributed to the higher realization of these revenues, as a result of the application of the Law on the Amount of Default Interest on Public Revenues in the Federation of Bosnia and Herzegovina, which enabled the write-off of default interest on previously settled debts.

Therefore, based on the analysis and supporting evidence, the score for the present dimension is A.

PILLAR TWO: Transparency of public finances

This pillar analyzes whether the information on public financial management is comprehensive, consistent, and accessible to users what should be achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.

Overall performance: key strengths and weaknesses

The used budget classifications are mainly administrative and economic, and to some extent functional, which is at a satisfactory level. Administrative and economic classifications are used in the budget and outturn, while the functional (COFOG) is used in outturn only even though it is prescribed by the FBiH reporting rules.. Improvement of financial reporting is planned through the reform strategy.

Budget documents are comprehensive as per PEFA criteria, but it is still missing the data on financial assets, implications of new policies, and tax expenditures.

Regarding transfers to lower levels of government, they were rule-based, but the information on transfers was not timely.

Performance information on service delivery is weak. Program budgeting is at an early stage of implementation and there is a lack of orientation towards strategic goals and policies. Provisions on program budgeting are included in the FBiH Budget Law in 2022. Also, further improvements are planned with the support of the EU. Performance plans are published annually for the majority of budgetary users. However, the reporting of results is weak, as is their evaluation.

Public access to fiscal information is difficult to assess, not in terms of availability, but rather in terms of the unavailability of information when documents are published. Regarding budget coverage, it is also difficult to assess because not sufficient data have been provided, but extra-budgetary revenues are at least 13% of total FBiH budget revenues in 2021. Besides the extra-budgetary units, donor-funded projects remain off the budget. Plans are in place to include social security funds in the budget and improve the records on donor-funded projects.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. Coverage is BCG for the last completed fiscal year, 2021.

Indicator/Dimension	Score	Brief justification of the score
PI-4. Budget classification	D	
4.1. Budget classification	D	Functional classification (COFOG) is recognized and required by reporting rules at Federation BiH, but in practice, only budget execution (outturn) is presented in functional classification.

The FBiH Government presents its budget showing the economic breakdown of the expenditure of each administrative unit. Functional classification (COFOG) is recognized and required by reporting rules at Federation BiH, but in practice, only budget execution (outturn) is presented in functional classification.

The government maintains a treasury system through which all transactions are recorded, and which provides for consistent reporting by administrative and economic classifications. FBiH MoF in cooperation with IMF started working on a comparative overview of the Analytical Chart of Accounts for the FBiH Government budget in GFS 2014 classifications/ESA 2010 classifications. So far, a comparative review is made for class 6-Expenditure, 7-Revenue and 8-Capital transaction.

According to the Federation BiH Strategy for Improving Public Finance Management, 2021-2025, in order to improve financial reporting, it is necessary to identify problems in the reporting process, chart of accounts, and data coverage. This activity should be completed by 2025.

4.1. Budget classification

According to government counterparts, FBiH had changed its accounting rules to be better aligned with GFS 2014. But given that FBiH MoF consolidates data from the lower levels of government (cantons and municipalities), where data reported by lower government levels are not fully aligned to GFS, this partially reflects difficulties in adapting their accounting systems to meet the full requirements of the new adopted accounting standards.

Current reporting templates in FBiH already require functional reporting from all government levels in FBiH in line with COFOG, but in practice, this is the case only at the FBiH government, for outturn presentation. The approximation of total spending of each budget user (head) is assigned to functional classification – one function that best describes its responsibilities of main functional categories is done for the purposes of preparing FBiH Medium term expenditure frameworks (MTEFs). In addition, lower levels of government have a broad approximation, with possible errors. Hence, the score for the present dimension is D.

PI-5. Budget documentation

Indicator/Dimension	Score	Brief justification of the score
PI-5. Budget documentation	C	
5.1. Budget documentation	C	6 of the 12 applicable elements are met.

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation to the legislature for scrutiny and approval asking whether 12 specific pieces of information are presented alongside the government's detailed proposals for revenue and expenditure in FY 2022. Coverage is BCG for the last budget submitted to the legislature.

Table 5.1.A: Budget documentation elements

Basic elements	Included	Evidence used/Comments
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	A forecast of fiscal deficit or surplus is recognized and presented in budget documents but without much detail about the reasons for having a surplus or the causes behind a deficit. http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15 The 2022 Budget Proposal contains an explanation that presents a forecast of deficit financing (carry-forward from previous years).
2. Previous year's budget outturn, presented in the same format as the budget proposals.	Y	The previous year's budget outturn is presented in the same format as the budget proposal document. http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
3. Current fiscal year's budget presented in the same format as the budget proposals	Y	The current fiscal year's budget is presented in the same format as a budget proposal document. http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15

4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	N	The 2022 budget, which is available on the FBIH MoF website, shows the current fiscal year's budget for 2022 and the previous year 2021 in line with the main heads of the administrative classification. Under each head, the proposal provides estimates of expenditure by economic classification only. http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
Additional elements	Included	Description
5. Deficit financing, describing its anticipated composition.	N	The budget proposal does not identify how the deficit is to be financed.
6. The macroeconomic assumptions, including at least aggregate GDP growth, inflation, and the exchange rate.	Y	MTEFs, which contain a section on macroeconomic assumptions are submitted regularly to the FBIH Parliament. In addition, the budget proposal for 2022 contained a Budget explanation document that has a macroeconomic chapter including a discussion on GDP growth.
7. Debt stock, including details at least for the current year	Y	Apart from MTEFs that contain information on debt stock, the Budget proposal for 2022 contained a detailed explanation of debt stock for the current year as well as medium-term projections.
8. Financial assets, including details at least for the beginning of the current year	N	There is scant information available.
9. Summary information on fiscal risks including contingent liabilities	N	This information is part of MTEF 2022-2025 delivered to the legislation without going into much detail.
10. Explanation of budget implications of new policy initiatives and major new public investments	N	The 2022 budget documents contain some explanations of new public investment projects but without regard to the potential effects of new government policy initiatives.
11. Documentation of the medium-term fiscal forecasts	Y	MTEF 2022-2025 as an initial budget document contains a medium-term forecast of both revenues and expenditures.
12. Quantification of tax expenditures	N	No information could be found.

Source: Ministry of Finance FBIH

The requirements are met for all 3 basic elements . Hence, the score for the present dimension is C.

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside FBiH central government financial reports. Coverage is CG for the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-6. Central government operations outside financial reports (M2)	D	
6.1.Expenditure outside financial reports	D*	No sufficient information to assess.
6.2.Revenue outside financial reports	D	Revenue outside government financial reports is at least 13%.
6.3.Financial reports of extrabudgetary units	D*	No sufficient information to assess.

Social security funds and public companies that are financed from public revenues as well as those for which the government issues guarantees, have the obligation to report within the prescribed deadlines to the FBiH MoF in accordance with the Rulebook on financial reporting and annual budget calculation in FBiH.

The FBiH MoF receives reports from all EBUs and consolidates information on revenue collection. The total amount of actual revenues outside the FBiH budgetary financial report in 2021 is 589,615,019 BAM¹²¹. The total FBiH BCG actual revenues in 2021 are 4,583,546,129 BAM (as presented in PI-3).

Regarding expenditure, the MoF has not provided sufficient information for the assessment, while they are presumed to exist.

Besides, development and investment projects funded by donors are usually not included in the budget and are identified in special purpose accounts that are not part of the TSA.

Table 6.1.B: Revenues and expenditures outside the government's financial reports

Entity	Type of revenue outside FBiH BCG financial reports	Estimated amount of revenue reported outside FBiH BCG financial reports in 2021 ¹²²	Type of expenditure reported outside FBiH BCG financial reports in 2021	Estimated amount of expenditure reported outside FBiH BCG financial reports in 2021	Evidence and reporting
Extrabudgetary Units¹²³					
FBiH Institute of Health Insurance and Reinsurance	Social security contribution for health	BAM 159,075,095	No sufficient information	No sufficient information	FBiH Institute of Health Insurance and Reinsurance is a social security fund that is a legal entity financed from mandatory contributions.
FBiH Institute for Employment	Social security contributions for unemployment	BAM 54,504,491	No sufficient information	No sufficient information	FBiH Institute for Employment is an extra-budgetary fund that is a legal entity financed from mandatory contributions.

121 http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf

122 The assessment team used the data published on the website of the FBiH Ministry of Finance: http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf.

123 http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf

Public Company FBiH Roads	-revenues from indirect taxes -road fee	BAM 100,076,192	BAM 141,729,584 ¹²⁴	No sufficient information	
Public Company FBiH Motorways	-revenues from indirect taxes -fee for using motorways	BAM 211,914,928	BAM 562,526,466 ¹²⁵	No sufficient information	
FBiH Environmental Protection Fund	fee for environmental protection -water fees	BAM 16,430,074	No sufficient information	No sufficient information	
FBiH Agencies for Water Areas	-water fees	BAM 21,532,652	No sufficient information	No sufficient information	
FBiH Tourist Associations	tourist fee -membership fees to tourist associations	BAM 83,719	No sufficient information	No sufficient information	
FBiH Trade Chambers	-membership fees to trade chambers	BAM 1,130	No sufficient information	No sufficient information	
Fund for Professional Rehabilitation and Training of Persons with Disabilities	-nontax revenues -transfers and grants from other levels of government	BAM 25,996,738	No sufficient information	No sufficient information	
Donor funded projects	No sufficient information	No sufficient information	No sufficient information	No sufficient information	
TOTAL without donor funded projects		BAM 589,615,019			

Source: http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf

The PFM Strategy in FBiH 2021-2025 has identified the following needs :

- include social security funds at the FBiH level into the FBiH budget
- work on managing donor-funded projects and how to record and disclose the details of such projects in the FBiH.

6.1. Expenditure outside financial reports

There is insufficient information available to assess this dimension. There is no centralized point of information for expenditures of extrabudgetary units, and establishing the one was beyond the scope (impractical collection of information). Hence, the score for the present dimension is D*.

6.2. Revenue outside financial reports

Based on the analysis and supporting evidence, the score for the present dimension is D. Revenue outside FBiH Consolidated report on budget execution is at least 13%.

124 MF FBiH

125 MF FBiH

6.3. Financial reports of extrabudgetary units

EBUs, that are obliged to report to FBiH MoF in accordance with the Rulebook on financial reporting and annual budget calculation in FBiH, submit financial reports by the 5th of March of the current year for the previous years. The FBiH MoF claims that they fulfilled the deadline. However, there is no information about other extra-budgetary units (other than social security funds and public companies). Hence, the score for the present dimension is D*.

Table 6.2.B: Financial reports of some extrabudgetary units that were audited by the Supreme Audit for 2021

Name of extrabudgetary unit ¹²⁶	Date of annual financial report completed	Date of annual financial report received by CG	Content of annual financial report (Y/N):			Expenditure as a percentage of total EBU expenditure (estimated)
			Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
FBiH Institute of Health Insurance and Reinsurance	No info	No info	Y	Y	Y	No info
FBiH Institute for Employment	No info	No info	Y	Y	Y	No info
Public Company FBiH Roads	No info	No info	Y	Y	N	No info
FBiH Agencies for Water Areas	No info	No info	Y	Y	Y	No info

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. This covers CG and the subnational governments with direct financial relationships with CG for the last completed fiscal year 2021.

Indicator/Dimension	Score	Brief justification of the score
PI-7. Transfers to subnational governments (M2)	C	
7.1. System for allocating transfers	B	All current and capital transfers are allocated by a transparent rule-based system, while the most are budgeted in a transparent and rule-based system.
7.2. Timeliness of information on transfers	D	Subnational governments receive information about transfers during the current year, and not when preparing their own budgets.

The aggregate amounts for transfers to lower levels of government are planned in the MTEF. In the annual budget, the transfers are again presented in aggregate by economic classification. The details of criteria for allocation are available only based on the decisions made in the course of the fiscal year. However, in

126 Source: Supreme Audit

the written communication with the FBiH MoF, assessors received the information that the transfers for cantons are budgeted based on the population by cantons.

For 2021, the transfers to lower levels of government in the FBiH were based on:

- decisions on determining the criteria, methods, and procedures for the allocation of funds determined by the FBiH Budget for 2021 to the FBiH MoF from the positions current/capital transfers to other levels of government and funds,
- decisions on the distribution of funds determined by the FBiH Budget of the Federation of Bosnia and Herzegovina for 2021 to the FBiH MoF from the positions current/capital transfers to other levels of government and funds.

Subnational governments receive information on transfers during the current year, not when preparing their own budgets. Above mentioned decisions are adopted only during the current year when the budget is implemented. Those decisions are made every year and change year-on-year.

Reporting on transfers is part of the financial reports which is regulated by the Rulebook on financial reporting and annual accounts budget in the FBiH.

7.1. System for allocating transfers

Table 7.1.B: System for allocating transfers for 2021

Category of horizontal transfer	Budget		Actuals	
	Amount (BAM)	Transparent and rule-based (Y/N)	Amount (BAM)	Transparent and rule-based (Y/N)
Transfers to municipalities and cities	10,000,000 (current transfers)	N	10,000,000 (current transfers)	Y
	37,450,100 (capital transfers)	N	20,000,000 (capital transfers)	Y
			5,416,500 (capital transfers)	N
Transfers to cantons	200,000,000 (current transfers; IMF RFI)	Y	200,000,000 (current transfers; IMF RFI)	Y

Source: decisions on determining the criteria, methods, and procedures for the allocation of funds; decisions on the distribution of funds; Form 4 from the FBiH Budget Execution

All (98%) current and capital transfers are allocated by a transparent rule-based system, while most (81%) are budgeted in a transparent and rule-based system. Based on the analysis and supporting evidence, the score for the present dimension is B.

7.2. Timeliness of information on transfers

It can be seen that subnational governments receive information about transfers during the current year, and not when preparing their own budgets. Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-8. Performance information for service delivery

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. Coverage is CG for all four dimensions and for PI-8.1, performance indicators and planned outputs and outcomes for the next fiscal year (2022); for PI-8.2, outputs and outcomes of the last completed fiscal year (2021); and for PI-8.3 and 8.4, last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-8. Performance information for service delivery (M2)	D+	
8.1 Performance plans for service delivery	C	Information is published annually on the activities to be performed under the programs for the majority of ministries in the evaluated sample.
8.2 Performance achieved for service delivery	D	Information on service delivery performance is not published for most of the ministries.
8.3 Resources received by service delivery units	C	At least two large ministries – the Ministry of Labor and Social Policy and the Ministry of Veterans and Disabled People, have information on all resources received by its service delivery units. There is no evidence of the annual report compiling the information.
8.4 Performance evaluation for service delivery	D	The Supreme Audit Office of the FBiH is the only institution which conducts performance audits in Federation BiH. Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such. The number and institutional coverage of performance audits is less than required for a C score.

MoF efforts to introduce program budgeting in the FBiH, with donor support, have been underway for many years (almost a decade). PFM Strategy in FBiH 2021-2025 identifies the EU-funded project "Further Support to Public Financial Management in Bosnia and Herzegovina", launched in July 2020, tasked to assist the MoF in introducing program budgeting at the FBiH and cantonal levels.¹²⁷

At the level of the Federation of Bosnia and Herzegovina, the Federal Ministry of Finance is currently conducting activities on the development of the program budget in cooperation with international project partners. It is important to emphasize that the readiness at the level of the policy makers has been previously ensured, i.e. the introduction of program budgeting is also the goal of the Government of the Federation of Bosnia and Herzegovina within the "FBiH Development Strategy for 2021-2027" and within the FBiH Public Finance Management Reform Strategy for 2021-2025.

Currently, MoF uses Budget Planning and Management Information System (BPMIS) for the purpose of drafting and monitoring of budgets based on activities/projects and programs identified in the process of drafting medium-term plans, and for monitoring and reporting on budget execution.

The change planned through the PFM Strategy, and especially through Pillar II - Budgeting entails the need to refine the IT systems used by the MoF in the process of budget preparation and execution so that reforms in the budget process can be implemented. Without an upgrade, the budget planning system cannot be automatically linked to the budget execution system. If the two systems are not linked, the program budget will make little sense since budget execution, monitoring, and reporting cannot be prepared in the program format (to be completed by the end of 2023).

¹²⁷ In order to improve the program budgeting on FBiH level and cantonal levels, the PFM strategy of FBiH 2021-2025 aims to: Strengthen the HR capacities of the MoF's Department of the Budget and Public Expenditures, Amend secondary legislation to implement program budgeting, Prepare a methodology for the integrated budget planning system related to public policies, Prepare and implement action plans to identify budget programs based on policies and service provision areas, Provide assistance to budget beneficiaries in identifying programs and their elements, in analyzing programs and program elements, and in their final processing, Develop a methodology for measuring performance and its implementation, Training in the concepts and methodology of program budgeting, Strengthen the capacities at the local government level for program budgeting.

8.1. Performance plans for service delivery

Until recently, program budgeting was not prescribed by the Law on Budgets in FBiH. In March 2022 the amendments to the Law on Budgets in FBiH were adopted, which require the Government to produce a special part of the budget, consisting of the plan of expenditures of budget users, expressed by program, economic, functional, and classification according to the source of funds, in accordance with strategic plans, goals, and tasks of budget users.

Each year, budget users are obliged to submit their financial requests to the MoF's Sector for Budget and Public Expenditure through the BPMIS application and in hard copy. Ministries in the FBiH Government prepare an annual and a three-year plan of activities for which financial resources are requested.

For the purpose of assessing this indicator, the 14 largest budget users in terms of their budget expenditure are selected as the sample. In 9 out of 14 budget beneficiaries service delivery programs are identified. These nine institutions which partially represent service delivery units have published the Annual plan of activities for 2022 on their website. EBUs on the FBiH level publish neither annual plans of activities nor performance reports on their websites.

The Annual plan of activities contains details on operational goals and activities in relation to specific strategic goals, together with information on performance indicators, deadlines, expected results, and funding sources. Therefore, information is published annually on policy or program objectives, key performance indicators, outputs to be produced, and the outcomes planned for majority ministries, disaggregated by program or function. For ministries that did not publish the Annual plan of activities, we were not able to determine whether they represent service delivery units.

Based on the analysis and supporting evidence, the score for the present dimension is C.

8.2. Performance achieved for service delivery

Only three out of 14 ministries have published the Performance reports on the Annual plan of activities for 2021. Hence, the score for the present dimension is D.

8.3. Resources received by service delivery units

The MoF FBiH was in regular possession of up-to-date information on funds received by all budget users through the BPMIS information system in the last three completed fiscal years. Furthermore, the consolidated annual report on the execution of the FBiH Budget contains the information on resources received by services delivery units (data maintained in the BPMIS for budget execution). Also, the information on the resources received by service delivery units, disaggregated by the sources of funds could be found in Performance Reports for 2019, 2020, and 2021. At least two large ministries – the Ministry of Labor and Social Policy and the Ministry of Veterans and Disabled People - have information on all resources received by its service delivery units. Service delivery units report on resources used by source of funds but there was no evidence that report was compiled.

Hence, the score for the present dimension is C.

8.4. Performance evaluation for service delivery

The Supreme Audit Office of the FBiH is the only institution which conducts performance audits in Federation BiH.

Performance audits conducted in the last three completed fiscal years are provided in Table 8.4B. Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such. The number and institutional coverage of performance audits is less than required for a C score.

Table 8.4B: Performance Audits Covering 2019-2021 Period

2019
Management of Employment Co-financing Programs Activities of Competent Institutions in FBiH to Reduce Air Pollution Monitoring the Implementation of the Recommendations from the Performance Audit Report "Improving capacities for planning development projects in cantons in FBiH" Monitoring the Implementation of the Recommendations from the Performance Audit Report "Insufficient forest restoration in the Federation of Bosnia and Herzegovina as a consequence of an ineffective forest management system"
2020
Monitoring the Implementation of the Recommendations from the Performance Audit Report "Budget Planning of FBiH Government" Managing Interventions in Case of Accidental Pollution of the Adriatic Sea Monitoring the Implementation of the Recommendations from the Performance Audit Report "Efficiency of the procedure for issuing building permits in local administration" Efficiency of Bankruptcy Proceedings in Federation BiH Monitoring the Implementation of the Recommendations from the Performance Audit Report "Management of accommodation capacities of budget users in FBiH"
2021
Monitoring the Implementation of the Recommendations from the Performance Audit Report "Transparency of employment in public enterprises in FBiH" Monitoring the Implementation of the Recommendations from the Performance Audit Report "Effectiveness of water loss management in water supply companies" Effectiveness of Planning and Implementation of Measures to Mitigate the Economic Consequences of the Covid-19 Pandemic Monitoring the Implementation of the Recommendations from the Performance Audit Report "Efficiency of work of municipal courts" Establishment of an Efficient System of Management and Adoption of FBiH Strategies Memorandum on Withdrawal of the Main Performance Audit Study "Effectiveness of Measures to Mitigate the Economic Consequences of the Covid-19 Pandemic" Monitoring the Implementation of the Recommendations from the Performance Audit Report "Management of employment co-financing programs"

Source: <https://www.vrifbih.ba/?lang=en#1609925924728-a3f24050-489e>

Based on the analysis, and supporting evidence the score for present dimension is D.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. Coverage is BCG for the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-9. Public access to fiscal information	D	
9.1. Public access to fiscal information	D*	No sufficient information to assess

9.1. Public access to fiscal information

Table 9.1.B: Public access to fiscal information

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	No sufficient information	The budget proposal for 2022 is published on the website of the FBiH MoF, but it is not clear when and how much time passed from the budget proposal submission to the legislature to the publication. However, in the written confirmation from the FBiH Ministry of Finance, the assessment team was informed that the budget proposals are available to the public the same day as when they are adopted by the FBiH Government. Since the budget proposal is not published for 2023 on the website of the FBiH Ministry of Finance, the assessment team concluded that it is not the practice to publish the document on the same day as the team was informed.
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Y	The budget was published on the FBiH MoF website ¹²⁸ , but it cannot be seen when it was published. FBiH MoF informed the team in written that this happens on the same day when it is adopted.
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	No sufficient information	The quarterly reports on budget execution in 2021 are published on the FBiH MoF website ¹²⁹ , but it is not evident when. ¹³⁰
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	No sufficient information	The unadopted report is available on the website of the House of Peoples ¹³¹ . The date of the report publication is not available. The report was not adopted at the FBiH Parliament. ¹³² The Report is published on the FBiH MoF website. The date of the report publication is not available.
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	Y	The report for 2020 was published on July 30, 2021 ¹³³ , which is within the twelve months of the fiscal year's end.
Additional elements		
6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	No sufficient information	No information is available when the MTEF 2022-2024 was published on the FBiH MoF website ¹³⁴ .

128 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

129 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

130 For the third quarter, only Form 8 was published, without a written report, so it is not even possible to see when the report was prepared.

131 <https://parlamentfbih.gov.ba/v2/bs/propis.php?id=661>

132 [https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_pd_18_22/Pismo-PD-izv_izvr-budzeta-2020\(1\).pdf](https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_pd_18_22/Pismo-PD-izv_izvr-budzeta-2020(1).pdf)

133 https://www.vrifbih.ba/pretrazivanje-izvjestaja/?wpv_post_search=izvr%C5%A1enj&wpv_aux_current_post_id=1789&wpv_aux_parent_post_id=1789&wpv_view_count=4716

134 <http://www.fmf.gov.ba/fmf20212021/Dokument%20okvirnog%20budz%CC%8Ceta%20FBiH%202022-2024-final-BOS.PDF>

<p>7. Other external audit reports. All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.</p>	<p>Y</p>	<p>All individual audit reports are made available to the public as soon as approved by the SAI management¹³⁵. Qualified and adverse are sent to the competent parliamentary committee.</p>
<p>8. Summary of the budget proposal. A “citizen’s budget”, and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal’s submission to the legislature and within one month of the budget’s approval.</p>	<p>Y</p>	<p>There is a “citizens’ budget”¹³⁶ for 2021 which was published on the website of the FBiH MoF¹³⁷, but there is no evidence of when that happened. In the written communication with the FBiH MoF, the “citizen’s budget” is published immediately upon the budget adoption.</p>
<p>9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.</p>	<p>Y</p>	<p>Macroeconomic forecasts are approved by the Fiscal Council and published in the BiH GFF¹³⁸ and the FBiH MTEF. There was no adoption of BiH GFF in 2021. The GFF 2022-2024 was adopted and published in 2022. However, FBiH MTEF 2022-2024 was prepared, approved and published in May 2021.¹³⁹</p>

Available evidence suggests that the requirements are met for 2 basic elements out of 5 and 3 additional elements out of 4.

For the majority of elements, there is no sufficient information to assess, hence, the score for the present dimension is D*.

135 <https://www.vrifbih.ba/>

136 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

137 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

138 <https://www.mft.gov.ba/Content/Read/globalni-fiskalni-okvir>

139 https://www.fmf.gov.ba/Content/Open/100433?n=Dokument_okvirnog_bud%C5%BEeta_FBiH_2022-2024._godina.pdf

PILLAR THREE: Management of assets and liabilities

This pillar analyzes whether the effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Overall performance: key strengths and weaknesses

Fiscal risk reporting is weak against the PEFA criteria. There is a list of public corporations at charge from the FBiH FIA (Financial-Information Agency). The FBiH Ministry of Finance receives financial reports only from companies with which it has fiscal relations (some of them are also assessed in PI-6, pillar II). The Ministry of Finance also receives reports from lower levels of government (cantons and municipalities/cities). The same applies to social security funds (see pillar II). Based on information from the FBiH Ministry of Finance, public corporations that are required to report to the Ministry submit reports in a timely manner (beginning of March for the previous year). The reform strategy recognized the necessity of improving the monitoring of public companies and provided for the establishment of the Unit for the supervision of public companies within the Prime Minister's Office. As for the lower levels of government, the majority of financial reports have been published within nine months of the end of the fiscal year. Regarding the contingent liabilities, there is no sufficient information and those are not reported in the financial reports.

Public investment management is an area of weakness. The FBiH Ministry of Finance prepares the Public Investment Program, which is a strategic document that includes an overview of three-year public investment projects. Economic analysis is not mandatory for projects financed from the budget and there are no guidelines on how to proceed with it. Regarding externally funded projects, there is the application of higher standards for economic analysis. However, the final decision is not based on an economic analysis, even though the projects are externally financed (see Chapter 3 for further discussion).

Criteria for selecting projects exist and are used by the FBiH PIP Commission, but the final selection rests with the FBiH Government, which does not have to be in accordance with the Commission's selection. Information on project costs is very limited in budget documents. Monitoring is done annually but is not publicly available. Through the PFM reform strategy, it is planned to improve the framework and process, build capacity and improve the IT system, all within the framework of the EU project.

Public asset management is at a basic level. Monitoring of financial assets is carried out in such a way that the FBiH Ministry of Finance keeps records only by main categories, without other information. The situation is similar to non-financial assets. There is a register of fixed assets (via modules in the ISFU information system) excluding land and to some extent other necessary information is available. Also, the asset disposal is not transparent considering information availability in budget documents.

Debt management practices are generally sound. There is a good system for recording and reporting of debt and guarantees. There are clear policies and procedures to follow when approving debt and guarantees. There is a three-year debt management strategy that is public. Although debt management is in a good position, there is room for improvement, such as: reporting in accordance with ESA 2010, human resources, and software improvements. There are improvements in this area compared to the previous PEFA assessment, as a debt management strategy is prepared, and new loans are made alongside the strategy.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. For the last completed fiscal year, this indicator covers CG-controlled public

corporations for PI-10.1, subnational government entities that have direct fiscal relations with CG for PI-10.2, and CG for PI-10.3.

Indicator/Dimension	Score	Brief justification of the score
PI-10. Fiscal risk reporting (M2)	D+	
10.1. Monitoring of public corporations	D*	No arrangements for consolidated review of the financial position of public companies including to whom and when they report.
10.2. Monitoring of subnational governments	C	There are published financial reports for the majority of subnational governments within nine months of the end of the fiscal year.
10.3. Contingent liabilities and other fiscal risks	D	Contingent liabilities are not reported in the financial reports.

List of public companies along with their expenditures is available from FBiH Financial-Information Agency (FBiH FIA) at a charge. There are 38 companies with FBiH's ownership greater than 50% (two telecoms, two electricity companies, three financial companies and so on; two of these are already assessed as EBUs under PI-6 so the final number of public companies considered for PI-10 is 36). There is no centralized point of evidence to whom and when those companies report, and if their financial reports are audited or not. The FBiH MoF receives periodic reports from public companies that are financed from public revenues, as well as from companies for which the FBiH Government provides guarantees for borrowing, in accordance with t¹⁴⁰. The same Rulebook regulates the submission of annual and periodic reports of all levels of government in the FBiH, as well as extra-budgetary funds.

The PFM Strategy in FBiH 2021-2025 has identified the following needs:

- set up a state-owned enterprises oversight unit within the Office of the FBiH Prime Minister,
- ensure that all public sector entities apply the new fiscal rules on borrowing and guarantees for all public sector entities.

10.1. Monitoring of public corporations

Table 10.1.B: Financial reports of public corporations in 2021

Public corporations	Date of audited financial statements	Total expenditure (BAM)	As a % of total expenditure of public corporations	Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)
FBiH Railways (FBiH MoF receives reports)	No info	117,967,468	4%	No info
3 financial companies	No info	38,961,140	1%	No info
2 telecoms	No info	582,294,346	18%	No info
2 electricity companies + 2 mines connected with electricity company	No info	1,539,641,914	49%	No info
2 post offices	No info	124,114,487	4%	No info
Other	No info	746,635,789	24%	No info

Source: FBiH FIA

140 FBiH Official Gazette: 69/14, 14/15, 4/16, 19/18 and 3/21

Based on the information from the FBiH MoF, public corporations (that are obliged) submit their financial statements to the FBiH MoF by the 5th of March.

Since there are no arrangements for a consolidated review of the financial position of public companies, including to whom and when they are reporting (impractical collection of information; establishing the register is beyond the scope), the score for the present dimension is D*.

10.2. Monitoring of subnational governments

There are two lower-level tiers of government in FBiH, cantons and municipalities. There are audited reports for only 4¹⁴¹ out of 10 cantons for 2021. All these reports are published within nine months of the end of the fiscal year. Expenditures of those four cantons in 2021 are as follows: BAM 958 mil (Sarajevo Canton), BAM 213 mil (Una-Sana Canton), BAM 218 mil (Canton Srednja Bosna) and BAM 95 mil (Zapadno-hercegovački Canton). Total expenditures for all ten cantons are BAM 2,521 mil.¹⁴² Therefore, for 59% (majority) of cantonal governments, audited reports were published within nine months of the end of the fiscal year.

Regarding municipalities, assessors took Sarajevo Canton municipalities as sample due to the number of municipalities in the FBiH. There were no audited municipal reports for Sarajevo Canton municipalities for 2021. Five out of nine municipalities published their unaudited reports on websites. Expenditures of those five municipalities in 2021 are as follows: BAM 33 mil (Centar), BAM 16 mil (Stari Grad), BAM 20 mil (Novo Sarajevo), BAM 24 mil (Ilidža) and BAM 13 mil (Hadžići). Total estimated expenditures for all nine municipalities are BAM 139 mil.¹⁴³ Therefore, for 76% (most) of municipalities, unaudited reports were published within five months of the end of the fiscal year.

Based on the analysis and supporting evidence, the score for the present dimension is C.

10.3. Contingent liabilities and other fiscal risks

Based on the Information on the state of public indebtedness of Bosnia and Herzegovina in 2021¹⁴⁴, the FBiH level balance of the debt under the guarantee amounts to zero. There is no other available information. Contingent liabilities are not reported in the financial report. Hence, the score for this dimension is D.

PI-11. Public investment management

This indicator is designed to assess the essential elements of the PIM framework, namely the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. The coverage is Central Government and the period of assessment is the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-11. Public investment management (M2)	D+	
11.1. Economic analysis of investment projects	C	Economic analysis is conducted as part of feasibility studies for at least 50% of major investments. However, no formal guidelines on how economic analysis is conducted exist at the level of FBiH.

141 Sarajevo Canton, Una-Sana Canton, Canton Srednja Bosna, Zapadno-hercegovački Canton

142 Central Bank data

143 Estimated based on the total expenditures for all municipalities in FBiH (data from the Central Bank) and allocated based on population in Sarajevo Canton

144 <https://www.mft.gov.ba/Content/OpenAttachment?id=c56e4f18-9189-42d4-b0d0-4e9e9a72b67e&lang=hr>

11.2. Investment project selection	C	Each investment project application with a value of BAM 1 million or more is reviewed by the Public Investment Commission and scored against standard criteria which are published. Project application review findings of the Public Investment Commission are not published except for average scores assigned by the Commission for each project application. These scores are included in a Draft Public Investment Program covering a period of 3 years. Some of those projects appraised by the FBIH PIP Commission may or may not be prioritized by the FBIH Government. Explanations and justifications for such FBIH Government decisions are not published and included in the adopted PIP. In fact, the list of projects appraised by the Commission serves as a basis for the Government for negotiations with IFIs which in turn identify and select projects to fund on the basis of their own respective mandate and or preference.
11.3. Investment project costing	D	A sufficient cost overview of the public investment projects is not included in the budget documentation.
11.4. Investment project monitoring	D	Financial and fiscal monitoring is conducted by an implementing agency and is reported annually. This information is not publicly available.

This indicator defines major investment projects as projects satisfying both of the following criteria:

- The total cost of the project amounts to 1 percent or more of the total annual budget expenditure,
- The project is among the largest 10 projects (by investment cost) for each of the five largest central government units, measured by the units' investment project expenditure.

Ten projects satisfied the above criteria in the last completed fiscal year (2021). They are shown in the table below.

Table 11.1.B: List of major investment projects

#	Project description	Ministry in charge	Project cost
1	Employment Generation Support	Ministry of Labor and Social Policy	BAM 98,378,249
2	Water supply and waste water drainage in the Federation of Bosnia and Herzegovina	Ministry of Agriculture, Water Management and Forestry	BAM 210,881,768
3	Construction of the highway on the VC corridor, Donja Gračanica subdivision (Pečuj tunnel) - Klopče, Nemila - Zenica (Klopče) section	Ministry of Transport and Communications - Public Company FBIH Motorways	BAM 321,403,845
4	Construction of the highway on corridor Vc, subdivision Počitelj-Zvirović, section Mostar south - Zvirović	Ministry of Transport and Communications - Public Company FBIH Motorways	BAM 239,603,861
5	Construction of the highway on the Vc corridor, Subdivision Vranduk-Ponirak, section Nemila-Zenica (Klopče)	Ministry of Transport and Communications - Public Company FBIH Motorways	BAM 161,051,352
6	Construction of the highway on corridor Vc, subdivision Počitelj-Zvirovići, section Mostar south - Zvirovići	Ministry of Transport and Communications - Public Company FBIH Motorways	BAM 230,484,433

7	Construction of block 7-450 MW TPP Tuzla	Ministry of Energy, Mining and Industry - Public Company Elektroprivreda BiH	BAM 1,812,941,930
8	Construction of the highway on the Vc corridor, Ponirak-Vraca subdivision (Zenica tunnel), Nemila-Zenica section (Klopče)	Ministry of Transport and Communications - Public Company FBiH Motorways	BAM 147,586,529
9	Construction of the highway on the Vc corridor, section Tarčin - Ivan	Ministry of Transport and Communications - Public Company FBiH Motorways	BAM 267,802,988
10	Construction of the motorway on the Vc corridor, Zenica-Donja Gračanica tunnel subsection (Pečuj tunnel), Nemila-Zenica (Klopče) section	Ministry of Transport and Communications - Public Company FBiH Motorways	BAM 168,681,659

FBiH has had a centralized approach to PIM since 2014 when a formal application process for public investment projects valued at BAM 1 million or more was introduced. It required that all such projects be considered within the framework of the newly introduced regulation before they could be either included in the budget/financed from FBiH government's own revenues or considered for a loan application. In particular the new regulation defined steps and assigned responsibilities in the process of preparation of a Public Investment Program (PIP), a three-year document splitting projects into three category types:

1. Candidate projects (projects which have passed the formal application process)
2. Approved projects (projects selected for funding from the submitted list of projects which have been subjected to prior appraisal, subsequently warranting their inclusion into the budget proposal for funding out of own government revenues or considered for loan application)
3. Projects in implementation (projects for which funding has been secured and implementation started)

The regulation introduced a formal evaluation/review process which was to be conducted by the FBiH Government PIP Commission for which the FBiH Ministry of Finance was assigned the role of a formal administrator. However, the relevant unit responsible for administering PIM procedures and processes is located under the Debt Management Department of the Ministry of Finance. This skews the financing of public investments towards debt and as such is potentially unsustainable in the long term. On the other hand, the countries which have been the most successful in managing public investment projects in terms of their development results have had the development policy planning function integrated with the public investment appraisal function.

Major interventions to reform the PIM process are planned within the EU Funded capacity-building project "PIPMS – Strengthening the Public Investment Management for Results". Project interventions are aligned with FBiH PFM Reform Strategy and the bulk of the project interventions have been planned for the years 2023 and 2024. Namely, PIM-related general objectives within the 2021-2025 FBiH PFM Reform Strategy have been laid out within Pillar III of the document and contained under measure III.5 – Improve public investment management and reporting.¹⁴⁵

11.1. Economic analysis of investment projects

Economic analysis of investment proposals is not mandatory and there are no formal guidelines that prescribe how such analysis should be conducted for investment projects funded and implemented by the FBiH Government. Economic analysis, however, is performed as part of feasibility study for at least 50% of the major investments, by value. This share pertains to project 7¹⁴⁶ and which therefore constitutes

145 The measure is to be implemented through three activities: Improve the legal framework and processes within institutions at all levels in the FBiH, Build capacities for public investment planning, management, and monitoring, and Improve the PIMIS IT system.

146 Feasibility Study completed by Delphos International, Washington DC in November 2016.

50% of the total value of the portfolio of major investment projects presented in the table above (i.e. BAM 3,688.8 million.) In addition, there also exist feasibility studies for other projects from the list especially those related to the construction of specific sections of the motorway on the Corridor Vc. It is just that the documentary evidence was not provided for them within the timeframe of the assessment. These are carried out in line with international standards of practice and based on the source of funding (e.i. EIB, and EBRD). On the other hand, the studies are not checked for robustness and affordability quality by the Ministry of Finance. None of the feasibility studies are published.

Based on the analysis and supporting evidence, the score for the present dimension is C.

11.2. Investment project selection

Each investment project application with a value of BAM 1 million or more is reviewed by the 7-member Public Investment Commission (the central entity) and scored against standard criteria which are published as Annex to the Decree. The criteria and assessment principles for public investment project applications are specified in the PIM Order¹⁴⁷ and include Project relevance, Level of project preparedness for implementation, Feasibility, Sustainability, and Urgency. Each of these criteria is assigned a certain number of maximum points for an overall total of 100 points. The criteria are applied during a formal project evaluation process. Each member of the PIP commission conducts its own scoring. At the end of the evaluation process, each score is averaged to produce the final project application score, which is included in the Draft PIP, a document submitted to FBiH Government for deliberation and approval.

Project application review findings of the Public Investment Commission are not published except for average scores assigned by the Commission for each project application. These scores are included in a Draft PIP covering a period of 3 years. Some of those projects appraised by the FBiH PIP Commission may or may not be prioritized by the FBiH Government and it is only at the point at which debt financing is secured that a project with a candidate status is planned/included in the annual budget. Therefore, as a medium-term policy planning and decision-making tool, the PIP, as it stands now, plays a rather marginal role. Moreover, an explanation of expected benefits for society from such projects as well as justifications for such decisions are not elaborated on nor are included in the adopted Draft PIP (i.e., not published). FBiH Government can and does make its own prioritization of projects which is not necessarily aligned with the above-described appraisal/prioritization conducted by the PIP Commission.

Hence, based on the evidence provided the score for the dimension is C.

11.3. Investment project costing

This dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated.

Proper budgeting of major capital projects has been one of the main challenges of the FBiH PFM system as the investment projects for which loans had been secured have not been properly reflected in the budget documentation. Given the fact that most projects which are included in the three-year FBiH PIP program are either implemented by public companies such as FBiH Motorways Company¹⁴⁸ which is in charge of managing the construction of the Corridor VC (a key transport infrastructure project of FBiH) as well as by major public utility companies such as Elektroprivreda BiH (i.e. for investments in renewable energy projects such as solar and wind farms) detailed financial information about these projects has not been included in the budget documentation. Such transfers are recorded as lump sum amounts in the draft budget under the "Capital transfers" heading. The recorded lump sum amounts are derived from a loan disbursement schedule as part of a loan agreement that the FBiH Government has entered into either

147 FBiH Regulation on the method and criteria for preparation, development, and monitoring of the implementation of the public investment program. Available at: http://fotoart.ba/1_fm/Januar%202023/lzmjena%20Uredbe%20iz%202019_27sl.pdf

148 Public corporation as per its articles of incorporation, otherwise treated as EBU for GFS needs.

as loan guarantor or direct debtor. No additional details about the financing of the project is provided in the draft budget which is submitted to Parliament for approval.

On the other hand, there are a few capital-investment projects which are directly managed by the budget users (i.e. line ministries or agencies). However, even for such projects the financial information which is presented to the Parliament for approval is equally sparse.

Even the financial information that is presented within the medium-term budget documentation of the MTEF is equally sparse. This is likely due to the fact that PIP and MTEF preparation schedules have not been sufficiently reconciled and integrated in the past. This problem has been partly addressed with the recent adoption of the Amendments to the Law on Budgets in FBiH. Furthermore, there are ongoing efforts initiated by the FBiH Ministry of Finance to develop Guidelines/Instruction for multiannual capital expenditure planning and reporting which in the future should ensure that the MTEF and PIP preparation processes are integrated, and more detailed financial information is provided within the budget documentation. Based on supporting evidence, the score for the present dimension is D.

11.4. Investment project monitoring

Information on the implementation of major investment projects is prepared annually in the form of a Project Implementation Progress Report, with the following three headings that describe the project implementation status: Activities planned, Activities implemented, and Reasons for deviation from the plan. However, this information is not publicly available – neither at the institutional nor Government (i.e. aggregate) level.

The major issue is that the cost monitoring is not integrated with the physical monitoring whereby it can lead to significant project cost over-runs as was recently the case with the major transport infrastructure project to build a tunnel connecting the Cities of Sarajevo and Goražde.

Information on the ongoing portfolio of investments containing only financial progress (i.e. expenditure incurred so far) without any reference to the physical progress of capital investment projects is aggregated and published annually as part of the PIP reporting process.¹⁴⁹ Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. For the last completed fiscal year (2021), coverage is CG for PI-12.1, BCG for PI-12.2, and both CG and BCG for PI-12.3.

Indicator/Dimension	Score	Brief justification of the score
PI-12. Public asset management (M2)	D+	
12.1. Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets. There is no information on the performance of the portfolio of financial assets on an annual basis, apart from what can be concluded from the balance sheet and Consolidated Budget Execution Report.

¹⁴⁹ See for example Information on the expenditure of funds in 2021 per projects included in Public investment program of the Federation of Bosnia and Herzegovina 2021-2023:

http://fotoart.ba/1_fm/Maj%202022/Informacija%20o%20trošku%20sredstava%20u%20%202021.%20godini%20kojima%20su%20finansirani%20projekti%20uključeni%20u%20PJ%20FBiH%202021.-2023.%20godine.pdf

12.2. Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets through the fixed assets module in the ISFU system and collects partial information on their usage and age.
12.3. Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of non-financial assets are established. However, asset disposal is not transparent.

12.1. Financial asset monitoring

In the Consolidated Budget Execution Report, the FBiH Ministry of Finance reports on income from dividends and income from annuity refunds. The balance sheet is prepared on an annual basis and contains an overview of the categories of financial assets: cash, securities, loans, and receivables owned by the government. There is no information on the performance of the portfolio of financial assets on an annual basis, apart from what can be concluded from the balance sheet and Consolidated Budget Execution Report. Hence, the score for the present dimension is C.

12.2. Nonfinancial asset monitoring

The implementation of the software module for managing non-financial assets/fixed assets (FA module) with the aim of tracing changes in non-financial assets owned by the FBiH Government began in 2021 and was completed in 2022.

All major budget users have implemented a software module for managing non-financial assets. In the specified module for managing non-financial assets, budget users enter the following information: inventory number, category, month and year of acquisition, purchase value, depreciation for the current year, total depreciation, and present value. Information on usage and age is recorded in the fixed assets module in the ISFU system. In the annual Consolidated Report on budget execution for 2021, the MoF enables the presentation of synthetic accounts of fixed assets by major budget units. Also, the report contains information on the receipts from the sale of fixed assets as well as expenditures for the purchase of fixed assets. However, the Audit report on the Consolidated Budget Execution Reports for 2021 notes that beginning and ending balances were not shown for all asset accounts. There is no complete published information on fixed assets usage and age. Hence, the score for the present dimension is C.

12.3. Transparency of asset disposal

The transfer of fixed assets between budget users as well as the transfer between the budget user and the non-budget entity must be approved by the FBiH Government. As for the transfer and disposal of fixed assets, each budget user has its own documented procedures for how this is conducted. Partial information on fixed asset disposal is included in budget documents (information on the sale of fixed assets). Since the information on the original purchase cost is not provided in the report, the score for the present dimension is D.

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. Coverage is CG for all three dimensions - at time of assessment for PI-13.1, for last completed fiscal year (2021) for PI-13.2, and at time of assessment with reference to the last three completed fiscal years (2019, 2020, and 2021) for PI-13.3.

Indicator/Dimension	Score	Brief justification of the score
PI-13. Debt management (M2)	B+	
13.1. Recording and reporting of debt and guarantees	B	Domestic and foreign debt and guaranteed debt records of F BiH are complete, accurate, and updated quarterly. Most information is reconciled quarterly with the BiH MFoT which is in charge of the reconciliation of debt information with creditors. Comprehensive management and statistical reports covering debt service, stock, and operations are produced annually.
13.2. Approval of debt and guarantees	A	The Sector for Debt within the F BiH Ministry of Finance is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. The procedure prescribed by the Law is followed in the practices and F BiH Government approves annual borrowing plans.
13.3. Debt management strategy	B	A current medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. The last available report on the implementation of DMS is from 2020. The draft version of the report for 2019 was prepared, but it was neither adopted nor published. The report for 2021 was not prepared. The annual borrowing plans for 2019, 2020, and 2021 were aligned with F BiH DMS.

Debt management in the F BiH has seen significant progress in the last decade. However, the two main challenges for the MoF's Debt Department include a lack of HR capacity and a lack of IT debt management solutions.

The public debt of the Federation BiH includes all credit agreements with external creditors for which the Federation of BiH has incurred debt, and whose repayment is the responsibility of the Federation of BiH. The goals of debt management in the Federation of BiH are securing financial resources for financing government needs with acceptable costs and risks in the medium and long term and developing the domestic securities market of the Government of the Federation of BiH. The legal framework regulating the area of debt and borrowing in the Federation of BiH is complex.

The proposal of the F BiH Law on Debt, Borrowing, and Guarantees has been carried over the legislative process before the F BiH Parliament for several years now. The proposed Law on Debt, Borrowing, and Guarantees introduces a number of fiscal rules that are binding on all beneficiaries of public funds within the F BiH. For example, F BiH public debt is capped to a maximum of 60% of F BiH GDP, and total debt caps are introduced for cantons and local governments (LGs); the rule is introduced that cantons and LGs may not borrow, or issue guarantees without the prior consent of the MoF, public debt should be monitored according to the rules of EU statistical methodology.

Also, through the PFM Strategy in F BiH 2021-2025, the following activities are to be implemented by the end of 2025: implement a new IT debt management system in the F BiH and consider introducing it in cantonal governments, identify and implement the steps necessary to ensure debt reporting in accordance with ESA 2010, and to make other improvements in the debt management process.

13.1. Recording and reporting of debt and guarantees

In accordance with the provisions of the Law on Debt, MoF is responsible for debt and guarantees records, based on the data provided by other competent Federation institutions, cantons, cities, municipalities, and public companies. To reflect the current situation, the established records are updated quarterly based on the data submitted to the Ministry on prescribed forms.

The FBiH Ministry of Finance keeps records on the public debt of the Federation with the help of the Access Database. The public debt database is located on the ministry's server and is accessed by several people in charge of working on the database. This Database is functional and enables the monitoring of most of the necessary operations for recording public debt, recording obligations for payment of the domestic debt, and recording completed payment transactions for debt service. In addition to the above functions, the Access Database of Public Debt also records the following data:

- withdrawals (engagement of credit funds - by withdrawal dates, amounts, and currencies of debt).
- installment payment plan of principal, interest, and other expenses, repayment dates-repayment dynamics (mostly in half-yearly installments), calculation currency and currency of payment of obligations (mostly they are the same, but there are cases when they are different, e.g. loans in SDR currency).
- installment payments to creditors. These records are related to records of obligations and confirm annuity payments according to statements from banks in accordance with repayment plans and payment requests-invoices from creditors.
- daily exchange rate lists of foreign currencies from the Central Bank of BiH,
- daily data on interest rates from the interbank capital market,
- data on debtors who are the end users of the loan.

All the above-mentioned data on loans also have subdivisions for end users, i.e., when the loan is transferred to the end user, the same loan data is entered only for subnational governments: cantons, cities, municipalities, and public enterprises.

The Database outputs are Reports, which are publicly available on the website of the FBiH Ministry of Finance, on:

- the stock of the public debt of the Federation on a given day - mostly they are produced on the last day of the quarter,
- debt servicing (the basis for posting in the Treasury's General Ledger),
- guaranteed revenues for external debt servicing,
- revenues from end-users,
- the withdrawal of funds in a certain period,
- projections of future obligations, from the beginning to the end of the repayment period
- settled obligations of end-users,
- outstanding obligations of end users when certain users do not pay their obligations on time.

Reports on the debt of the Federation of Bosnia and Herzegovina are published quarterly on the website of the FBiH Ministry of Finance. Information on the foreign and domestic debt of the FBiH is published on an annual basis.

Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. Most information is reconciled quarterly with the MFT BiH which is in charge of the reconciliation of debt information with creditors. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually. Based on the analysis and supporting evidence, the score for the present dimension is B.

13.2. Approval of debt and guarantees

According to the legal framework, the FBiH Ministry of Finance is responsible for carrying out borrowing procedures, issuing guarantees, and managing the debt of the Federation of BiH. All transactions related to debt and guarantees within the FBiH MoF are carried out by the Debt Management Sector, which is managed by the Assistant Minister, and is directly responsible to the Minister of Finance.

The Law on Debt establishes the competence regarding the implementation of the procedure of borrowing and debt management of the Federation, as well as the limits for borrowing that are related to the annual amounts of debt servicing. The annual debt service of the Federation is limited to 18% of the consolidated revenues of the Federation and the cantons generated in the previous fiscal year. The amount of debt servicing for cantons, cities, and municipalities is limited to 10% of their revenues from the previous fiscal year.

Any indebtedness of the canton, municipality, and city based on external debt is subject to the prior consent of the Parliament of the Federation of Bosnia and Herzegovina and the Parliamentary Assembly of Bosnia and Herzegovina, while any external indebtedness of public companies must have the prior consent of the Parliament of the Federation of BiH. On the proposal of the Government of the Federation of BiH, the Parliament of the Federation of BiH decides on the amount and purpose of the internal debt of the Federation each year by adopting the law on budget execution. The procedure for the debt and guarantees approval as prescribed by the Law was followed in the practice. Hence, the score for the present dimension is A.

13.3. Debt management strategy

The Annual Borrowing Plan, the Mid-Term Debt Management Strategy, and the Public Investment Program of the Federation of BiH are basic documents that promote better coordination and communication with other state institutions and government levels in Bosnia and Herzegovina, and at the same time make it easier for creditors, i.e. investors and the public to become better acquainted with the goals and policies of the debt management of the Government of the Federation of BiH.

The debt management strategy (n+2) is updated on an annual basis, which obliges the FBiH Ministry of Finance to apply the guidelines for future borrowing. The strategy contains plans for financing the needs of the Government of the Federation of BiH in the next three years, both on the foreign and domestic markets, as well as indicative measures and tools needed to achieve the adopted strategic goals (inclusive of target ranges for the selected indicators: interest rates, refinancing, and foreign currency risks). The last reports on the implementation of debt management strategy are published in 2017, 2018, and 2020 and were adopted by the FBiH Government. The draft version of the report for 2019 was prepared, but it was neither adopted nor published. The report for 2021 was not prepared.

The annual borrowing plans for 2019, 2020, and 2021 were prepared in accordance with the guidelines and goals defined by the respective Debt Management Strategy of the Federation of Bosnia and Herzegovina. Hence, the score for the present dimension is B.

PILLAR FOUR: Policy-based fiscal strategy and budgeting

The pillar measures whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Overall performance: key strengths and weaknesses

Macroeconomic forecasts are prepared in spring and fall by the BiH Directorate for Economic Planning. These forecasts are available for three fiscal years and are published in the BiH Global Framework of fiscal balance and policies and the FBiH Medium-term expenditure framework. They are reviewed by the Fiscal Council and presented as information to the FBiH Parliament. However, the MTEF 2020-2022 was not adopted due to the late adoption of the GFF. Revenue forecasts are prepared by the Macroeconomic Analysis Unit of the Governing Board of the Indirect Tax Authority and the FBiH Ministry of Finance for a three-year period. They are also part of the GFF and MTEF. Alternative scenarios are only partially available (qualitative assessment). The PFM reform strategy recognizes the need to improve macro-fiscal forecasting.

In the area of fiscal strategy, it is presented through the MTEF (failure to adopt MTEF 2020-2022) and the Economic Reform Program (ERP). As already mentioned the MTEF is presented in the Parliament, while the ERP is adopted only by the BiH Council of Ministers. MTEF includes qualitative and quantitative fiscal objectives. However, there are no reports on progress in the implementation of the fiscal strategy.

Expenditure estimates are presented for the budget year and two subsequent fiscal years according to administrative, economic, and functional classification. The work programs are linked to the budget only in some cases. The reform strategy recognizes the need to improve the link between strategic goals and the budget (program budgeting). Performance is satisfactory inasmuch as the forward estimates are used to anchor the preparation of the budget ceiling for the following year. MTEF 2022-2024 was adopted before the first budget circular for 2022 was issued. The explanation of the budget compared to the previous year's estimates is available to some extent in the ERP.

The budget preparation process is in good shape. The budget calendar is respected. The first annual budget reflects the expenditure ceilings approved by the government. The budget is usually submitted to the Parliament one month before the start of the new fiscal year.

Legislative scrutiny of budgets is weak. In recent years, hearing committees were not given enough time to analyze the documents due to budgets that were adopted according to fast track procedures. There is also a lack of technical capacities of hearing committees. There are also no public hearings. Thus, the overall role and power of the legislature are very limited, which shows deterioration compared to the previous PEFA assessment.

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. For the last three completed fiscal years, coverage is whole economy for PI-14.1 and CG for PI-14.2 and 14.3.

Indicator/Dimension	Score	Brief justification of the score
PI-14. Macroeconomic and fiscal forecasting (M2)	C	
14.1. Macroeconomic forecasts	C	Available forecasts of key macroeconomic indicators for the budget year and the two following fiscal years with underlying assumptions; updated at least once a year and reviewed by the Fiscal Council; although the FBiH MTEF for 2020-2022 is not adopted, macroeconomic forecasts are available in the BiH GFF for 2020-2022 but not sent to the legislature.
14.2. Fiscal forecasts	C	Available forecasts of revenue, expenditure, and the budget balance for the budget year and the two following fiscal years with underlying assumptions; also an available explanation of the main differences from the forecast made in the previous years' budget; although the FBiH MTEF for 2020-2022 is not adopted, macro-fiscal forecasts are available in the BiH GFF for 2020-2022 but not sent to the legislature.
14.3. Macro-fiscal sensitivity analysis	C	Available alternative scenarios with qualitative assessment

Macroeconomic forecasts are made by the BiH Directorate for Economic Planning (BiH DEP) twice during the year, in the spring and the fall. Besides these forecasts, the FBiH Ministry of Finance also takes into account the forecasts of international financial institutions. The three-year macroeconomic forecasts are part of the BiH Global framework of fiscal balance and policies and the FBiH Medium term expenditure framework. The BiH GFF is reviewed and adopted by the Fiscal Council of BiH, while the FBiH MTEF is adopted by the FBiH Government and sent to the FBiH Parliamentary as information. For the last three completed fiscal years, the BiH GFF was adopted for the three periods 2020-2022, 2021-2023 and 2022-2024. BiH GFF 2022-2024 was adopted only in 2022. FBiH MTEF was adopted for two periods 2021-2023¹⁵⁰ and 2022-2024¹⁵¹. FBiH MTEF was not adopted for 2020-2022 because of the late adoption of the BiH GFF.

The BiH GFF and FBiH MTEF show that the three-year forecasts are made for GDP growth, inflation, and interest rates. As mentioned above, the FBiH MTEF is submitted to the FBiH Parliament as information. There are no forecasts for the exchange rate. However, the local currency is pegged to the euro.

Although macroeconomic forecasts and underlying assumptions are not available in the budget documents package submitted to the legislature¹⁵²; they are available in the BiH GFF and FBiH MTEF. As already mentioned, FBiH MTEF is submitted to the FBiH Parliament as information which is also part of the budget process.

Fiscal forecasts for indirect taxes are prepared by the Macroeconomic Unit of the Governing Board of the Indirect Tax Authority (ITA), while direct taxes and non-tax revenues are prepared by the FBiH Ministry of Finance. Fiscal forecasts for 2021¹⁵³ (+2 years) and 2022 (+2 years) are published in FBiH MTEF and BiH GFF, while for 2020 (+2 years) are published in the BiH GFF.

150 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

151 <http://www.fmf.gov.ba/fmf20212021/Dokument%20okvirnog%20budz%CC%8Ceta%20FBiH%202022-2024-final-BOS.PDF>

152 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

153 Budget year and the two following fiscal years

Fiscal forecasts of revenues and expenditures are presented by type. The budget balance is also presented for three fiscal years. The underlying assumptions on the basis of which the fiscal forecasts were made are also presented in FBiH MTEF and BiH GFF.

Fiscal forecasts in FBiH MTEF and BiH GFF are normally made based on the spring macroeconomic forecasts. Those are normally updated in fall for the annual budget purposes.

An explanation of the main differences from the forecast made in the previous years' budget is provided to some extent in the ERP¹⁵⁴ prepared by the DEP and adopted by the BiH Council of Ministers. Although ERP is not sent to Parliament, that is one of the foundations for preparing FBiH MTEF.

Fiscal forecasts and risks are presented in FBiH MTEF for the budget year and the two following fiscal years. Alternative scenarios are not presented in the FBiH MTEF and there is no information about any indication of considering alternative scenarios in that document. However, alternative macroeconomic scenarios, as well as sensitivity analysis of the budgetary projections to alternative scenarios, and risks are presented to some extent in the ERP.

The PFM Strategy in FBiH 2021-2025 has identified the need to improve revenue and expenditure projections for the purpose of MTEF and budget drafting in FBiH (strengthen the capacity for macroeconomic analysis, improve the presentation and clarification of macroeconomic parameters; improve coordination and accountability between all levels of government with regard to preparing public revenue projections; improve the inputs for public revenue projections; introduce electronic monitoring of the execution of public revenue projections).

14.1. Macroeconomic forecasts

The forecasts of key macroeconomic indicators are available for the budget year and the two following fiscal years together with the underlying assumptions; forecasts are updated at least once a year and reviewed by the Fiscal Council of BiH. Macroeconomic forecasts and underlying assumptions are not available in the budget documents package submitted to the legislature¹⁵⁵; they are available in the BiH GFF and FBiH MTEF. As already mentioned, FBiH MTEF is submitted to the FBiH Parliament as information which is also part of the budget process. Although the FBiH MTEF was not adopted for 2020-2022, the macroeconomic forecasts are available in the BiH GFF for 2020-2022 but not sent to the Parliament. Hence, the score for the present dimension is C. If BiH GFF and FBiH MTEF had been timely adopted for all three periods, the score would have been A.

14.2. Fiscal forecast

The forecasts of revenue (by type), expenditure, and the budget balance for the budget year and the two following fiscal years together with the underlying assumptions are available. Fiscal forecasts and underlying assumptions are not available in the budget documents package submitted to the legislature¹⁵⁶; they are available in the FBiH MTEF, which is, as already mentioned, submitted to the FBiH Parliament as information that is also part of the budget process. Also, an explanation of the main differences from the forecast made in the previous years' budget is available in ERP. ERP is not sent to Parliament but is one of the inputs for preparing FBiH MTEF. Although the FBiH MTEF for 2020-2022 is not adopted, fiscal forecasts are available in the BiH GFF for 2020-2022 but not sent to the Parliament.

Hence, the score for the present dimension is C. If BiH GFF and FBiH MTEF had been timely adopted for all three periods, the score would have been A.

154 <http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US>

155 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

156 <http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15>

14.3. Macro-fiscal sensitivity analysis

The alternative macroeconomic scenarios, as well as sensitivity analysis of the budgetary projections to alternative scenarios, and risks, are published in the ERP in terms of qualitative assessment. Hence, the score for the present dimension is C.

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. Coverage is CG for the last three completed fiscal years for PI-15.1 and the last completed fiscal year for PI-15.2 and 15.3.

Indicator/Dimension	Score	Brief justification of the score
PI-15. Fiscal strategy (M2)	D+	
15.1. Fiscal impact of policy proposals	D*	No sufficient information to assess.
15.2. Fiscal strategy adoption	B	The FBiH Government submits the fiscal strategy to the legislature (MTEF) that includes qualitative and quantitative fiscal objectives
15.3. Reporting on fiscal outcomes	D	Neither the FBiH Government nor the FBiH MoF prepares reports on fiscal outcomes, and the FBiH MoF does not prepare the report on achieved fiscal goals from the MTEF and ERP for its own need.

15.1. Fiscal impact of policy proposals

By the end of March of the current year, budget users are required to deliver to the FBiH Ministry of Finance priority proposals for the next year needed for the MTEF drafting. In accordance with the Law on Budgets in the FBiH budget users draft budget requests which include requests for budget expenditures with data on the budget user's current activities and services and requests for additional funds for budget expenditures whose financing cannot be aligned with the ceilings included in the FBiH MoF's instructions, and with priority proposal that should be reviewed during the budget adopting for the next fiscal year. Within the explanation that the budget users deliver to the FBiH MoF, the description and reason for performing activities, which need additional funds, are included.

The Law on Budgets in the Federation of Bosnia and Herzegovina prescribes a statement on the fiscal assessment of policy changes. Based on that, the Rulebook on the Procedure for Drafting a Statement on the Fiscal Assessment of Laws, Other Regulations, and Planning Acts on the Budget¹⁵⁷ was adopted. This rulebook, among other things, clearly prescribes for each participant the procedures for making a statement on fiscal assessment, the form, content, and method of filling it out.

Given that the fiscal assessment of regulations was a new area in the budget process, the FBiH MoF and the cantonal ministries of finance established software platforms for fiscal assessment, which were integrated into the information system for budget planning and management at the level of the Federation of Bosnia and Herzegovina. In this way, all ministries and budget users are enabled to carry out fiscal assessments of regulations according to the same standards and balanced with their annual and mid-term expenditure frameworks.

Within the ERP BiH for which the MTEF is the baseline, a description of the fiscal impact of structural reforms is included. However, ERP BiH does not reflect fiscal impact of all policy proposals. The information on the fiscal impact of all policy proposals was not provided to the assessors by the FBiH MoF. Therefore, the score for this dimension is D*.

157 Official Gazette of the Federation of Bosnia and Herzegovina", No. 34/16 and 5/18

15.2. Fiscal strategy adoption

Fiscal Strategy of the FBiH level is included in the Medium-term Expenditure Framework that should be adopted annually for three fiscal years. On the proposal of the FBiH MoF, the FBiH Government should adopt the MTEF by the end of June, as prescribed by the Law on Budgets in the FBiH and should be published on the website of the FBiH MoF. The adoption of MTEF for 2022-2024 has been slightly delayed (mid July 2021, instead of end of June 2021).

The purpose of the MTEF is to set a strategic framework and upper ceilings for resources, within which an annual budget should be prepared. Preparation and drafting of the FBiH Budget for the next fiscal year is based on the MTEF, which provides projections of revenue, expenditure and financing for the three-year period. The MTEF includes time-bound and quantified fiscal goals, with qualitative objectives and descriptions for the MTEF’s specific period. Quantified goals relate to macroeconomic framework, total public revenue and expenditure, planned deficit/surplus, public debt projection and capital spending.

The MTEF is connected to a document relating to the ERP. The ERP similarly defines a medium-term framework for macroeconomic and fiscal policy, with updated data collected up to its drafting. The FBiH Government adopts the MTEF and sends it to the FBiH Parliament as information (not adoption). ERP is not sent to Parliament.

Based on the analysis and supporting evidence, the score for this dimension is B.

15.3. Reporting on fiscal outcomes

The Law on Budgets in the FBiH does not prescribe the obligation to draft separate reports on progress made during the implementation of fiscal goals included in the MTEF and ERP, nor does it prescribe drafting of the analysis of the disparities from the defined goals. The adopted MTEF and ERP do not include reasons for disparities from the suggested goals, defined in previous versions of the documents. Neither the FBiH Government nor the FBiH MoF prepares mentioned reports, and the FBiH MoF does not prepare the report on achieved fiscal goals from the MTEF and ERP for its own needs. Hence, the score for the present dimension is D.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium-term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

Indicator/Dimension	Score	Brief justification of the score
PI-16. Medium-term perspective in expenditure budgeting (M2)	C+	
16.1. Medium-term expenditure estimates	A	Federation BiH MTEF for 2022 - 2024 presents an annual budget and two following fiscal years allocated by administrative, economic and functional classification.
16.2. Medium-term expenditure ceilings	A	Federation BiH Government had adopted MTEF 2022-2024 including aggregate and budget heads expenditure ceilings for the 2022-budget year and two following fiscal years before the first (2022) budget circular was issued
16.3. Alignment of strategic plans and medium-term budgets	D	FBiH government institutions are preparing their three-year work programs that, in some cases, are linked directly to budget heads' budget programs. but, as strategies are not costed, it's not possible to establish a materiality threshold as required.

16.4. Consistency of budgets with previous year's estimates	D	Budget documents provide an explanation between the last two macro-fiscal and expenditure projection periods but with no specific data
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The FBiH MoF has set out to modernize its budget planning processes and systems through the introduction of a medium-term budget planning and preparation framework¹⁵⁸.

Good practice (defined in accordance with international practices and standards) in medium-term budget planning requires each annual budget to be developed and presented as a “rolling” three-year budget plan i.e. the annual budget estimates for the forthcoming fiscal year plus the preliminary estimates of the two following fiscal years (referred to as ‘forward estimates’ in the manual). The Medium-term Budget Planning and Preparation framework for FBiH is based on this concept of “rolling” three-year budget and forward estimates. Rolling three-year budget and forward estimates are intended to simplify and improve the transparency of budget preparation as well as to improve the predictability of budget funding in order to facilitate the planning process of activities and priorities of budget users.

According to the FBiH PFM Reform Strategy 2021-2025, the FBiH Government has committed to complete the following activities:

- Improve the scope of consolidated expenditures at all levels of government in the MTEF (2023),
- Expand cantonal MTEFs to include lower levels of government (and funds)(2024),
- Include extrabudgetary funds at the FBiH level into the FBiH budget (2023),
- Prepare a methodology for the integrated budget planning system related to public policies (2023).

16.1. Medium-term expenditure estimates

Medium-term expenditure estimates have been in budgeting practice in Bosnia and Herzegovina since 2005. At the level of Federation BiH, a multiyear (medium-term) fiscal forecasts are produced as part of the budget process leading to the preparation of a MTEF, including forward estimates of expenditure for each budget user (i.e., estimates for the forthcoming budget year and the two following fiscal years).

Based on the Global Framework, Federation BiH Government prepares a medium-term Economic and Fiscal Guidance¹⁵⁹ that is the key input for the Federation BiH MTEF. Federation BiH MTEF represents the draft budget for the forthcoming and two following years, prepared in accordance with the Law on Budgets of the Federation BiH and serves as the basis for drafting and adopting the annual budget of the Federation BiH and lower levels of government (FBiH Cantons and municipalities). Once approved, the budget years estimates establish the budget heads’ budget ceilings for the forthcoming budget year. Forward estimates are used to anchor the preparation of the following year’s budget ceilings - medium-term budget estimates are updated annually using ‘a three-year rolling model’ of budget planning, where each year MoF prepares the MTEF based on the previous year’s budget and estimates. Once approved, MTEF is sent to FBiH Parliament in the form of information. However, the annual budget proposal sent to FBiH Parliament in early November is presented in economic and administrative classification only and does not include forward-year estimates. Based on the analysis and supporting evidence, the score for the present dimension is A.

Federation BiH medium-term expenditure estimates for 2022-2024 present the initial 2022 budget and two following fiscal years allocated by administrative, economic, and functional classification. The document contains macroeconomic forecasts, revenue projections, spending policies, and budget ceilings for

158 Federation BiH medium-term budget planning process is one that: has a clearly defined budget timetable and responsibilities, sets out a clear fiscal strategy based on the level of resources available to FBiH government, prioritizes the allocation of scarce resources to the FBiH most important economic and social policy objectives, improves the predictability of budget policy and funding, ensures more effective and efficient use of Government resources, improves transparency and accountability of Government policies, programs and decision-making; and ensures that the financial impacts in future years are taken into account when making policy decisions and that such decisions are made during the budget planning cycle.

159 <https://www.scribd.com/document/545780758/Smjernice-ekonomske-i-fiskalne-politike-FBiH-za-period-2022-2024>

budget heads for the forthcoming year and the following two fiscal years. It constitutes a preliminary draft budget including an overview of budget users' priorities and indicative expenditure ceilings¹⁶⁰.

16.2. Medium-term expenditure ceilings

As stated above, Federation BiH medium-term expenditure estimates (MTEF document) present the initial forthcoming budget and two following fiscal years allocated by administrative, economic, and functional classification. FBiH MoF produces a budget statement within MTEF including program classification, based on information submitted by budget users through Budget Instruction No. 1. Once MTEF is adopted by the FBiH Government, it presents a draft annual budget including budget ceilings for forthcoming and two following years determined at the level of budget beneficiaries (budget heads) by economic and functional classification. According to the budget calendar, presented within Budget Instruction No.1 every year, MTEF should be approved by the Federation BiH Government by the end of June each year. In July, MoF issues Budget Instruction No. 2 which includes budget ceilings for forthcoming and two following years representing the FBiH government final budget ceilings by each budget user with small chances to be changed unless some new political decisions/decrees (expenditure proposal) are adopted. By the end of October, MoF prepares the Federation BiH Government draft budget in the form of a budget proposal and sends it to FBiH Parliament for approval. Hence, the score for the present dimension is A.

16.3. Alignment of strategic plans and medium-term budgets

The strategic development planning process has significantly improved over the last decade at the Federation BiH level of government. Apart from the fact that the program budgeting structure has not yet been fully implemented (budget users are preparing their budgets in administrative, economic, and program classification, but the FBiH government and FBiH Parliament adopt an annual budget in administrative/economic classification only), the costed strategic planning process is now part of budget planning medium-term process including specific strategic objectives and indicators.

FBiH adopted the FBiH Development Strategy for 2021-2027¹⁶¹, which is an umbrella document used in drafting sectoral strategies, the work program of the FBiH government, the annual work plan of the FBiH government, FBiH MTEF, annual budgets, and the FBiH public investment program (PIP). Also, FBiH Strategy provides the basis for the development of development strategies of cantons and local self-governance units in the FBiH. Thanks to the FBiH Law on Development Planning and Development Management¹⁶², adopted in 2017, the FBiH government envisages the connection between strategic and budget planning. Indicators for each level (strategic objectives, priority, and measure) in both development strategy and sectoral strategies should be the same without distinction in terms of the indicators' type. In line with the Law on Development Planning, in the last few years, FBiH government institutions are preparing their three-year work programs that, in some cases, are linked directly to budget heads' budget programs. To be fully embedded into the MTEF/annual program budget process, a detailed methodology with possible adjustments in terms of a clear structure connecting strategic documents with the FBiH MTEF/annual budget planning process needs to be defined. This ongoing activity has planned to be completed by the end of 2022¹⁶³. As strategies are not costed, it's not possible to establish a materiality threshold as required, therefore, based on the analysis and supporting evidence, the score for the present dimension is D.

16.4. Consistency of budgets with previous year's estimates

Once approved by the FBiH Government, the budget year estimates establish the budget users' budget ceilings for the forthcoming budget year. However, there is no evidence that the forward estimates are used

160 <http://www.fmf.gov.ba/fmf20212021/Dokument%20okvirnog%20budz%CC%8Ceta%20FBiH%202022-2024-final-BOS.PDF>

161 https://parlamentfbih.gov.ba/v2/userfiles/file/Materijali%20u%20proceduri_2021/Strategija%20razvoja%20FBiH%202021-2027_bos.pdf

162 <https://fzpr.gov.ba/files/Zakoni/Zakon%20o%20razvojnem%20planiranju%20i%20upravljanju%20razvojem%20u%20FBiH.pdf>

163 It should be emphasized that the impact of the process in FBiH is limited because the provision of the main public services is the responsibility of the cantons.

to anchor the preparation of the following year's budget ceilings. FBIH MTEF is based on a three-year rolling model but, in practice, budget ceilings from the previous period are not carried forward automatically. Instead, in most cases, MoF rebases the budget and forward estimates for each budget cycle. However, any new government policy change is explained and compared with the previous period and budget estimates. In addition, at the state level, the BiH Directorate for Economic planning issues every year a medium-term ERP, which is the basis for macro-fiscal medium-term projections for all the levels of government in Bosnia and Herzegovina. This document explains the variation between the two last periods (the last medium-term macro-fiscal and expenditure projections with the current one), which is then reflected in Federation BiH MEFT accordingly, but without specific data. Hence, the score for the present dimension is D.

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions.

Indicator/Dimension	Score	Brief justification of the score
PI-17. Budget preparation process (M2)	B	
17.1. Budget calendar	B	At the level of FBIH, a clear budget calendar exists and is largely adhered to.
17.2. Guidance on budget preparation	A	Comprehensive and clear first annual budget is issued with budget ceilings approved by FBIH Government prior to distribution of Budget Instructions No.2.
17.3. Budget submission to the legislature	D	FBIH Government submitted annual budget proposals to the FBIH Parliament one month before the start of the fiscal year in 2019 for the 2020 budget year.

In recent years the Federation of Bosnia and Herzegovina (FBIH) has introduced a range of budget process reforms aimed at strengthening public expenditure management and planning process including a clear budget calendar and guidance on budget preparation.

In line with the FBIH PFM Reform Strategy 2021-2025, the following measures are to be adopted:

- Improve the budgeting and treasury system software at the level of the FBIH and cantons (2023),
- Improve public investment planning, management, and monitoring (2023),
- Set up the structures and capacities for management of EU funds (2025),
- Cash management (2024),
- Accounting and financial reporting (2025).

17.1. Budget calendar

This dimension assesses whether a fixed budget calendar exists and the extent to which it is adhered to.

The FBIH Budget Calendar defines the key dates for preparation of the FBIH Government annual budget set out in the Law on Budgets in the FBIH. Every year, the budget process begins in February with the distribution of Budget Instructions (BI) No. 1 which sets out the requirements, responsibilities, and timelines for each stage of the budget cycle. In addition, BI No. 1 includes the budget calendar and sets out each of the main steps, outputs, responsibilities, and deadlines of the annual budget process. Budget Instructions No. 2 is issued following the adoption of the FBIH MTEF and includes the initial budget ceilings for the upcoming annual budget for each Budget User approved by the FBIH Government.

The FBIH budgeting process is defined in ten steps covering all the budget activities and dates specified by the budget calendar, from its preparation until adoption, but in practice, the calendar is not always

adhered to. In 2021, budget users had 45 days to complete Priority review tables under BI 1 and one month to complete their detailed estimates under BI 2. According to the MoF, Sector for Budget, major budget users (accounting for majority of expenditure by value) have submitted their detailed estimates on time.

Table 17.1 sets out the budget calendar as presented in the Law on Budgets and the actual dates of every task completed during the 2022 budget process.

Table 17.1.B: Budget calendar for the last budget submitted to the legislature

Task	Responsibility	Date in Budget calendar	Actual date for 2022 budget preparation	Met/Not met
Distribution of Budget instructions No.1	MoF	15 February 2021	15 February 2021	Met
Submission of Budget User Priority Review Tables	Budget Users	31 March 2021	31 March 2021 ¹⁶⁴	Met
Global Framework of Fiscal Balance and Policies in BiH	Fiscal Council	31 May 2021	31 March 2022	Not met (over 8 months)
MTEF submitted to the FBiH Government by the MoF	MoF	15 June 2021	28 June 2021	Not met
MTEF adopted by the FBiH Government	FBiH Government	30 June 2021	15 July 2021	Not met
Budget Instructions No. 2 issued (including budget ceilings)	MoF	15 July 2021	15 July 2021	Met
Submission of estimates under Budget Instructions No.2	Budget Users	15 August 2021	15 August 2021 ¹⁶⁵	Met
Budget user discussions	MoF/Budget Users	15 Aug to 15 Sep 2021	30 September 2021	Not met
Budget submitted to FBiH Government	MoF	31 October 2021	23 December 2021	Not met
Budget adopted by the FBiH Government	FBiH Government	05 November 2021	30 December 2021	Not met
FBiH Government submits budget to FBiH Parliament	FBiH Government	05 November 2021	30 December 2021	Not met
BiH Parliament approves budget	FBiH Parliament	31 December 2021	23 March 2022 ¹⁶⁶ , 31 March 2022 ¹⁶⁷	Not met

Source: Ministry of Finance FBiH¹⁶⁸

Based on the analysis and supporting evidence, the score for the present dimension is B.

164 Confirmed by email correspondence with FBiH MoF

165 Confirmed by email correspondence with FBiH MoF. The same verifies that submission from no major budget beneficiary (that would account for above 25% of materiality by expenditure) have been delayed.

166 FBiH Parliament, House of Representatives, <https://www.paragraf.ba/dnevne-vijesti/31032022/31032022-vijest2.html>

167 FBiH Parliament, House of Peoples, https://parlamentfbih.gov.ba/v2/bs/aktuelno.php?akt_id=877; <https://fbihvlada.gov.ba/bs/14-zakon-o-izvravanju-budzeta-federacije-bosne-i-hercegovine-za-2022-godinu>

168 Sent by MoF, Budget Sector

17.2. Guidance on budget preparation

Following the submission of the BUPRTs (Budget User priority review tables), the MoF prepares a draft MTEF that sets out, among other things, the underlying macroeconomic indicators and fiscal outlook, proposed budget expenditure priorities for the budget and forward estimates period, and budget ceilings for each Budget User, in administrative and program classification. Once the FBiH Government has approved the MTEF which contains Government-set ceilings, the MoF issues BI No. 2 which set out the Government-approved budget ceilings for each Budget User (in accordance with the approved MTEF)¹⁶⁹ for the forthcoming year, together with instructions for the preparation of budget requests.

During the month of August, Budget Users are obliged to prepare their detailed budget estimates in accordance with the adopted budget ceilings. The MoF and Budget Users carry out discussions following the distribution of BI No. 2 in July. Through the discussions that take place mostly in September, some adjustments to previously adopted budget ceilings may be permitted but need to be in line with new/changed government policy priorities and subject to the approval of final budget ceilings by the FBiH Government.

The comprehensive and clear first annual budget is issued with budget ceilings approved by FBiH Government prior to distribution of Budget Instructions No.2 Based on the analysis and supporting evidence, the score for the present dimension is A.

17.3. Budget submission to the legislature

This dimension assesses the timeliness of the submission of the annual budget proposal to the legislative.

The table below presents the dates of submission of the annual budget to FBiH Parliament for the period from 2020 to 2022

Table 17.3.B: Actual dates of budget submission for the last three completed fiscal years

Task	Responsibility	Date in Budget calendar	Actual date for budget submission
FBiH Government submits the 2020 budget to FBiH Parliament	FBiH Government	05 November 2019	27 November 2019
FBiH Government submits the 2021 budget to FBiH Parliament	FBiH Government	05 November 2020	15 December 2020
FBiH Government submits the 2022 budget to FBiH Parliament	FBiH Government	05 November 2021	30 December 2021 ¹⁷⁰

Source: Ministry of Finance FBiH

FBiH Government submitted annual budget proposals to the FBiH Parliament one month before the start of the fiscal year only in 2019 for the 2020 budget, therefore, the score for the present dimension is D.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature.

169 Approved by FBiH Government and sent to FBiH Parliament in the form of information as a part of the budgeting process in Federation BiH

170 See the attached accompanied documentation

Indicator/Dimension	Score	Brief justification of the score
PI-18. Legislative scrutiny of budgets (M1)	C+	
18.1. Scope of budget scrutiny	C	FBiH Parliament reviews details of expenditure and revenue but with limited legislative scrutiny.
18.2. Legislative procedures for budget scrutiny	D	In Federation BiH, the legislature's role and power over the budget process is very limited.
18.3. Timing of budget approval	C	In Federation BiH, in the last two years, the legislature was not able to approve the annual budgets within one month of the start of the fiscal year.
18.4. Rules for budget adjustments by the executive	B	In Federation BiH, clear rules are set up for in-year budget adjustments.

18.1. Scope of budget scrutiny

The Federation BiH Parliament has established a standard procedure for the Budget and Finance Committees to review the annual budget and report to the FBiH Parliament. In practice, there is very limited legislative scrutiny that is taking place in both houses.

In the last few years¹⁷¹, both Committees were not given enough time to analyze the draft budget because: a) the Ministry of Finance does not provide Committees with the draft annual budget, which is in line with parliamentary procedure, but with the budget proposal, b) FBiH Government requests for a fast (urgent) adoption procedure. Given the fact that annual budgets weren't submitted in the form of a draft budget, there were no public discussions nor the Committee's prior working meetings with relevant entities required by the standard procedure of legislative budget scrutiny. In addition, FBiH Parliament Committees have no technical capacity (professional in-house or external staff) to support their work. Hence, the score for the present dimension is C.

18.2. Legislative procedures for budget scrutiny

According to the Law on Budgets in the Federation BiH, the FBiH government is required to submit an annual budget (in the form of a draft budget) to the FBiH Parliament for adoption by 5 November each calendar year; MTEFs are usually submitted to Parliament "for information" early, in July. The Law also provides for FBiH Parliament to discuss the proposed budget and adopt the annual budget by December 31.

In practice, the legislature's role and power over the budget process in Federation BiH is very limited or better say does not exist. As explained earlier – no public budget hearings and debates are taking place; in addition, parliamentary committees should be able to question the government on all aspects of its budget proposals but given that there are inadequately technically equipped to do that effectively, the comments/changes to budget proposals as a response to parliamentary discussions are usually negligible. As an example, the 2022 budget was adopted by the House of Representatives, Parliament of the Federation of Bosnia and Herzegovina on 23 March 2022 and a week after, on 31 March 2022, by the House of Peoples!

Table 18.2.B: Actual dates of draft budget submission and adoption by the FBiH Parliament

Budget Year	Date FBiH MoF submitted draft budget to FBiH Government	Date FBiH Government submitted budget proposal to FBiH Parliament	Date FBiH Parliament adopted budget
2022	23 December 2021 Dec 2020	30 December 2021	23 March 2022 (House of Representatives) and 31 March 2022 (House of Peoples)

Hence, the score for the present dimension is D.

171 https://parlamentfbih.gov.ba/v2/userfiles/file/arhiva_spisak/usvojeni%20akti-2018-2022_12092022.pdf

18.3. Timing of budget approval

As stated above, in the assessed period, both Committees were not given enough time to analyze the draft budget given that they received annual budgets in the form of the budget proposal and were requested by the FBiH Government for a fast (urgent) adoption procedure.

Table 18.3.B: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Actual date of approval
2020	On 27 Nov 2019 FBiH Government submitted the 2020 annual budget proposal to FBiH Parliament
	FBiH Parliament adopted the 2020 budget on 19 Dec 2019 ¹⁷²
2021	On 15 Dec 2020 FBiH Government submitted the 2021 annual budget proposal to FBiH Parliament
	FBiH Parliament, House of Representatives, adopted the 2021 budget on 28 December 2020 ¹⁷³ in fast procedure, while the House of Peoples adopted the 2021 budget in fast procedure on 11 January 2021 ¹⁷⁴ .
2022	On 30 December 2021 FBiH Government submitted the 2022 annual budget proposal to FBiH Parliament. FBiH Parliament, House of Representatives, adopted the 2021 budget on 30 March 2022, while the House of Peoples adopted the same budget on 1 April 2022 ¹⁷⁵

(Source: correspondence with FBiH MoF and Secretary of FBiH Parliament Committee for Economic and Financial Policy of the House of Representatives, official websites FBiH Government and FBiH Parliament)

Based on the available evidence, the score for the present dimension is C.

18.4. Rules for budget adjustments by the executive

Article 33 of the Law on Budgets in the Federation BiH provides for significant amendment budget allocations within the approved budget without ex-ante approval of the Federation BiH Parliament.

According to the FBiH Law on Budget, Article 33, FBiH MoF, at the proposal of a budget user, can decide on budget user' budget adjustments at a maximum of 10% of the total approved budget. Along with the request for budget redistribution, the budget user must provide adequate documentation for request supporting the changes. The Law on Budget Execution that accompanies the adopted annual budget regulates the scope and types of expenditures for restructuring providing certain limitation per budget lines.

In addition, the Article 33 provides that on an exceptional basis, on a proposal by the MoF, the FBiH Government may reallocate expenditure between budget users, provided there is no overall increase in expenditure.

All other budget adjustments require prior legislative approval.

Hence, the score for the present dimension is B

172 <https://ba.n1info.com/vijesti/a398837-usvojen-budzet-fbih-2020/>

173 https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_pd_18_22/Pismo-PD_Budzet_2021.pdf

174 https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_dn_18_22/Pismo-DN_Budzet_Federacije-21.pdf

175 https://parlamentfbih.gov.ba/v2/bs/aktuelno.php?akt_id=877

PILLAR FIVE: Predictability and control in budget execution

This pillar analyzes whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Overall performance: key strengths and weaknesses

The FBiH Tax Administration is responsible for the administration of direct taxes, social security contributions, and part of fees and charges; the largest part of revenues - 47.6%. Although the FBiH TA administers the largest part of revenues, it covers less than 50% and in terms of materiality presents the agency administering some of the revenues. The FBiH Tax Administration provides taxpayers with information about their rights and obligations. FBiH Tax Administration prepares documents that deal with risk management, but they are not made available to PEFA assessors. The situation is the same with the revenue audit and investigation. The share of arrears in collected revenues in 2021 was 36% for the entire FBiH (the age of the arrears is unknown). The reform strategy recognized the need to improve the legal framework for public revenues and administrative barriers.

Budget revenues under the jurisdiction of the FBiH level are collected directly through a treasury single account. EBU's own their own accounts. Revenues from indirect taxes collected on a single account are distributed to the four levels of government on a daily basis, while reconciliation is done monthly. Cross-checking the data from the treasury single account and the FBiH Tax Administration is on a basic level. There is insufficient information exchange between the FBiH Ministry of Finance and the FBiH Tax Administration.

Consolidation of bank accounts is done daily. Cash forecasting is done quarterly, expressed by months. Commitment ceilings for actual spending are available to budgetary units one month in advance. Regarding budget reallocations, evidence was not available to the PEFA assessors.

Expenditure arrears are low for the FBiH level, up to 1% of total expenditures. Reports are produced quarterly. Also, in the previous assessment, all liabilities were not properly recorded and paid due to lack of funds. The reform strategy recognized the need to settle outstanding liabilities and improve reporting.

Payroll and personal records were not assessed due to evidence not being available to PEFA assessors. Regarding the payroll audit, it is regularly performed as part of the financial audit of the FBiH Government budgetary units (occasionally for EBUs) by the Supreme Audit Institution.

Regarding procurement, it is regulated by legislation at the level of BiH for all levels of government (BiH, FBiH, RS, and BD, but also cantons and municipalities) and is covered by the PEFA at the level of BiH.

The internal control of non-salary expenditures looks good. There is a segregation of duties. Expenditure control is automatically regulated through the ISFU information system, however, small arrears still exist as noted above. There are payment rules and procedures that are followed. With the introduction of internal audit units in most institutions, procedures and rules are stronger.

Internal audit is operational for central government entities representing all of the total budgeted expenditures and for central government entities collecting most of the budgeted government revenue. The internal audit is focused on the adequacy and effectiveness of internal controls, which was not the case in the previous PEFA assessment. There are internal audit plans that are followed. Internal audit units distribute reports with recommendations to interested parties. Management responses to internal audit recommendations in most cases. This happens for most auditees within twelve months. In this area of internal audit, the reform strategy recognizes the need to introduce the function of internal audit in more institutions, as well as the need for improvement in the field of IT technologies and the strengthening of human capacities.

PI-19. Revenue administration

This indicator covers the administration of all types of tax and non-tax revenue for the central government. It assesses the procedures used to collect and monitor central government revenues. Coverage is CG at time of assessment for PI-19.1 and 2 and for the last completed fiscal year for PI-19.3 and 19.4.

Indicator/Dimension	Score	Brief justification of the score
PI-19. Revenue administration (M2)	D+	
19.1. Rights and obligations for revenue measures	B	FBiH Tax Administration as an entity administering the majority of revenues collected at this level (74.3%). It provides taxpayers with access to comprehensive and up-to-date information on obligations and rights.
19.2. Revenue risk management	D*	No sufficient information for assessment.
19.3. Revenue audit and investigation	D*	No sufficient information for assessment.
19.4. Revenue arrears monitoring	D*	No sufficient information for assessment.

The FBiH Tax Administration (FBiH TA) is an entity that administers 47.6% (the largest part of revenues) of the collected budgetary and EBU's revenues (in line with PI-3 and PI-6). FBiH TA only administers collection of revenues, it is not a collecting entity (revenues are paid directly either to TSA or accounts of EBU's).

The Law on FBiH TA¹⁷⁶ states that FBiH TA administers taxes, social security contributions, some fees, and charges.

Indirect taxes are administered and collected by the BiH Indirect Tax Authority, which is at the state level and is covered by PEFA for the BiH level. Indirect taxes are collected on a single account and allocated to FBiH.

Table 19.1 shows the collected revenues of FBiH CG in 2021 from taxes, social security contributions, grants, and other revenues:

Table 19.1.B: Collection of FBiH budget revenues

Type of revenues	Amount (BAM)	% of total	Administration and/or collecting entity	Collected revenue administered by FBiH amount FY21	% of total administered by FBiH
FBiH Budget revenues					
Corporate income tax; other taxes	71,557,301	1.4%	FBiH TA	71,557,301	2.4%
Pension social security contribution	2,177,822,134	42.1%	FBiH TA	2,177,822,134	73.4%
Indirect taxes	1,618,255,310	31.3%	BiH ITA	/	/
Grants and other revenues	715,911,384	13.8%	Other entities	715,911,384	24.1%
TOTAL Budget revenues	4,583,546,129	/	/	2,965,290,819	64.7%
FBiH EBU's revenues					
Health and unemployment social security contributions	213,579,586	4.1%	FBiH TA	213,579,586	60.7%

176 <http://www.pufbih.ba/v1/public/upload/zakoni/5d0e4-zakon-o-poreznoj-upravi-fbih-preciscen-tekst-novi-22.pdf>

Indirect taxes	237,862,201	4.6%	BiH ITA	/	/
Membership fees to tourist associations and trade chambers	84,758	0.0%	FBiH TA	84,758	0.0%
Grants and other revenues	138,088,475	2.7%	Other entities	138,088,475	39.3%
TOTAL EBUs' revenues	589,615,019	/	/	351,752,819	59.7%
GRAND TOTAL (Budget + EBU)	5,173,161,148	100%	/	3,317,043,638	64.1%

Based on the calculations above, the FBiH TA qualifies as the revenue collecting entity that collects 74.3% of FBiH CG revenue collected at this level, i.e., the majority (over 50% as per PEFA criteria).

The PFM Strategy in FBiH 2021-2025 has identified the following needs:

- improve the legal framework for public revenue (improve tax administration regulations - Laws governing the activities and competencies of the FBiH TA, tax administration and procedures in the FBiH should be separate, as is the practice in most countries; these laws should establish a platform and legal basis for the necessary reforms in the FBiH TA, considering that the current organization of the FBiH TA is inefficient (with 10 cantons and 73 branches), where reorganization is necessary to ensure the efficiency of the FBiH TA.)
- improve the business environment by removing administrative barriers (improve the process of e-filing; improve taxpayer services by the FBiH Tax Administration; improve the public revenue collection process; reduce current tax debt; improve the taxpayer registration process in the FBiH TA.

19.1. Rights and obligations for revenue measures

Based on the information from the FBiH TA as an institution that is in charge of collecting the majority of FBiH CG revenues, communication channels used to inform taxpayers are as follows: electronic, printed, online media, website of the FBiH TA¹⁷⁷, social networks (Facebook¹⁷⁸, YouTube channel¹⁷⁹), public information campaigns, info desks, specialized publications (instructions, guides), meetings, thematic round tables, advertising and marketing, web presentations, public presentations. These channels are used for the purpose of more transparent and clear communication with the public and for providing the highest quality and best services to taxpayers, but also for the purpose of strengthening tax awareness and discipline, depending on what the goal is to be achieved.

By looking at the website of the FBiH TA, taxpayers can find information about the obligations. However, most of the information is available through laws, bylaws, forms/tax declarations. There is a guide (brochure) for some types of obligations, as well as deadlines for filing the tax declarations¹⁸⁰ and other forms¹⁸¹. Information on the rights of taxpayers, that is, information related to the appeal procedure, is only available in the Law on FBiH TA, without additional promotion through easier access. All information is up to date. The Facebook page is updated, but the information is mostly on the work of the FBiH TA. The YouTube channel is not updated with new videos.

FBiH TA as an entity collecting the majority of revenues provides taxpayers with access to comprehensive and up-to-date information on obligations and rights, resulting in score B.

177 <http://www.pufbih.ba/v1/>

178 <https://www.facebook.com/PoreznaUpravaFBiH/>

179 <https://www.youtube.com/channel/UCphIPyiwTQmAFrwpSodjC6w>

180 <http://pufbih.ba/v1/stranica/16>

181 <http://www.pufbih.ba/v1/stranica/2>

19.2. Revenue risk management

Based on information from the FBiH TA, when it comes to documents related to risk management/assessment, the FBiH TA has these documents, but given that they contain data that represent a tax secret and/or can be linked to taxpayers whose data are tax secrets, those documents cannot be made available.

There is insufficient information to assess this dimension since the necessary document is confidential. Hence, the score for the present dimension is D*.

19.3. Revenue audit and investigation

Same as in Revenue risk management, based on information from the FBiH TA, when it comes to documents related to public revenue collection plan, the FBiH TA has these documents, but given that they contain data that represent a tax secret and/or can be linked to taxpayers whose data are tax secrets, those documents cannot be made available. According to the Work strategy of the FBiH TA and the three-year Work plan, the public revenue collection plan is prepared as a separate document for the three-year period, and adjustments are made every year for the following three years. The purpose of this document is to monitor the activities that are necessary for the realization of the institution's goals, i.e., whether the set activities sufficiently impact the increase in the collection of public revenues as a key strategic goal, and what is the percentage of collection realization compared to the projected one. In addition, data on collected revenues for all types of revenues under the jurisdiction of the FBiH TA are monitored and analyzed quarterly. For example, for 2021 the FBiH TA reported 6,131 tax audits carried out, resulting in additional assessments of BAM 121 million in taxes due and nearly BAM 7 million in fines.¹⁸² Intelligence and investigation work of the FBiH TA resulted in 29 criminal charges raised, acting upon request of the prosecutors in 342 instances and upon other bodies and authorities in over 2,750 instances.

There is insufficient information to assess this dimension since the necessary document is confidential and there is no publicly available information that compare plans and execution of tax audits and investigations. Hence, the score for the present dimension is D*.

19.4. Revenue arrears monitoring

On the website of the FBiH TA, there is a report on revenue arrears¹⁸³. The report shows arrears of over BAM 50,000 by taxpayers for taxes, social security contributions, fees, and charges as of 31 December 2021. Arrears related to lower levels of government are also included in the report, so it is not possible to calculate the share of FBiH revenue arrears in relation to the total collected FBiH revenues. It is possible to calculate for the entire FBiH for revenues that are under the authority of FBiH TA. The ratio of arrears on 31 December 2021 and collected revenues in 2021¹⁸⁴ is 36%. However, the age of the arrears is not specified either. Hence, the score for the present dimension is D*.

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. Coverage is CG at time of assessment.

182 [Konferencija za medije \(pufbih.ba\)](http://pufbih.ba)

183 http://pufbih.ba/v1/public/upload/files/31_12_2021_.pdf

184 [http://pufbih.ba/v1/public/upload/files/Prezentacija%20rada%20PU%20FBiH%20za%202021%20god%2001_11_%202022_\(1\).pdf](http://pufbih.ba/v1/public/upload/files/Prezentacija%20rada%20PU%20FBiH%20za%202021%20god%2001_11_%202022_(1).pdf)

Indicator/Dimension	Score	Brief justification of the score
PI-20. Accounting for revenue (M1)	C+	
20.1. Information on revenue collections	A	FBiH budgetary revenues, which are under the authority of the FBiH level, are collected through the Treasury Single Account by type of revenues and can be put into a report on a daily basis. Information on revenues that are not part of TSA, but also on revenues that are part of TSA, are available in RAS files by revenue type and can be put into report on a daily basis. Indirect taxes are distributed to the FBiH on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data.
20.2. Transfer of revenue collections	A	The FBiH budgetary revenues, which are under the authority of the FBiH level, are paid to the Treasury Single Account through banks, and funds are made available immediately. EBU's revenues are not transferred to TSA, but are EBU's own revenues. In some cases, revenues from TSA are transferred to EBU's. Revenues from indirect taxes are transferred on a daily basis.
20.3. Revenue accounts reconciliation	C	Treasury is not cross-checking the data with and not receiving reconciled data (including assessments and arrears) from the FBiH Tax Administration.

Based on the FBiH Law on Treasury¹⁸⁵, Treasury Single Account (TSA) is a system of budget bank accounts through which payments of revenues and receipts, and payments of expenditures are made and recorded in the Treasury General Ledger system. TSA consists of a deposit account opened in a commercial bank, an investment account, one or more transaction accounts, one of which is the main account from which payment orders are executed in accordance with the Law on Internal Payment Transactions¹⁸⁶, accounts in the Central Bank, a special account for the management of development funds as well as special accounts for the management of debt and international agreements and, if necessary, transaction accounts for cash. All these accounts must be kept on behalf of the ministries of finance¹⁸⁷ or the finance departments¹⁸⁸. The TSA system centralizes control over all public revenues in the ministries of finance, i.e., in the finance departments. Public funds are funds collected on the basis of tax revenues, social security contributions, fees, revenues from the provision of public services and activities, receipts from issued securities, credits and loans, transfers, and donations. All public funds must be paid to TSA. The Treasury is the basic organizational unit within the FBiH Ministry of Finance, the cantonal ministries of finance, the financial departments of municipalities, cities, and extra-budgetary funds, which, among other things, manages the TSA.

Every change in the account balance comes to the FBiH Ministry of Finance through a bank statement in electronic format and uploads to the Financial Management Information System (ISFU system). That means it can be every day or once a month, depending on the bank transactions. The account balance is known every day.

185 <https://www.paragraf.ba/propisi/fbih/zakon-o-trezoru-u-federaciji-bosne-i-hercegovine.html>

186 <https://advokat-prnjavorac.com/zakoni/Zakon-o-unutrasnjem-platnom-prometu-FBiH.pdf>

187 FBiH Ministry of Finance and cantonal ministries of finance

188 Finance departments in municipalities, cities and extra-budgetary funds.

Also, on the other hand, FBiH Tax Administration receives the RAS¹⁸⁹ files from the banks on a daily basis, by type of revenues. The FBiH Ministry of Finance also has a Reporting Tool that takes over RAS files data and produces necessary reports. RAS files contain data for all revenue sources (budgetary and extra-budgetary except for indirect taxes) based on the FBiH Rulebook on payment methods and allocation of public revenues in the FBiH¹⁹⁰.

Some of the revenues that belong to EBUs are paid to TSA and allocated to EBUs, but some are paid directly to separate EBUs accounts.

Indirect taxes and the Indirect Tax Authority are described in PI-20, part of the PEFA which covers BiH level.

20.1. Information on revenue collections

Table 20.1.A: Information on revenue collection (BiH Institutions Budget)

Collecting entity	Category of revenue	Total amount collected ¹⁹¹ in 2020	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by revenue type	Consolidated into a report	Consolidated
FBiH TA (administration entity)	-Corporate income tax - Other taxes - Social security contributions - Membership fees to tourist associations and trade chambers	BAM 2,463,043,779 (47.6%)	Directly paid to TSA (taxes, pension social security contributions); also available through RAS files from banks including those revenues that are not part of the TSA	Y	Y	Y
BiH ITA (collecting entity)	Indirect taxes	BAM 1,856,117,511 (35.9%)	Daily because the distribution of revenues is on a daily basis; consolidated into a report on a monthly basis	Y	Y	Y
Other entities (administration and/or collecting entities)	Grants and other revenues	BAM 853,999,859 (16.5%)	Directly paid to TSA; otherwise also available through RAS files from banks	Y	Y	Y

FBiH budgetary revenues that are under authority of the FBiH level are collected through the TSA by type of revenues and can be put into report on a daily basis. Information on revenues that are not part of TSA, but also on revenues that are part of TSA, are available in RAS files by revenue type and can be put into report on a daily basis. Indirect taxes are distributed to the FBiH on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data. Based on the analysis and supporting evidence, the score for the present dimension is A.

189 Revenue allocation system

190 <https://feb.ba/wp-content/uploads/2022/05/87462-precisceni-pravilnik-o-nacinu-uplate-pripadnosti-i-raspodjele-javnih-prihoda-u-fbih-novi-preciceni-34-22.pdf>

191 As described under PI-19 to determine the materiality

20.2. Transfer of revenue collections

Table 20.2.B: Transfer of revenue collections

Collecting entity	Category of revenue	Frequency of revenue collections transfer to the Treasury
FBiH TA (administration entity)	- Corporate income tax - Other taxes - Social security contributions - Membership fees to tourist associations and trade chambers	Direct payments to TSA through banks for budgetary revenues; for EBU's revenues no transfers to Treasury, these are own EBU's revenues
BiH ITA (Single Account; collecting entity)	Indirect taxes	Daily
Other entities (administration and/or collecting entities)	Grants and other revenues	Direct payments to TSA through banks; for EBU's revenues no transfers to Treasury, these are own EBU's revenues; there are cases of transfers from TSA to EBU's accounts

Source: Law on FBiH TA; FBiH Law on Treasury; BiH Law on payments on a single account and revenue allocation; Rulebook on payment methods and allocation of public revenues in the FBiH; information from the FBiH MoF

The FBiH budgetary revenues (57% of total FBiH CG revenues) that are under authority of the FBiH level are paid to TSA through banks and funds are made available immediately. EBU's revenues are not transferred to TSA, but are EBU's own revenues. In some cases, revenues from TSA are transferred to EBU's accounts. Revenues from indirect taxes are transferred on a daily basis.

Hence, the score for the present dimension is A.

20.3. Revenue accounts reconciliation

Table 20.3.B: Revenue accounts reconciliation

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
FBiH TA (administration entity)	-Corporate income tax - Other taxes - Social security contributions - Membership fees to tourist associations and trade chambers	Daily (for revenues with direct payments to TSA); for those that are not part of the TSA is unknown to assessors; but no cross checking with the Tax Administration	NA	N	Y	N	Direct payment to TSA; for EBU's no transfers to TSA
BiH ITA (collecting entity)	Indirect taxes	Monthly	End of month for previous month	Y	Y	Y	Y

Other entities (administration and/or collecting entities)	Grants and other revenues	Daily (for revenues with direct payments to TSA); for those that are not part of the TSA is unknown to assessors	NA	NA	Y	NA	Direct payment to TSA; for EBU's no transfers to TSA
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Source: Law on FBiH TA; FBiH Law on Treasury; BiH Law on payments on a single account and revenue allocation; Rulebook on payment methods and allocation of public revenues in the FBiH; information from the FBiH MoF

The Indirect Tax Authority makes reconciliations on a monthly basis. Since all budgetary revenues under the authority of the FBiH level are paid to TSA through banks, the reconciliation of accounts is available on a daily basis. The data on inflows to the TSA from the banks is received simultaneously by the FBiH TA and the Treasury at the FBiH MoF by means of RAS files. FBiH TTA has an accounting system to track assessments, collections, arrears of all taxpayers. Hence, the score for the present dimension is C.

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. Coverage is BCG at time of assessment for PI-21.1 and for last completed fiscal year for PI-21.2, 21.3 and 21.4.

Indicator/Dimension	Score	Brief justification of the score
PI-21. Predictability of in-year resource allocation (M2)	B+	
21.1. Consolidation of cash balances	A	All bank and cash balances are consolidated on a daily basis
21.2. Cash forecasting and monitoring	B	Cash flow planned quarterly, expressed by month, based on actual cash inflows and outflows
21.3. Information on commitment ceilings	C	Commitment ceilings available one month in advance
21.4. Significance of in-year budget adjustments	A	In-year budget adjustments are rules-based and transparent, carried out in limited number of instances across the year.

The PFM Strategy in FBiH 2021-2025 has identified the need to adopt and implement procedures for preparing cash flow projections in ISFU.

21.1. Consolidation of cash balances

Accounts consolidation is performed with every change in the account, i.e., if payment is made from that account or to the account. Every change in the account balance comes to the FBiH MoF through a bank statement in electronic format and uploads to the ISFU system. The account balance is known each and every day. The interest is calculated on the account balance at the end of each month.

Table 21.1.B: Consolidation of cash balances

Bank and cash - List of accounts	Frequency of reconciliation
Union bank – part of TSA + earmarked + donor transaction accounts	Daily, i.e., with every change in the account
ASA bank – part of TSA	Daily, i.e., with every change in the account
PBS bank – part of TSA	Daily, i.e., with every change in the account
ISP bank – part of TSA	Daily, i.e., with every change in the account

Based on the analysis and supporting evidence, all bank and cash balances are consolidated on a daily basis, i.e., with every change in the account, so the score for the present dimension is A.

21.2. Cash forecasting and monitoring

According to the FBiH Law on Treasury, the FBiH MoF Treasury Department is responsible for the preparation of annual and quarterly cash flow plans, expressed by month, which forecast the TSA inflows and outflows, which is the basis for executing the budget. When creating the cash flow plans, the Treasury Department uses information from various sources, including historical data on inflows and outflows. Some of them are the final balance on TSA for the previous period, forecasts of revenues and expenditures, debt, and macroeconomic indicators, commitment ceilings. The approved cash flow plans serve as the basis for drafting operational plans of expenditures of budgetary units.

Cash flow is planned quarterly, expressed by month, based on actual cash inflows and outflows as well as other relevant parameters described above. Hence, the score for the present dimension is B.

21.3. Information on commitment ceilings

Based on the FBiH Law on Budget Execution for 2021¹⁹², budgetary units are obliged to submit quarterly financial plans to the FBiH MoF. Quarterly plans are framework plans. However, budgetary units are obliged to submit a proposal for the monthly operational plan for the next month by economic codes determined in the budget for budgetary units. Based on the Instruction on the method of drafting proposals for operational plans for the Budget execution of the FBiH for 2021, they are also obliged to submit annual plans as well.

Expenditures of each budgetary unit cannot exceed the allocated budget amounts approved for each month or other time period, which is determined by the FBiH Ministry of Finance, except with the consent of the FBiH Ministry of Finance. Certain budgetary units (who have access to equipment and licenses) can see their ceilings through the ISFU system. Budgetary units that do not have the equipment and access to the ISFU system immediately receive information about available funds via phone or email.

Commitment ceilings are available one month in advance. Hence, the score for the present dimension is C.

21.4. Significance of in-year budget adjustments

Within the rules discussed in PI-18.4, the Government, upon formal requests of budget users channeled through the FMF, approved nine decisions on budget reallocations between users of the FBiH Budget in the course of 2021. The net effect of these changes was nil in terms of the aggregate volume of revenue and expenditure, i.e., the redistribution was done within the ceilings approved in the annual budget. In total, BAM 120 million was transferred between budget users, representing around 2.7 percent of the original approved budget/3 percent of the actual outturn for the year.

Only two of those in-year changes were significant, in the order of magnitude of BAM 105 million for stabilization of the economy and BAM 12 between budget users in the health sector. The other seven decision totaled BAM 3 million altogether, mainly for out-of-court settlements. The changes did have

192 http://parlamentfbih.gov.ba/v2/userfiles/file/Usvojeni%20materijali_2021/Zakon%20o%20izvr%C5%A1a_%20budze_%20FBiH%20za%202021%20-%20bos.pdf

some effect on the outturns on higher level of aggregation in terms of expenditure composition by administrative classification (score C on PI-2) but not as much on the economic classification (score B on PI-2). Nevertheless, all changes have been made in line with transparent procedures, published the Official Gazette and on the Government web site with other materials from the session.

Ultimately, it is possible for the Government to propose and for the Parliament to approve a budget rebalance (supplementary budget) in the course of the year, mainly in response to revenue and expenditure trends. Such budget rebalancing follows the same provisions accorded to the passing of the annual budget. There were, however, no budget rebalances in 2021. There have, likewise, been no instances in 2021 of FMF freezing spending in line with Article 22 the Law on Budgets.

Considering significant in-year changes were limited and carried out transparently, the score for the present dimension is A.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. Coverage is BCG for the last completed fiscal year for PI-22.1 and at time of assessment for PI-22.2.

Indicator/Dimension	Score	Brief justification of the score
PI-22. Expenditure arrears (M1)	A	
22.1. Stock of expenditure arrears	A	The share of stock of expenditure arrears is 1% and 0.8% for 2020 and 2021, respectively.
22.2. Expenditure arrears monitoring	A	Data on the stock, age to a certain extent and to some extent the composition of expenditure arrears for BCG are generated quarterly within four weeks of the end of each quarter. Although the age is reported as +90 days and reports by responsible entities are generated on demand, everything is available in the system.

Based on the FBiH Law on Financial Operations¹⁹³, payment arrears are defined as those that exceed 90 days from their due date. Form (Template) 7 of the FBiH budget execution is the Register of Arrears. In addition to the arrears shown in Form 7, there are also arrears that are managed off-balance because no budget funds have been planned for them. They refer to labor disputes (CoA line item 191313), and court verdicts and enforcement decisions (CoA line item 191314).

The report on expenditure arrears is generated quarterly within four weeks of the end of each quarter together with the quarterly report on budget execution. The report includes the stock of arrears and arrears by type. The age of arrears is only generated as +90 days¹⁹⁴. On demand, a report on arrears by a responsible entity can be generated.

The PFM Strategy in FBiH 2021-2025 has identified the need to clear outstanding liabilities (amend reporting on outstanding liabilities; document the stock of outstanding liabilities at all levels of government and prepare a report; provide support to beneficiaries of public funds in managing the existing and preventing the accumulation of new outstanding liabilities).

193 <https://advokat-prnjavorac.com/zakoni/Zakon-o-finansijskom-poslovanju-FBiH.pdf>

194 Budgetary units are required to enter obligations into ISFU within 8 days of receipt of the invoice, according to the Instructions on budget execution from TSA.

https://mrsri.ks.gov.ba/sites/mrsri.ks.gov.ba/files/uputstvo_o_izvrsavanju_budzeta_sa_jrt_broj_34_16.pdf

22.1. Stock of expenditure arrears

Table 22.1.B: Stock of expenditure arrears: breakdown by different categories

	2019	2020	2021
Stock of arrears for Category 1: employees' wages	9,536	389	1,654
Stock of arrears for Category 2: goods and services; liabilities for non-financial assets	173,122 3,680	146,895 3,680	152,341
Stock of arrears for Category 3: transfers to extra-budgetary funds	7,568	7,568	981
Stock of arrears for Category 4: transfers to individuals	227,101	865,394	499,815
Stock of arrears for Category 5: subsidies	1,544,282	1,562,160	366,391
Stock of arrears for Category 6: other transfers	658,142	15,542	3,339
Stock of arrears for Category 7: labor disputes, and court verdicts and enforcement decisions	1,760,891	848,270	314,085
Stock of arrears for Category 8: other current liabilities	53,011		2,860
Stock of arrears for Category 9 (off-balance): labor disputes, and court verdicts and enforcement decisions	No info	39,197,880	34,004,134
Total stock of arrears at the end of the FY (i)	No info due to missing data for Category 9 (off-balance) above	42,647,778	34,138,280
Total actual expenditure for the FY¹⁹⁵ (ii)	1,574,816,060	4,180,602,200	4,012,423,809
Ratio (i)/(ii)	No info	1%	0.8%

Source: Form 7 - Register of Arrears (FBiH Budget Execution); off-balance evidence

Beyond budgetary central government arrears, there are known weaknesses in comprehensiveness in accuracy of data arrears collected from other general government units in the public sector of FBiH, including other central government entities. The share of stock of expenditure arrears for the budgetary central government is 1% and 0.8% for 2020 and 2021, respectively. The issues of arrears was discussed with both an NGO and SAI. It was confirmed that the Government pays in due time salaries and approved invoices from contractors and there are no delays. The issue of budgetary central government arrears has not been raised specifically in the audit reports for the assessed period. Hence, the score for the present dimension is A.

22.2. Expenditure arrears monitoring

Table 22.1.B: Stock of expenditure arrears: breakdown by different categories

Category of arrears	Data generated (Y/N):			Frequency	Timeline
	Stock (KM; 2021)	Age	Composition		
Category 1: employees' wages	1,654	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 2: goods and services; liabilities for non-financial assets	152,341	+90	To some extent	Quarterly	Within four weeks of the end of each quarter

195 As described under PI-1

Category 3: transfers to extra-budgetary funds	981	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 4: transfers to individuals	499,815	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 5: subsidies	366,391	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 6: other transfers	3,339	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 7: labor disputes, and court verdicts and enforcement decisions	314,085	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 8: other current liabilities	2,860	+90	To some extent	Quarterly	Within four weeks of the end of each quarter
Category 9 (off-balance): labor disputes, and court verdicts and enforcement decisions	34,004,134	+90	To some extent	Quarterly	Within four weeks of the end of each quarter

Source: Form 7 - Register of Arrears (FBiH Budget Execution); off-balance evidence

Data on the stock, age to a certain extent and the composition of type of arrears are generated quarterly within four weeks of the end of each quarter but not consolidated into a report. Although the age is reported as +90 days and reports by responsible entities are generated on demand, all the information for budgetary central government is available in the system. Hence, the score for the present dimension is A.

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions. Coverage is CG at time of assessment for PI-23.1, 23.2 and 23.3 and for last three completed fiscal years for PI-23.4.

Indicator/Dimension	Score	Brief justification of the score
PI-23. Payroll controls	D+	
23.1. Integration of payroll and personnel records	D*	Insufficient information to assess CG practices. BCG practices would merit score B.
23.2. Management of payroll changes	D*	Insufficient information to assess CG practices would merit score B.
23.3. Internal control of payroll	D*	Insufficient information to assess CG practices. BCG practices would merit score B.
23.4. Payroll audit	B	Financial audits are partly directed to payroll audits for budgetary units (and occasionally for EBUs) so payroll audit is considered to have taken place in stages.

The FBiH Civil Service Agency has not responded to the data request related to dimensions 23.1., 23.2. and 23.3. The FBiH MoF clarified that the Ministry performs centralized calculation of payroll in line with the Law on Treasury and its internal procedure from 2016.

For BCG payroll, the Department for Centralized Payroll and Benefits at the FMF performs the centralized calculation of salaried in the auxiliary ledger of the FMIS. The responsibilities are shared between the FMF and the budget users. The Treasury houses the Main Operating Centre (MOC), with Ancillary Operating Centers (AOCs) in 10 budget users that are largest by size in terms of staff, such as the FBiH Tax Administration, Ministry of Internal Affairs, the court system, or the Ministry for Justice (including the prison system).

Social security funds and EBUs operate independent payrolls that are not centrally controlled. Payrolls of these institutions are less material than payroll of the BCG so they have not been included in the sample.

23.1. Integration of payroll and personnel records

As described on this indicator, the payroll and personnel records for BCG appear closely integrated (based on the internal rules in force), but there is no information to assess this dimension for the entire CG. Hence, the score for the present dimension is D*.

23.2. Management of payroll changes

It is the responsibility of budget beneficiaries to maintain up-to-date records (decisions) that determine the salary calculation parameters (e.g., changed workplace, new hires, promotions) and communicate them to the AOCs, where they are stored in permanent files. Payments are made based on monthly attendance sheets submitted by the budget users to the AOC which inputs the data relevant for the month's payroll. Once data is inputted, trial lists are ran from the system which the budget beneficiaries are required to control for accuracy. Any errors are reported back to the AOC and processed before the budget beneficiaries submit their payment requests. Clerks in the MOC generate corresponding invoices on behalf of the budget users and transfer them electronically for execution through the FMIS where they undergo standard approvals procedure. Information to assess EBU practice is missing for this dimension, resulting in score D*.

23.3. Internal control of payroll

For BCG payroll, there are a number of control activities split between the FMF and the budget beneficiaries. Key controls include that all information is up to date (done at budget beneficiaries and AOCs), that the sum of all payments should match payments by beneficiary institution (done at the MOC). The possibility of fictitious employment is prevented through integration with Tax Administration records which verify the physical existence of staff at the time of registration for taxes and mandatory contributions. Records on payment made are shared with the Statistics Office, the Tax Administration and are retained in internal files. The documentation is to be kept permanently. Payments are made net to the employees' commercial bank accounts with the corresponding withholding taxes and contributions paid to the relevant FBiH TA accounts. The procedure envisages the possibility of retroactive adjustments and these are reportedly rare (although no fixed number could be determined). There is no provided information to assess this dimension for other institutional units in the CG, while presumably at least the activities to prevent ghost workers would apply evenly across the CG. Hence, the score for the present dimension is D*.

23.4. Payroll audit

Based on the Law on Internal Audit in the Public Sector in the FBiH and the Rulebook on criteria for the establishment of internal audit units in the public sector in FBiH¹⁹⁶ the FBiH Ministry of Finance must have an internal audit unit that covers the MoF and 30 budgetary central government units (out of 67). On the basis of information received from the FBiH Ministry of Finance, internal audits of wage calculation were performed. In 2019 and 2021, internal audits were performed for four budgetary units (for 2019: the internal audit report gave 10 recommendations for process improvement, 8 were implemented; for 2021: the internal audit report gave 12 recommendations for process improvement, 8 were implemented). In 2020, there were no internal audits of wage calculations. The internal audit was performed on wage calculation, only for 13% of budgetary units under the authority of the FBiH Ministry of Finance.

196 <https://media.rec.ba/2020/07/Pravilnik-o-kriterijima-za-uspostavljanja-jedinica-za-internu-reviziju-u-javnom-sektoru-u-FBiH.pdf>

The FBiH Government budgetary units, social security funds and largest EBUs are subject to financial and compliance audits. Auditors are regularly checking during the financial audit work the number of employees, the calculation and the payment of salaries, lists and accounts to which payments are made, as well as orders for bookkeeping entries.

Payroll audits covering budgetary units are done regularly (for EBUs occasionally). However, the audit does not cover requirements such as physical verification that payees exist or usage of national citizen identification systems, as this is part of the controls assessed on PI-23.3. The auditors verify control of staff employment (irregularities in employment and remuneration, control of existence of staff or the so called 'ghost workers'), calculation and payment of salary, as well as occurrence of any personnel data irregularities, as part of their financial and compliance audit. Considering not all EBUs are audited each year, the score for this dimension is B.

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.

Indicator/Dimension	Score	Brief justification of the score
PI-24. Procurement (M2)	NA	
24.1. Procurement monitoring	NA	Please refer to the explanation on IBiH PI-24 assessment.
24.2. Procurement methods	NA	
24.3. Public access to procurement information	NA	
24.4. Procurement complaints management	NA	

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. Coverage is CG at time of assessment.

Indicator/Dimension	Score	Brief justification of the score
PI-25. Internal controls on non-salary expenditure (M2)	B	
25.1. Segregation of duties	B	Segregation of duties throughout the expenditure process has been established. Scheme of steps may need further details in some areas.
25.2. Effectiveness of expenditure commitment controls	B	Controls on the expenditure side are systematically established through the ISFU system for BCG. For CG institutional units practices are not standardized. Limited arrears still exist.
25.3. Compliance with payment rules and procedures	B	The procedure that exists in practice is respected in all payments. The Rulebook and Instruction are explained under Segregation of duties and may need some further details.

The PFM Strategy in FBiH 2021-2025 has identified the following needs:

- Commitment control (train users in how to use the purchase order module (provisioning in the public procurement system); expand the use of the application through the licensing of other application users)

25.1. Segregation of duties

Segregation of duties throughout the expenditure process is defined by the Rulebook on Internal Organization of the FBiH Ministry of Finance (the Rulebook) and Instruction on Executing the Budget from the TSA (the Instruction)¹⁹⁷. In the Rulebook and the Instructions the responsibilities are defined and separated. Individual responsibility in the expenditure process is also defined and prescribed within the Instructions. Responsibility for planning and creating obligations within the approved budget, i.e. financial plan, rests exclusively with the manager of the budgetary unit. Responsibility for regularity and accuracy of data entry is the responsibility of the person who is authorized to enter the data. Certification and signing of the accounting documents on the basis of which the data are entered is performed by the manager of the budgetary unit or a person authorized by him/her in writing. Responsibilities are assigned from the beginning of the process, i.e. from the creation of the obligation, through the entry of data and invoices for payment into the system, to payment and reporting.

The Instructions also explain the process of processing data and transactions in the treasury system of operations, from which it can be seen that there are set rules and levels of control. Also, the Instructions prescribe the form of forms used in the process.

In practice, there is a clear segregation of duties. Based on information from the FBiH MoF, it is as follows:

- Large budgetary units have access to the ISFU system and enter payment documentation into the system themselves, while the Treasury Department, as the last step in the process, creates a payment order and, upon approval, makes the payment.
- Small budgetary units who do not have access to the system, bring documentation related to payment to the Treasury, which then takes the following steps:
 - The Department for accounting methodology and keeping the Treasury's general ledger controls the submitted documentation (first person), and then the invoice is entered into the system (second person). After that, the Department for liquidity management and budget execution withdraws the invoice for payment (third person).
 - The payment order is signed by the official who prepared the order, the head of the Department for liquidity management and budget execution, the assistant minister who signs the daily summary order, then the Minister of Finance and the Prime Minister. The bank will not execute the order without the signature of the Minister of Finance and the Prime Minister.

In practice, segregation of duties throughout the expenditure process has been established. Most of the details of this process are included in the Rulebook and Instruction. The steps may need further details in some areas. Hence, the score for the present dimension is B.

25.2 Effectiveness of expenditure commitment controls

For BCG, controls on the expenditure side are systematically established through the ISFU, i.e., through treasury operations, so that the FBiH Ministry of Finance has budgetary control of expenditures on organizational and economic codes. In the ISFU, budgeted amounts are entered for each budgetary unit separately. Later, budgetary units' requests are received on a monthly basis and the approved operational plans are entered, which reduces the available funds. The entire process is coordinated between the Treasury and Budget Departments and the liquidity committee which includes monitoring of the balance at the Treasury Single Account. The Department for operational budget management and reporting within the Budget Department sees and compares the state of funds at all times, and there is no possibility of approving a larger amount and thereby creating a greater liability than the funds planned in the budget for that purpose. However, based on the arrears records, there were instances when not all liabilities were paid in full due to a lack of funds.

197 https://mrsri.ks.gov.ba/sites/mrsri.ks.gov.ba/files/uputstvo_o_izvrsavanju_budzeta_sa_jrt_broj_34_16.pdf

In other central government entities, the commitment controls are implemented at the level of each institution in line with the legal mandate and the financial management and control rules set centrally by the MoF, but outside of the ISFU and not in relation to BCG cashflows. Separate rules and practices are in place for EBUs such as Highways and Roadways which are registered and operate as public enterprises under local legislation. The processes are more heterogeneous than those described for the BCG.

Controls on the expenditure side are systematically established through the ISFU system. However, limited BCG arrears still exist as seen in PI-22 while the arrears of social security funds as reported on Form 7 appear limited compared to cantons, but much higher than for the Federation BCG, suggesting commitment controls may not be as effective. EBUs such as Highways and Roadways are not known to carry arrears. Based on the available evidence and consideration of the different practices across the FBIH CG, the score for the present dimension is B.

25.3. Compliance with payment rules and procedures

According to information from the FBIH Ministry of Finance, for BCG there are no exceptions regarding payments that do not follow the procedure in practice described in the *Segregation of duties*. On a sample of five invoices for five major budgetary units as measured by expenditure in 2021, it can be seen that two different people are involved in the payment process. For other parts of the CG, the compliance with payment rules is not singled out in the audit report available for review.

The procedure that exists in practice is always respected. The Rulebook and Instruction are explained under the Segregation of duties and may need some further details. Using arrears as proxy for compliance with payments in other institutional units of the CG, there may be exceptions in compliance. Hence, the score for the present dimension is B.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit. Since only consolidated data for the FBIH public sector is available from the MoF CHU, scores on dimensions PI-26.3 and 26.4 are assigned based on the available figures. CG internal auditors (BUs and EBUs, including the SSFs) account for the dominant share of audits carried out and recommendations issued. Coverage is CG at time of assessment for PI-26.1 and 26.2, for the last completed fiscal year for PI-26.3, and for PI-26.4, for audit reports that should have been issued in the last three fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-26. Internal audit (M1)	C+	
26.1. Coverage of internal audit	B	Internal audit is operational for central government entities representing 90% of the total budgeted expenditures and for central government entities collecting 75% of the budgeted government revenue.
26.2. Nature of audits and standards applied	B	Internal audit is focused on monitoring and evaluating the system of internal controls that includes all financial and non-financial processes in the organization, its adequacy, functionality, and effectiveness.
26.3. Implementation of internal audits and reporting	B	Annual audit programs exist. Most programmed audits are completed (more than 80%), as evidenced by the distribution of their reports to the appropriate parties.
26.4. Response to internal audits	C	Management provides a partial response to audit recommendations for majority of entities audited within twelve months of the report being produced. Up to one-third of given recommendations is implemented.

The establishment of an internal audit and the introduction of public internal financial control is one of the requirements based on the document of the European partnership with BiH. By signing the Stabilization and Association Agreement in 2008, BiH committed to developing internal controls in the public sector by drafting and adopting appropriate regulations, including financial management and controls, functionally independent internal audit, and independent external audit systems in BiH, in accordance with internationally accepted control and audit standards, and EU methodologies and best practices.

Central Harmonization Unit in FBiH was founded in 2010 and is authorized for the development of internal audit and financial management and control, supervision over the implementation of all relevant regulations in these areas, and coordination of the establishment and development of a comprehensive system of internal financial controls in the public sector in the Federation of BiH.

Law on Internal Audit (Article 9) prescribes the criteria for establishing the internal audit function, on the basis of the: level of organizational classification for the budget and budget users of the FBiH, amount of the adopted budget, number of employees, complexity of transactions, and degree of risk.

IPA project "Improvement of Public Internal Financial Controls in BiH" (the third in order) supported the development of a new Methodology for the work of internal audit in the public sector in the Federation of BiH in accordance with international standards, development and installation of software for internal audit management, including user training for the use of the software (for the purpose of standardization of internal audit work), and adoption of amendments to the Rulebook on the conditions for performing internal audit work in the public sector in the Federation of Bosnia and Herzegovina.

The PFM Strategy in FBiH aims to improve the operational value-adding function of the internal audit through the following activities: introduce internal audit in accordance with applicable regulations and international standards for professional internal audit practice, adequately position the internal audit function, strengthen the HR capacity of internal audit, focus internal audit on ensuring added value in high-risk areas, and harmonize IA regulations and practices in SOEs.

Furthermore, PFM Strategy in FBiH aims to improve the monitoring of the PIFC system effectiveness through the following activities: automate PIFC reporting with extended sources and data collection tools, develop and implement a framework for FMC and IA quality control by the CHU, and strengthen the analysis and coordination capacity of the CHU.

26.1. Coverage of internal audit

In 2021, the number of systematized units for internal audit and hiring of internal auditors have been somewhat intensified, however, this function is still not recognized, nor is it given adequate importance, in numerous organizations. Internal auditors have restrictions on free access to data and to the head of the organization (e.g. not holding meetings between the head of the organization and internal auditors, access only to the head's assistants and not to the head himself), they are assigned to perform tasks that are not specified in the applicable regulations for this area what takes them away from their core activities (perform internal audits and other work related to internal audit). It is important to note that the establishment of internal audit units and the work of internal auditors is based on law and by-law regulations, and the failure to establish and lack of support for the internal audit function results in the violation of regulations for this area.

21 institutions at the federation level are obliged to establish internal audit units (ministries and public administration bodies, including the Pension and Disability Insurance Fund, and extrabudgetary units), and all of them have a systematized unit for internal audit in accordance with the regulations for this area. In 7 out of 21 institutions, there are at least two internal auditors, in 9 institutions there is only one internal auditor¹⁹⁸, and in five institutions there are no internal auditors. At the time of assessment, 29 internal auditors out of 80 planned internal auditors were employed in FBiH institutions.

198 Which does not comply with international standards of internal audit professional practice

An internal audit unit is operational in the FBiH Ministry of Labor and Social Policy (2 out of 4 planned internal auditors employed), FBiH Ministry of Finance (3 out of 4 planned internal auditors employed), FBiH Ministry for Issues of the Veterans and Disabled Veterans of the Defensive-Liberation War (2 out of 4 planned internal auditors employed), FBiH Ministry of Transport and Communications (2 out of 4 planned internal auditors employed), FBiH Government (1 out of 4 planned internal auditors employed), FBiH Ministry of Health (1 out of 4 planned internal auditors employed), and Pension and Disability Insurance Fund (7 out of 7 planned internal auditors employed). When it comes to extrabudgetary units (2 EBU) the IAUs are established with 1 out of 3 planned internal auditors employed in the FBiH Institute of Health Insurance and Reinsurance and 2 out of 3 planned internal auditors employed in the FBiH Employment Agency.

These Federation institutions (ministries, public administration bodies, and EBUs) represent 90% of the total expenditures. The FBiH TA as the largest revenue-collecting entity in FBiH collects nearly 75% % of total FBiH revenues. FBiH TA has fully operational and staffed internal audit unit. Therefore, internal audit is operational for central government entities representing all of the total budgeted expenditures and for central government entities collecting most of the budgeted government revenue. Based on the analysis and supporting evidence the score is B.

26.2. Nature of audits and standards applied

The scope of internal audit, in accordance with Article 3 of the Law on Internal Audit, concerns the assessment of the adequacy and efficiency of the financial management and control system, in terms of:

1. risk identification, risk assessment, and risk management by the management of the organization,
2. fulfilling the tasks and achieving the defined goals of the organization,
3. economical, efficient and effective use of resources,
4. compliance with established policies, procedures, laws and regulations,
5. safeguarding the organization's funds from losses as a result of all types of irregularities
6. integrity and credibility of information, accounts, and data, including internal and external reporting processes.

Internal auditors must perform a risk assessment, which is a prerequisite for creating their internal audit plans.

The internal audit in FBiH is conducted in accordance with the following standards: Internal control standards in the public sector in the Federation of BiH¹⁹⁹, Handbook for risk assessment and internal audit planning in the public sector in the Federation of Bosnia and Herzegovina²⁰⁰, Methodology of internal audit work in the public sector in the Federation of Bosnia and Herzegovina²⁰¹, Code of Ethics/Code of Professional Ethics for Internal Auditors in the Federation of Bosnia and Herzegovina²⁰², Standards for the professional practice of internal auditing with clarifications²⁰³, International Standards for the Professional Performance of Internal Audit from 2017.

Internal audit is focused on monitoring and evaluating the system of internal controls that includes all financial and non-financial processes in the organization, its adequacy, functionality, and effectiveness, which is evidenced through IAU reports submitted to the FBiH CHU. According to the submitted internal audit reports for 2021²⁰⁴, internal auditors mostly performed system audits (which have elements of both, compliance audits and internal control audits), and the performed audits were grouped as follows:

199 Official Gazette of the Federation of Bosnia and Herzegovina, number: 75/16

200 Official Gazette of FBiH number 106/14

201 Official Gazette of the Federation of Bosnia and Herzegovina, no. 13/12, 93/13 and 93/15

202 Official Gazette of the Federation of Bosnia and Herzegovina, number: 93/13

203 Official Gazette of the Federation of BiH number: 93/13

204 http://fotoart.ba/1_fm/juli2022/Konsolidovani%20izvjestaj%20interne%20revizije%20za%202021%20%20godinu_bos.pdf

Table 26.2.B: Internal Audit Areas

Internal Audit Areas:	2020	2021
Operational Audit	133 (26.4%)	215 (33%)
Public Procurement	111 (22.1%)	129 (20%)
Budget Planning and Execution	86 (17.1%)	122 (19%)
Transfers, projects, and subsidies	59 (11.7%)	57 (9%)
Other (IT audits, financial statement audits, ad hoc audits, etc.)	114 (22.7%)	125 (19%)
Total	503	648

Source: Consolidated Internal Audit Report for 2021.

The analysis of submitted annual reports indicates that in 2021 significantly more audits were performed compared to 2020 (an increase from 503 to 648), but the largest increase was in the number of performed operational audits, followed by audits of budget/financial plans. Slightly more audits of public procurements and other audits were performed, but their share in the total number of performed audits was reduced. The number of audits of transfers and projects has also decreased, which represents a drawback since these audits have a greater financial significance and therefore a greater impact on the operations.

Hence, the score for the present dimension is B.

26.3. Implementation of internal audits and reporting

Internal auditors in the public sector in the Federation (including cantons, EBUs, public corporations, and municipalities) planned 684 audits in 2021 and performed a total of 648 audits (95%). Compared to 2020, there is an evident increase in the number of planned and completed audits. The following table provides information on the number of planned and realized audits in 2021. When it comes to EBUs, the Consolidated Report on Internal Audit for 2021 provides information for all EBUs on Federation and cantonal levels, without further separation on Federation and lower government levels.

Table 26.3.B: Internal audit plans and realization

Internal Audit Units	Number of planned internal audits	Number of realized regular internal audits	Number of realized unplanned internal audits (ad-hoc)	Planned vs. realized
Ministries and public administration bodies on Federation level	106	85	8	80%
Extrabudgetary units on Federation and cantonal levels	97	83	7	85%

Ad hoc internal audits are carried out in exceptional cases, i.e. if a specific process that is not included in the audit plan needs to be audited urgently or if the internal audit unit was formed during the year and the annual audit plan has not yet been approved.

The reasons for not carrying out the planned audits are the reduced number of auditors in the internal audit unit due to retirement, larger than planned and more complex audit volume, circumstances caused by the pandemic, the increased workload in the sectors that should have been audited, etc.

Based on the analysis and supporting evidence, the score is C.

26.4. Response to internal audits

The head of the internal audit unit is obliged to prepare an annual internal audit report that contains the data from the audit reports and information on other activities that have been completed or are in progress as of December 31 and submit the report within 60 days after the end of the year to the organization's

head and CHU MoF. If the manager has not been appointed or the unit has not been established, then the annual report is prepared by an employed internal auditor.

In 2019, internal auditors gave 1595 recommendations, out of which 37% were implemented, 10% unimplemented, and for the remaining 53% the deadline had not expired.

In 2020, internal auditors performed 503 audits and gave 1872 recommendations, out of which 36% were implemented, 11% were unimplemented, and for the remaining 53% the deadline had not expired.

In 2021, internal auditors in the public sector in the FBiH performed a total of 648 audits in which they gave 2746 recommendations, which means that this Consolidated Report contains the most extensive analysis of the results of the work of internal auditors so far. Of the recommendations given in 2021, 797 (29%) have been implemented, and of the 1,949 unimplemented recommendations, 1,447 are still within the deadline for implementation. There were 502 recommendations whose deadline for implementation had expired, that is, about 18% of the total recommendations given, which is a significant increase compared to 11% in 2020. Given that, in accordance with Article 8 of the Law on Internal Audit, the head of the organization is responsible for the establishment and functioning of an adequate and efficient internal audit function, as well as for the implementation of given recommendations, it is necessary for managers to take a more responsible approach to the implementation of given recommendations.

The latest report for 2022 was consulted to ensure the status of issued recommendations for the previous 2019-2021 period that were marked as unexpired. Hence, the information provided in the latest 2022 report does not demonstrate any change in the number of implemented or unimplemented recommendations.

During the adoption of the Consolidated Internal Audit Report for 2021, the Government of the Federation at the session held on July 7, 2022, adopted Conclusion V. number: 1043/2022, which among other things, instructs the heads of the internal audit units to prepare reviews of unrealized recommendations whose implementation deadline has expired and submit them to the manager/management organizations, so that managers would more responsibly approach the implementation of given recommendations to improve operations.

Reasons for not implementing the recommendations, among others, are: lack of understanding of the proper accounting transactions related to the assets, lack of financial resources, lack of professional staff, as well as the absence of employees due to sick leave and bad epidemiological situation, change of management in the organization, dismissal of the Audit Committee and the director of the Internal Audit Department, and the non-appointment of the new members, the lack of manpower, the current limitation of the manager on the preparation of the procedures themselves due to the current/increased volume of work, the implementation of recommendations under the jurisdiction of other institutions or founders, the implementation of certain recommendations is related to the adoption of the Budget, new rules and regulations are dependent on the adoption of new Law amendments, etc.

Based on the analysis and supporting evidence, the score is B.

PILLAR SIX: Accounting and reporting

This pillar analyzes whether accurate and reliable records are maintained and whether information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Overall performance: key strengths and weaknesses

Timely bank account reconciliation is facilitated by comprehensive coverage of the TSA. Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way.

ISFU is used to produce quarterly in-year budget reports that provide a consolidated picture of all revenues and expenditures and progress against the approved budget. They are issued within 8 weeks from the end of each quarter. Coverage and classification of reports allow direct comparison to the original budget. The modified accrual basis is used as a basis for recording budget revenues and expenditures in FBiH. The modified accrual basis implies accounting records of income in the period when they become available and measurable, and expenses at the time of the commitment. There are some concerns regarding data accuracy, but the data is useful for analysis of budget execution.

Financial reports for the budgetary central government which contain information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations supported by reconciled cash flow statement are prepared annually and are comparable with the approved budget. Consolidated annual reports are submitted for external audit within 3 months of the end of the fiscal year. The IPSAS standards have not yet been officially adopted and the standards used in preparing annual financial reports are not disclosed.

To ensure better accuracy of data from various reports, the PFM Strategy in FBiH 2021-2025 aims to upgrade the treasury system, establish a mechanism for continuous updating of the treasury application, and to digitize quarterly reporting. Furthermore, the introduction of IPSAS standards is foreseen by the PFM strategy.

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. Coverage is CG for PI-27.1 and BCG for PI-27.2, 27.3 and 27.4. Time period is at time of assessment for all four dimensions, specifically covering the preceding fiscal year for PI-27.1, 27.2 and 27.3.

Indicator/Dimension	Score	Brief justification of the score
PI-27. Financial data integrity (M2)	A	
27.1. Bank account reconciliation	A	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.
27.2. Suspense accounts	N/A	There are no suspense accounts.
27.3. Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way.
27.4. Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.

27.1. Bank account reconciliation

The FBiH Ministry of Finance receives bank statements on a daily basis for balances on open bank accounts with four commercial banks (Union bank d.d. Sarajevo, Sberbank BH d.d., Privredna banka Sarajevo d.d. Sarajevo and Intesa Sanpaolo Bank d.d. BiH). The Consolidated Budget Execution Report, which is prepared on a semi-annual (not published) and annual (published) basis, reports on the balance of funds in the TSA, in transaction accounts opened with commercial banks, and in earmarked and donor transaction accounts opened with Depozitna banka - Union banka d.d. Sarajevo.

The Ministry maintains auxiliary tables for all accounts that are part of the TSA, in which changes in balance are visible on a daily basis. The bank statements are also reconciled with the balance in the Treasury's General Ledger. If there is any discrepancy between the data received from the bank and the books maintained by the Ministry, they are immediately investigated (internally/with the bank) and resolved without any delay (very often, by the end of the day).

Table 27.1.B: Bank account reconciliation

Bank account	Frequency of reconciliation	Timeline for reconciliation
Union bank	Daily, i.e., with every change in the account	Usually within a week from the end of each week
Sberbank BH	Daily, i.e., with every change in the account	Usually within a week from the end of each week
Privredna banka	Daily, i.e., with every change in the account	Usually within a week from the end of each week
Intesa Sanpaolo Bank	Daily, i.e., with every change in the account	Usually within a week from the end of each week

Hence, the score for the present dimension is A.

27.2 Suspense accounts

There are no suspense accounts. The dimension is N/A.

27.3. Advance accounts

Advance invoices are entered into the system according to special procedures, paid from regular accounts, and upon receipt of the invoice, they are matched with already paid advances, which charges the appropriate expense account in the system and closes the claim for the advance.

Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. The report on the amount of advance payments (together with reconciliation dates) as of the end of 2021 is available as evidence (at the end of 2021, the amount of advance payments is 0.00 BAM). All advance accounts are cleared in a timely way. Hence the score is A.

27.4. Financial data integrity processes

There are documented procedures that regulate access to the ISFU system and data entry and changes. The integrity of financial data is ensured by restricting access to the ISFU, and only persons with assigned access can enter data and make changes, where the trail of those changes is visible and linked directly to the person making the changes (audit trail). There is no team that monitors data entry and changes. If there is a need for verification and control, the Budget Inspection is responsible. Hence, the score for the present dimension is B.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy, and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. Coverage is BCG for the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-28. In-year budget reports (M1)	C+	
28.1. Coverage and comparability of reports	A	The FBiH Ministry of Finance prepares official reports during the year in the same format as the original annual budget – that is, by economic and administrative classification – and they represent spending in both the commitment phase and the disbursement phase. These reports are directly comparable to the original budget. Information includes all items of budget estimates.
28.2. Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter.
28.3. Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for the analysis of budget execution. Information on expenditure is covered at both commitment and payment stages.

The FBiH Ministry of Finance is responsible for ensuring the functioning of the system for the adoption and application of accounting procedures, preparation of reports on the execution of the FBiH budget, reporting by budget beneficiaries, and management of the Single Treasury Account and the Treasury General Ledger system. Reports on the execution of the FBiH budget are prepared in accordance with the Rulebook on Financial Reporting and Annual Budget Calculation in FBiH while accounting records in the Treasury General Ledger are made in accordance with the Rulebook on Budget Accounting in FBiH.

The MoF is responsible for consolidated quarterly reporting for the FBiH Government. The treasury operations system was implemented 20 years ago and in 2019 the MoF started fine-tuning the system. In addition, the system requires upgrade on an ongoing basis. Currently, the MoF does not upgrade the application on an ongoing basis and does not have policies for upgrading the treasury application, which the SAI FBiH warned about a long time ago.

To ensure better performance of the treasury application, as well as the accuracy of data from various reports, the PFM Strategy in FBiH 2021-2025 aims to upgrade the treasury system, establish a mechanism for continuous updating of the treasury application/program/system, and digitize quarterly reporting.

28.1. Coverage and comparability of reports

The FBiH Ministry of Finance prepares official reports during the year in the same format as the original annual budget – that is, by economic and administrative classification – and they represent spending in both the commitment phase and the disbursement phase. Coverage and classification of data allow direct comparison to the original budget. Information includes all items of budget estimates. There are no units that qualify as deconcentrated units as per PEFA criteria. Hence, the score for the present dimension is A.

28.2. Timing of in-year budget reports

The Rulebook on Financial Reporting requires that budget execution reports be prepared on a quarterly basis; quarterly reports for 2021 were prepared and submitted to the FBiH Government within 8 weeks after the end of each quarter. Publication dates are as follows: I quarter – May 6th 2021, II quarter – August 19th, 2021, III quarter – November 11th, 2021. Monthly reports are also prepared for the needs of the Minister

of Finance and the IMF. Annual reports on budget execution are submitted to the FBiH. Government and are published on the website after adoption. Hence, the score for the present dimension is C.

28.3. Accuracy of in-year budget reports

Official reports prepared by the FBiH Ministry of Finance are drawn directly from the treasury system, so there should not be any doubts about the completeness and accuracy of the information on cash receipts and expenditures. The reports contain some useful commentary and analysis regarding trends in key revenue and expenditure categories.

In accordance with the provisions of the Law on the Treasury, the recognition of revenues and receipts, and expenditures in the General Ledger of the Treasury, is carried out according to the accounting principles of the modified occurrence of events, according to which revenues are recognized when they are measurable and available, and expenses are recorded in the period to which they relate.

However, based on the Audit report, the report on the execution of the FBiH Budget for 2021 was not prepared in accordance with the provisions of the Law on Budgets in the FBiH because it does not contain explanations of major deviations, the beginning and ending balance of assets, liabilities, and sources of ownership, and it does not contain data on all changes related to borrowing and debt management. Therefore, there are some concerns regarding data accuracy, but the data is useful for analysis of budget execution.

Hence, the score for the present dimension is C.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. Coverage is BCG for the last completed fiscal year (2021) for PI-29.1, the last annual financial report submitted for audit for PI-29.2, and the last three years' financial report for PI-29.3 (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-29. Annual financial reports (M1)	D+	
29.1. Completeness of annual financial reports	A	Financial reports for the budgetary central government for 2021 are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement.
29.2. Submission of reports for external audit	A	Financial reports for the budgetary central government for 2021 were submitted for external audit within 3 months of the end of the fiscal year, on 16th March 2022.
29.3. Accounting standards	D	The standards used in preparing annual financial reports are not disclosed. The IPSAS standards are not yet adopted.

So far modified accrual basis is used as a basis for recording budget revenues and expenditures of the FBiH Government. The modified accounting basis implies accounting records of income in the period when they become available and measurable, and expenses at the time of the commitment.

IPSAS is currently not used by the MoF. These standards represent a complex process whose implementation is time-consuming even in more developed countries. The FBiH Ministry of Finance aims to start the implementation process, where the first step is to conduct a gap analysis for which donor

funds have already been secured. An EU project is underway, through which financial and professional assistance will be provided for the development of an action plan for the implementation of IPSAS.

In order to improve the efficiency of accounting and the use of public funds, the PFM Strategy in FBiH 2021-2025 aims to introduce IPSAS in the FBiH, issue instructions on the methods of bookkeeping, financial reporting, and annual financial statement for development and investment projects, which are implemented through earmarked accounts for special transactions that are not part of the FBiH TSA, and increase the transparency of the use of public funds (recipients of grants and transfers).

29.1. Completeness of annual financial reports

Annual reports for 2021 are comprehensive for BCG and include information on revenues, expenditures, financial and non-financial assets, liabilities (and long-term liabilities), guarantees, as well as reconciled cash flow. The annual reports are directly comparable to the approved budget. Annual reports contain also the detailed information on foreign debt servicing, which includes detailed data on the funds provided for foreign debt servicing, as well as data on realized payments, with a comparison of execution in relation to the budget repayment plan, as well as the state of foreign debt of FBiH at the end of the reporting period.

Table 29.1.B: Financial reports of BCG the FBiH Government

Financial report	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Annual budget execution report	16th March 2022	Y	Y	Y	Y

Hence, the score for the present dimension is A.

29.2. Submission of reports for external audit

The annual financial statements of the budgetary central government for 2021 were submitted for external audit within three months after the end of the year, on 16th March 2022 (as shown in Table 29.1.B). Hence, the score for the present dimension is A.

29.3. Accounting standards

The IPSAS standards, whose implementation was part of the Strategy of Public Finance Management Reform for the period 2017-2020 in FBiH, are not yet adopted. Therefore, its implementation is also an integral part of the new Strategy of Public Finance Management Reform 2021-2025. It is planned to introduce IPSAS standards through three phases containing seven sub-activities, and the deadline for the last phase is 2025.

According to the information presented by the authorities from the Ministry of Finance, in 2021, a GAAP analysis was performed for the application of the IPSAS standard. Also, an EU project is underway, through which financial and professional assistance will be provided for the development of an action plan for the implementation of IPSAS.

The latest Law on Accounting and Auditing in the FBiH, which entered into force on March 4, 2021, does not regulate the procedure in cases of non-adoption of IPSAS, while the earlier Law on Accounting and Auditing in the FBiH stipulated that until the publication of the IPSAS, budget users and extrabudgetary funds will apply special regulations for budget users and extrabudgetary funds in the field of accounting and auditing in the public sector. The standards used in preparing annual financial reports are not disclosed. Hence, the score for the present dimension is D.

PILLAR SEVEN: External scrutiny and audit

This pillar analyzes whether public finances are independently reviewed and is there an external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance: key strengths and weaknesses

The Supreme Audit Institution of the Federation of BiH (SAI FBiH) is obliged to conduct the annual audit of institutions, cantons, municipalities, and cities, as well as institutes, extrabudgetary funds, and agencies, and public companies in the Federation of BiH. According to the Registry of entities, the jurisdiction of the SAI FBiH includes over 2,000 entities in the Federation of BiH. Every year, a financial and compliance audit of the FBiH Parliament, the President of the FBiH, the FBiH Government, and its ministries are carried out (a total of 20 mandatory audits). When conducting audits, the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and auditing standards of the International Federation of Accountants (IFAC) are applied.

Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using International Standards of Supreme Audit Institutions (ISSAIs) during the last three completed fiscal years. The audits have highlighted any relevant material issues and systemic and control risks. Audit reports were submitted to the legislature within six months from receipt of the financial reports by the Supreme Audit Institution for the last three completed fiscal years. A formal response was made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years. Only one-third of the given recommendations are fully implemented. Although the SAI FBiH has been pointing out problems in the management and disposal of public funds for a number of years and has accordingly issued recommendations, a significant number of recommendations have still not been implemented. A large number of unimplemented recommendations are of a systemic nature, which is why the identified irregularities are repeated year after year. The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation, and information. However, the SAI FBiH is not included in the FBiH Constitution as provided by the INTOSAI Framework for Professional Disclosures.

The Parliamentary Committee of the FBiH Parliament is responsible for the audit review and hearings on audit findings of budget users, extrabudgetary units, and public companies, institutes, and agencies. However, scrutiny of audit reports on consolidated annual financial reports has not been completed by the legislature in the assessed period. In-depth hearings on key findings of audit reports take place occasionally, usually in groups, with the SAI representatives and representatives of the subjects of the audit. The legislature issues recommendations on actions to be implemented by the executive. Committee reports are published on the official website of the FBiH Parliament.

The PFM Strategy in FBiH 2021-2025 aims to ensure the autonomy, mandate, and organization of the SAI FBiH through the constitutional and legal frameworks, and ensure compliance in practice, strengthen the SAI's institutional capacity including greater coverage of relevant entities, continue to strengthen audit performance by performing high-quality audits and applying the INTOSAI Professional Disclosure. Furthermore, the PFM Strategy aims to strengthen communication with key actors such as auditees, legislatures at all levels of government, law enforcement agencies, the media, and public in order to increase the impact of the audit.

PI-30. External audit

This indicator examines the characteristics of external audit. Coverage is CG for the last three completed fiscal years for PI-30.1, 30.2, 30.3 (2019, 2020, and 2021) and at time of assessment for PI-30.4.

Indicator/Dimension	Score	Brief justification of the score
PI-30. External audit (M1)	C+	
30.1. Audit coverage and standards	A	Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAIs during the last three completed fiscal years (2019, 2020, and 2021). The audits have highlighted any relevant material issues and systemic and control risks with a special focus on managing funds during the Covid-19 pandemic.
30.2. Submission of audit reports to the legislature	C	Audit reports were submitted to the legislature within six months from receipt of the financial reports by the Supreme Audit Institution for 2020 and 2021, while for audit report from 2019 it took slightly more than 6 months (6 months and 13 days).
30.3. External audit follow-up	C	Subjects of the audit are obliged to submit a response on the actions taken to the SAI within 60 days of receiving the final report, in order to overcome the weaknesses, irregularities, and violations identified in the audit report. In 2019, two audit subjects did not submit a response on the actions taken after the conducted audits, in 2020, ten audit subjects did not submit a response on the actions taken. In 2021, five audit subjects did not submit a response on the actions taken. Around one-third of recommendations is implemented each year.
30.4. Supreme Audit Institution independence	A	The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information.

The FBiH SAI's constitutional, functional, operational, and financial independence is laid down in the Law on Audit of Institutions in the FBiH. Under this Law, the annual budget of the FBiH Audit Office is approved by the Parliamentary Committee responsible for audit, while the MoF should, upon approval, include it in the FBiH Budget. The activities undertaken by the Office in the previous period had positive results in terms of non-interference of the executive branch of government in the work and budget of the Office, which should be maintained, including the focus on the importance of the independence of the Office. However, the SAI FBiH is not included in the FBiH Constitution as provided by the INTOSAI Framework for Professional Disclosures.

The Law on Audit of Institutions in the FBiH authorizes the Auditor General to adopt an annual audit plan to be submitted to the Parliamentary Audit Committee in the form of an information paper; the FBiH Parliament or the Audit Committee may require the Office to conduct a special audit (where the financial means for such audits must be secured).

The PFM Strategy in FBiH 2021-2025 aims to ensure the autonomy, mandate, and organization of the SAI FBiH through the constitutional and legal frameworks, and ensure compliance in practice, strengthen the SAI's institutional capacity to ensure that the audit is conducted in accordance with the INTOSAI Framework for Professional Disclosures, including greater coverage of relevant entities (strengthen the SAI's institutional capacity in the HR area and in the area of IT technologies), continue to strengthen audit performance by performing high-quality audits and applying the INTOSAI Professional Disclosure Framework (align the methodology with INTOSAI's Professional Disclosure Framework, conduct quality control activities to ensure that audits are conducted in accordance with INTOSAI standards, implement systematic monitoring of compliance with the recommendations issued in audit reports in order to increase accountability, transparency, and efficiency in the public sector).

30.1. Audit coverage and standards

The Supreme Audit Institution of the Federation of BiH (SAI FBiH) is obliged to conduct the annual audit of institutions, cantons, municipalities, and cities, as well as institutes, extrabudgetary funds, and agencies, and public companies in the Federation of BiH. According to the Registry of entities, the jurisdiction of the SAI FBiH includes over 2,000 entities in the Federation of BiH. Every year, a financial audit of the FBiH Parliament, the President of the FBiH, the FBiH Government, and its ministries are carried out (a total of 20 mandatory audits). When conducting audits, INTOSAI standards of supreme audit institutions and auditing standards of the International Federation of Accountants (IFAC) are applied. The FBiH Audit Office has a total of 72 employees (57 auditors) and is responsible for financial audits, performance audits, and other specific audits in the FBiH.

Over the last three years, there has been an upward trend in the number of audited entities, from 82 financial audits in 2019 to 101 in 2021. However, with respect to the FBiH central government, the number of audited subjects increased by three, from twenty-four in 2019 to twenty-seven in 2020. During the audit in 2021, special attention was given to entities that managed significant funds and programs to mitigate the negative consequences caused by the COVID-19 pandemic.

Table 30.1.B: Number of audited subjects

Subject of Audit	Total number of audited subjects		
	2019	2020	2021
Report on the financial audit of the Consolidated Budget Execution Report and other budget users	24	24	27
Canton and cantonal budget users	15	17	17
Cities and municipalities	8	7	19
Agencies, funds, and other public institutions	17	24	17
Public enterprises	18	17	21
TOTAL:	82	89	101

Source: <https://www.vrifbih.ba/izvjestaj-o-aktivnostima/>

Financial audit includes financial statements audit, as well as the compliance of activities, financial transactions, and information presented in financial statements with laws and regulations. For the sake of more transparent reporting, two opinions are given: on the reliability of financial reports and on compliance of activities, financial transactions, and information with laws and regulations. The annual reports that are the subject of the external audit contain full information on revenues and expenditures, assets and liabilities, as stated in PI-29.1.B.

When it comes to the structure of audit opinions, the majority of audited entities were given an unqualified opinion with emphasis of matter, especially in relation to compliance with laws and regulations. The FBiH Consolidated Budget Execution Report for 2019 and 2021 was given a qualified opinion and for 2020 an

unqualified opinion. It is noticeable that there is a decrease in the number of entities that were given a negative opinion, from 17% in 2019 to 10% in 2021.

The financial audit is performed in two parts; the first part is the preliminary audit, which is carried out from October-January, while the final audit is carried out after the submission of the financial statements, and the final deadline is determined by the audit plan.

In the preliminary audit, the application of the recommendations from earlier audits is monitored, the measures taken based on those recommendations are analyzed, and other activities are carried out in accordance with the methodology. After the completion of the preliminary audit, in accordance with the International Auditing Standard, important deficiencies in internal controls, discovered during the audit, are communicated to the manager of the subject of the audit. In the final audit, final tests are performed and a draft financial audit report is prepared. With the aim of ensuring quality, the expert panel of the SAI reviews draft reports, and conducts internal discussions with auditors. Reports are discussed by subject groups, i.e. by their affinity, to ensure consistency. The final drafts of the report are submitted to the audited subjects for comments. After the declaration, a final report on the performed audit is prepared and submitted, and published on the website, in accordance with the Law on Auditing. The parliamentary commission responsible for the audit organizes public hearings of the audited entities, attended by the SAI representatives. The goal is to listen to the reasons for the identified irregularities and to report and give conclusions to the FBiH Parliament, which can, based on the findings and recommendations of the audit, reduce the budget of one or more institutions or take other appropriate corrective measures.

Due to limited human resources, that is, the engagement of available audit staff for the implementation of the Audit Plan for 2019/2020, in 2020 the planned quality assurance control of the financial audit for 2019 was not carried out.

Hence, the score for the present dimension is A.

30.2. Submission of audit reports to the legislature

Subjects of the audit are obliged to submit annual financial reports to the SAI by the end of June, and the SAI is obliged to submit revised reports to the FBiH Parliament within 90 days, the latest by the end of September. The following table shows the submission dates of the FBiH Budget Execution Report to the SAI FBiH, as well as the submission dates of the audited report to the FBiH Parliament.

Table 30.2.B: Timing of audit reports submission to the legislature

Fiscal years	Dates of receipt of the financial reports by the audit office	Dates of submission of the financial audit reports to the legislature
2019	March 16, 2020	September 29, 2020
2020	March 16, 2021	July 27, 2021
2021	March 16, 2022	September 1, 2022

Audit reports were submitted to the legislature within six months from receipt of the financial reports by the Supreme Audit Institution for 2020 and 2021, while in 2019 it took slightly more than 6 months (6 months and 13 days). Hence, the score for the present dimension is C.

30.3. External audit follow-up

Subjects of the audit are obliged to submit a response on the actions taken to the SAI within 60 days of receiving the final report, in order to overcome the weaknesses, irregularities, and violations identified in the audit report. In 2019, two audit subjects did not submit a response on the actions taken after the conducted audits, in 2020, ten audit subjects did not submit a response on the actions taken. In 2021, five audit subjects did not submit a response on the actions taken.

When it comes to the evaluation of the undertaken actions according to the given recommendations, it is not possible to carry out it at every subject of audit, because there is a gap of several years between two audits, or the audit is being performed for the first time.

Although the SAI FBiH has been pointing out problems in the management and disposal of public funds for a number of years and has accordingly issued recommendations, a significant number of recommendations have still not been implemented. A large number of unimplemented recommendations are of a systemic nature, which is why the identified irregularities are repeated year after year. The following table provides information on the recommendations' implementation over the 2019-2021 period.

Table 30.2.B: Timing of audit reports submission to the legislature

Year	Number of recommendations	Implemented	Partially implemented	Unimplemented	Expired
2019	1521	27%	21%	46%	6%
2020	1612	40%	18%	37%	5%
2021	1541	39%	15%	39%	7%

Based on the analysis and supporting evidence, the score for the present dimension is C.

30.4. Supreme Audit Institution independence

Table 30.4.B: Elements of SAI independence

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1. The SAI operates independently from the executive with respect to:		
- procedures for the appointment and removal of the head of the SAI	Y	The Law regulates the appointment and removal of the AG and DAGs. Both positions are appointed by Parliament after implementing a clearly defined application and selection procedure and are appointed for a term of seven years without the possibility of re-appointment. The appointment procedure is carried out through the parliamentary selection committee.
- the planning of audit engagements	Y	SAI can decide on their work programs without external interference.
- arrangements for publicizing reports	Y	SAI has appropriate legal rights and obligations to report on their work and to make their reports public.
- the approval and execution of the SAI's budget.	N	Laws satisfactorily enable the financial independence of the audit office. However, there was no compliance with the law in the Federation in 2016 and 2019. Also, when it comes to changes to the budget during the year, and the execution of payments to the audit office, the MoF has a role in this and can potentially reject requests.
2. This independence is assured by law.	Y	Supreme audit institutions in BiH do not have a foundation in the Constitution. Although the independence of the Auditor General and Deputy Auditor General does not have a constitutional foundation, the laws provide a satisfactory level of independence protection for the AG and DAG.
3. The SAI has unrestricted and timely access to records, documentation and information for:	Y	SAI FBiH has appropriate statutory powers to access the documents, information, and premises and this is respected in practice.
- all audited entities	Y	

Hence, the score for the present dimension is A.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. Coverage is CG for the last three completed fiscal years (2019, 2020, and 2021).

Indicator/Dimension	Score	Brief justification of the score
PI-31. Legislative scrutiny of audit reports (M2)	D+	
31.1. Timing of audit report scrutiny	D	Legislative scrutiny of Audit Report of FBiH Budget Execution Report for 2019, 2020 and 2021 has not been completed by the legislature in the assessed period. Legislative scrutiny of 25 audit reports from 2019, 43 audit reports from 2020, and 14 audit reports from 2021 was conducted within 3, 6, and 3 months, respectively.
31.2. Hearings on audit findings	B	In-depth hearings on key findings of most audit reports that received qualified or adverse opinions are held regularly with the SAI representatives and representatives of the subjects of the audit.
31.3. Recommendations on audit by legislature	D	FBiH Parliamentary Committee in the Sessions' Conclusions endorses SAI FBiH recommendations and refers only to the degree of recommendations implementation issued by the external auditors. The Parliamentary Committee in their Report for 2019 and 2020 particularly points out that a significant number of recommendations issued by auditors have not been implemented or have been partially implemented, which means that previously addressed failures and irregularities have not been eliminated. The Parliamentary Committee did not provide any information regarding implementation of auditors' recommendations by the subjects of audit for 2021.
31.4. Transparency of legislative scrutiny of audit reports	C	The Committee sessions are attended by the auditor general, the deputy auditor general, the audit team leaders, representatives of the institutions, and media representatives. Committee reports are published on the official website of the FBiH Parliament.

The Parliamentary Committee of the FBiH Parliament is responsible for the audit review and hearings on audit findings of budget users, extrabudgetary units, and public companies, institutes, and agencies.

The PFM Strategy in FBiH 2021-2025 aims to continue to strengthen audit performance by performing high-quality audits and applying the INTOSAI Professional Disclosure Framework through strengthening communication with key actors such as auditees, legislatures at all levels of government, law enforcement agencies, the media, and public to increase the impact of the audit.

31.1. Timing of audit report scrutiny

The Law on the Audit of Institutions in the FBiH (Article 16) prescribes the timing for submitting the financial statements of the SAI FBiH. The Rules of Procedure of the Joint Committee of the FBiH Parliament for Audit and the accompanying Instructions for Reviewing and Analyzing Audit Reports, which were

officially adopted in November 2009, prescribe the timing for each step that the Parliamentary Committee responsible for the audit should undertake in the course of its audit reports consideration. The review process should begin on July 1 and end by October 31.

In 2019, the Parliamentary Committee dedicated some time to the consideration of audit reports from 2017 and 2018, as it was given priority according to the recommendation of SAI FBiH. For the year 2019, twenty-five financial audit reports (19 mandatory audit reports and 6 audit reports of the public enterprises, institutes, and extrabudgetary funds) were submitted by the SAI FBiH until the end of September 2020, and all of them were considered and adopted by the Parliamentary Committee in November 2020. The Report on the Budget Execution of FBiH for 2019 and 2021 was never adopted by the FBiH government.

For the year 2020, SAI FBiH submitted 101 financial audit reports to the Parliament of FBiH by the end of September 2021, out of which an Audit Report on the FBiH Budget Execution for 2020, 25 audit reports of budget users, 8 audit reports of extrabudgetary funds and agencies, and 10 audit reports of public enterprises were considered by the Parliamentary Committee. The audit reports for 2020 considered by the Parliamentary Committee were adopted in March 2022. Legislative scrutiny of 14 audit reports (mandatory audit reports of institutions on the level of FBiH) from 2021 was conducted within three months from the receipt of the audit reports, in October and November of 2022.

The Audit Report of the Consolidated Budget Execution Report of FBiH Government for 2019, 2020, and 2021 was not adopted by the Parliament of FBiH (it was not on the agenda at all), neither by the House of Representatives nor the House of Peoples, according to the meeting minutes of the sessions held in the mandate period 2018-2022. Hence, the score for the present dimension is D.

31.2 Hearings on audit findings

During the public hearings of the subjects of the audit in 2019, the Parliamentary committee decided to omit those subjects that have an unqualified opinion on both the financial reports and compliance with legal regulations, due to audit reports from 2017 and 2018 that were not previously subject of the audit review.

Public hearings of the subjects of the audit that received qualified opinion or adverse opinion for 2017, 2018, and 2019, were held in October 2020.²⁰⁵ Public hearings of the subjects of the audit that received qualified opinion for 2020 were held in July, November, and December of 2021. There were no adverse opinions on annual reports in 2020. Public hearings of the subjects of the audit for 2021 is that received qualified opinion was held in October and November 2022.

Representatives of all invited audited institutions attended the public hearings²⁰⁶. The members of the Committee expressed their satisfaction due to the seriousness that the institutions demonstrate on the matter, with the presence of managers and officials of the highest rank of the audited institution.

In-depth hearings on key findings of audit reports take place with representatives of the most subjects of audit that received qualified or adverse opinion or disclaimer and with the SAI representatives. Hence, the score for the present dimension is B.

205 Full list of entities audited is available in Table 30.1.B.

206 In 2020, the following institutions and public companies attended public hearings: Operator for renewable energy sources and efficient cogeneration, Pretis d.d. Vogošća, Tax Administration of FBiH, Development Bank of BH, Institute of Health Insurance and Reinsurance of FBiH, Fund for Professional Rehabilitation and Employment of Persons with Disabilities, Institute of Public Health of FBiH, FBiH Administration of Civil Protection, Report on Budget Execution of FBiH, FBiH Institute for Pension and Disability insurance, Unis Group company for transport and services, Company of transport devices energetik Tuzla, Željeznice FBiH doo Sarajevo, Institute for the care of mentally disabled persons Drin Fojnica, Institute for the care of mentally disabled children and youth Pazarić, FBiH Employment Agency, Protective Fund FBiH, Fund for Environmental Protection FBiH, FBiH Directorate of Commodity Reserves, FBiH Agency for Management of Confiscated Assets, Service for Joint Affairs of Bodies of FBiH, Elektroprivreda BiH, Elektroprivreda Croatian Community of Herceg Bosne Mostar, Highways FBiH Mostar, Operator - Terminals FBiH, Business System Vitezit.

In 2021 the following institutions' representatives attended public hearings: Report on the financial audit of the President and two vice-presidents of FBiH, Report on the financial audit of the Government of FBiH - General Secretariat, FBiH Ministry of Energy, Mines and Industry, FBiH Ministry of Environment and Tourism, FBiH Ministry of Transport and Communications, FBiH Ministry of Health, FBiH Ministry of Finance.

For 2019, only the information on the number of audited subjects that attended public hearings was available (15 in total).

31.3. Recommendations on audit by legislature

Audit reports include the recommendations of the Supreme Auditor on the actions to be taken by the government and responsible institutions. The Parliamentary Committee usually adopts these reports without amendments.

Budget users are required to report to Parliament on the actions they take to implement the recommendations. Feedback indicates, however, that the degree of recommendations implementation is limited.

Monitoring of the implementation of financial audit recommendations for the previous year takes place on an annual basis and is published in the institution's financial audit report (chapter implementation of recommendations), while performance audit recommendations are monitored after a certain period of time has passed since the publication of the report.

FBiH Parliamentary Committee in the Sessions' Conclusions endorses SAI FBiH recommendations and refers only to the degree of recommendations implementation issued by the external auditors.

The Parliamentary Committee in their Report for 2019 and 2020 particularly points out that a significant number of recommendations have not been implemented or have been partially implemented, which means that previously addressed failures and irregularities have not been eliminated. Considering that a similar situation was in the previous years, the Committee concludes that the implementation of the recommendations is not at a satisfactory level and that in the coming period, activities and measures should be taken to implement them, all with the aim of more efficient and effective use of public money. At the time of assessment, the Parliamentary Committee did not provide any information regarding recommendations implementation by the subjects of audit for 2021.

Hence, the score for the present dimension is D.

31.4. Transparency of legislative scrutiny of audit reports

The Committee sessions are attended by the auditor general, the deputy auditor general, the audit team leaders, representatives of the institutions, and media representatives. The meeting minutes and reports of the Parliamentary Committee are available on the website of the Parliament of FBiH.

Hence, the score for the present dimension is C.

2.B.3. Effectiveness of the internal control framework

The consolidated report on FMC for 2021 was the source of information for assessing the effectiveness of internal controls in FBiH. It is important to mention that the presented findings refer to the whole public sector in FBiH, including institutions/organizations on the Federation level, cantonal level, and municipal level. There was no possibility of presenting findings solely for the level of Federation BiH.

The basic legal and organizational prerequisites for the development of the PIFC have been established, but it is necessary to take further steps to harmonize work practices, develop capacities and monitor the effects within the framework of the reform of the PIFC system, which will ensure its development in accordance with the simultaneous reforms in numerous areas in the public sector in FBiH.

The self-assessment survey filled out by the public sector users in the Federation of BiH as part of reporting on the functioning of the FMC system in their organization consists of a total of 123 questions divided into five COSO segments. The summary of survey findings based on the COSO framework and FMC reports are presented below.

Control Environment

92.58% of users have ethical codes. Over 75% of users supervise the implementation of the code of ethics and have additional internal instructions regarding the employee's conduct, however, in case of non-compliance, measures are taken by 61.48% of users.

Regarding the organizational structure, 85.51% of users have an appointed coordinator for FMC. However, in less than half of the users, the manager still delegates tasks related to the development of the internal control system to employees, and mutual cooperation between the first and second level of users is insufficiently regulated through internal acts, and it is necessary to undertake further improvement measures on these issues. When it comes to HRM practices and policies, about 60% of the analyzed users prepare training plans, keep employee records and refer their employees to training in the field of FMC. On the other hand, when it comes to evaluating the performance of employees, only half of the users evaluate the performance of their employees and implement incentive/corrective measures in case of exceptional/poor performance.

Risk Assessment

The key weaknesses are: a large number of users do not determine and assess risks in key processes, identified risks are not documented in risk registers, risk registers are not regularly updated and there is no reporting system for the most significant risks. Only a third of users have updated risk registers and established system of risk reporting and only about 20% of the organizations that submitted the report have persons in charge who coordinate and collect data on risks. There is a lack of information about the causes and possible consequences of risks, without which it is not possible to identify key control mechanisms for their prevention or to take corrective action in the event that the risk materializes. Less than half of the users assess the significance and likelihood of risks. About half of the users (49.29%) have established procedures for the prevention and detection of irregularities and frauds.

Control Activities

Regarding the existence of policies and procedures in public sector organizations, users mostly have procedures related to procurement and contracting (86.40% of users), and about 70% of users have developed procedures related to the process of creating and executing the budget/financial plan, records of business events and transactions, and asset management. About 70% of users apply the principle of segregation of duties when it comes to planning, procurement and contracting, accounting records, payments, and control and have an established system of delegation of authority. Only 39.45% of users apply the segregation of duties principle when it comes to the use of IT systems. The integrity of financial data is ensured by restricting access to the ISFU system (Financial Management Information System), and only persons with assigned access can enter data and make changes, where the trace of those changes is visible and linked directly to the person making the changes.

About 40% of users in the strategic plan define performance indicators and supervise the implementation of the strategic work plan. In contrast to strategic planning, over 90% of users have adopted annual work plans. Half of the users state that they document business processes, and about 40% of users have created maps of business processes.

Information and Communication

The data showed that a third of users have IT security policies, procedures, or instructions, 40% of the users believe that the business systems in the organization are sufficiently supported by the IT system, and for 34% of the users, the IT systems that support certain business processes are mutually integrated. However, information systems are not mutually integrated, and this imposes the need for manual data transfer and processing, increasing the possibility of errors and delays in the preparation of reports.

Monitoring

56.18% of user users have an established system reporting on the functioning of the FMC system in the organization. Regarding the follow-up controls, 44.52% of users have established follow-up controls in the organization. Follow-up controls are performed regularly by 40.11% of users, and 37.99% of users stated that follow-up controls are also performed on an extraordinary basis by order of the manager, depending on the case. There is still a low level of implementation of internal audit recommendations.

The development of internal control systems for users in the public sector in the Federation is not at a satisfactory level. Although in recent years there has been progress, there has been no significant progress for FMC as a whole.

The focus of the work in the coming period will be on the computerization of the system of public internal financial controls - the PIFC application, which is expected to facilitate the work of both users (in terms of the practical application of internal control standards) and CHU (for simpler consolidation and better analysis of the data on the functioning of the FMC system). Namely, in 2021, a free application for users - the PIFC application - was created and tested, through which the annual reporting and consolidation of data on FMC will be automated and improved.

2.B.4. Impact of PFM performance on budgetary and fiscal outcomes

Aggregate fiscal discipline

Aggregate fiscal discipline aims to align the levels of revenue and expenditures without creating significant fiscal deficits which could jeopardize fiscal sustainability and manage spending within the available fiscal space.

The reliability of the budget contributes to fiscal discipline in such a way that aggregate expenditure and revenue outturn do not deviate significantly from the approved budget. The evidence on the effect of transparency related indicators on fiscal discipline is generally negative. Budget classification is limited to administrative and economic while comprehensiveness of budget documentation remains limited. Most of the transfers to cantons, cities and municipalities are distributed based on transparent rule-based system, but the information on transfers is not distributed timely to allow for efficient planning at lower government levels. Finally, significant share of government operations remains outside the scope of financial reports which has potential negative bearing on fiscal discipline.

The extent to which asset and liability management contributes to fiscal discipline varies at the FBiH level. Monitoring in the area of public corporations and subnational governments is at the basic level, which can undermine fiscal discipline. There is no efficient and effective management of public investment resources. The management of public assets is at a basic level. On the other hand, debt management is well-developed, which positively affects the ability to maintain fiscal discipline.

Fiscal strategy and policy-based budgeting influence fiscal discipline through macroeconomic and fiscal forecasting, fiscal strategy, and medium-term perspective in expenditure budgeting. Macroeconomic and fiscal forecasts are relatively robust for the FBiH level and on the basis of this, a fiscal strategy is prepared that supports aggregate fiscal discipline. However, comprehensive report on fiscal outcomes is missing to strengthen accountability and feed into the policy cycle. Budget preparation process is largely within the framework prescribed by the Law, however the medium-term expenditure framework quality is hindered by the lack of alignment of strategic plans and budgetary figures.

Predictability and control in the budget execution contribute to fiscal discipline through administration, accounting, expenditure arrears, and control of expenditure and payroll. The FBiH Tax Administration is an administration that administers the largest part of revenues. Accounting of revenues is performed efficiently through TSA. Expenditure arrears are low and managed properly, which is a positive indication in terms of the overall fiscal discipline. Relatively effective expenditure control has been established, while the payroll control is weak.

The integrity of financial data is relatively good for the FBiH level, while the availability of comprehensive annual financial reports and regular in-year reporting is at a basic level or even below in some cases.

Strategic allocation of resources

Allocating resources in line with strategic priorities contributes to maximizing the impact of public spending for an efficient public sector and economic growth.

The reliability of the budget contributes to the strategic allocation of resources through reliable revenue forecasting, whereby the revenue outturn does not deviate significantly from the approved budget. Regarding the expenditure allocation, the variation in the function composition was below 15% in 2019 and 2021 and more than 15% in 2020 due to COVID. Program budgeting and strategic planning are in the early stages of development. Preparation of plans for service delivery is at a basic level and reporting of results is poor.

The transparency of public finances contributes to the strategic allocation of resources, primarily through a comprehensive but also transparent budget, including the performance of service delivery programs and transfers to lower levels of government which jointly strengthen the government's accountability for deciding on the allocation of the budget. For the FBiH level budget comprehensiveness is relatively strong, while information to assess transparency in terms of public access is weak, performance information for the provision of services and timeliness of the information on transfers to lower levels of government are also weak, which altogether deteriorate the capacities of the FBiH Government to optimally allocate their budgetary resources.

Public investment management framework is underdeveloped. Prioritization criteria exist and projects are scored against them, however project selection is not consistently based on application of these criteria. On the other hand, recording and reporting of the incurred debt follows the best practice and positively affects the ability to strategically allocate resources.

Macroeconomic and fiscal forecasts are relatively robust for the FBiH level, as already stated in the aggregate fiscal discipline, including fiscal strategy and medium-term budgeting, which are all prerequisites to enable the FBiH Government to plan budget allocations more efficiently in accordance with priorities. However, legislative scrutiny of the budget is weak, which may weaken the FBiH Government's accountability for its decisions on budget policies. There is a reliable external audit mechanism in place at the FBiH level, however more can be done to improve legislative scrutinization. Efficient and effective external audit and legislative scrutiny are also prerequisites for the government's accountability for allocating resources in accordance with the approved budget.

Efficient service delivery

The manner in which the funds for service delivery are prioritized, budgeted, spent and evaluated, is a key success factor for efficiency of the public services which the government provides to citizens and society.

No significant deviation of the expenditures from the planned budget were observed, which enables efficient provision of envisaged services. However, significant deviations in composition together with weaknesses identified in the transparency of fiscal information and reporting on the performance of service delivery units undermine service delivery and the ability to monitor its efficiency. The latter pertains mostly to the underdevelopment of performance measurement framework and weak public investment prioritization mechanisms.

In-year resource allocation scheme entailing consolidation of balances and cash management provide for smooth implementation of the budget. Also, internal audit structures in place fulfill their mandate by providing assurance that systems are functioning to achieve objectives efficiently and effectively. Revenue accounting, on the other hand, does not provide adequate support in service delivery as data reconciliation mechanisms are observed as weak.

Also, while integrity of fiscal data is sound, financial reports are not IPSAS consistent. The Auditor General responsible for the external audit of FBiH Institutions is found to be strong, well established and sufficiently independent to act professionally and to keep the government accountable for allocating public funds in accordance with the approved budget, although there is room for improvement in terms of the share of recommendations followed by the executive.

2.C. ANALYSIS OF PFM PERFORMANCE – Republika Srpska



Bosnia and Herzegovina

Republika Srpska

Public Expenditure and Financial Accountability (PEFA)

November 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat

November 30, 2023

2.C.1. Structure of the public sector

The central level of the Government of RS includes entities that are included in the budget of the Republic, extra-budgetary units and social security funds, while the general government includes the central level and the sub-national government. There are 126 entities which are directly included in the budget of RS. The central government includes four extrabudgetary units, these are the four social security funds: (i) the Health Insurance Fund, (ii) the Child Protection Fund, (iii) the Solidarity Fund for diagnostic and treatment of diseases, conditions and injuries of children abroad and (iv) the Employment Fund. Since January 1st 2016, the Pension - Disability fund is included in RS budget, and is hence excluded from the social security funds. The sub-national government comprises 64 municipalities and they are autonomous in execution of their budgets. They are financed from their own revenues, portions of central level revenues which are by legislation assigned to the local level and transfers from the central level. Revenues from indirect tax and revenues from Personal Income Tax (income from personal wages and income from independent activities) make up the largest part of the sub-national government revenues.

Table 2.C.1.1: Structure of the public sector (number of entities and financial turn-over)

Year	Public sector				
	Government subsector		Social security funds 1/	Public corporation subsector	
2021	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central	2/126	4	4	2 (JP Putevi and JP Autoputevi)	n/a
1st tier subnational (State)	64				
Lower tier(s) of subnational					

Table 2.C.1.2: Financial structure of central government – actual expenditure (in BAM)

Year	Central government			
2021	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	3,353,274,068	1,308,720,405	1,012,365,278	5,674,359,751
Expenditure	3,368,547,064	1,234,536,640	988,978,349	5,592,062,053
Transfers to (-) and from (+) other units of general government	422,660,773	152,689	152,689	422,966,151
Liabilities	468,357,340	14,026,968	-29,420,683	452,963,625
Financial assets	-222,136,105	-83,699,071	6,182,103	-299,653,073
Nonfinancial assets	171,928,321	256,014,342	102,956,328	530,898,991

Data source: Harmonized Reporting Template made for the purpose of reporting to the IMF.

Note: Pension Fund of RS is part of budgetary unit, so it is excluded from the amount of Social security funds. Extrabudgetary units consist 4 SSF and 2 road construction entities. 1/ Non consolidate aggregation method. Where available this should be the consolidated total, but other aggregation method may be used (with explanation).

Table 1.C: Overview of the scores of the PEFA indicators - RS

PFM performance indicator		Scoring method	PI scores				Overall score
			i.	ii.	iii.	iv.	
I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	C	B	A		C+
PI-3	Revenue outturn	M1	B	B			B
II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	D	D	A		C
PI-7	Transfers to subnational governments	M2	A	A			A
PI-8	Performance information for service delivery	M2	D	D	A	D	D+
PI-9	Public access to fiscal information	M1	B				B
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	C	D		D+
PI-11	Public investment management	M2	C	D	D	D	D
PI-12	Public asset management	M2	C	C	D		D+
PI-13	Debt management	M2	A	A	A		A
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	A	A	C		B+
PI-15	Fiscal strategy	M2	C	A	D		C+
PI-16	Medium-term perspective in expenditure budgeting	M2	C	A	D	D	C
PI-17	Budget preparation process	M2	A	A	D		B
PI-18	Legislative scrutiny of budgets	M2	A	B	A	A	B+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	C	A	D	B
PI-20	Accounting for revenue	M1	A	A	B		B+
PI-21	Predictability of in-year resource allocation	M2	A	A	B	A	A
PI-22	Expenditure arrears	M1	A	C			C+
PI-23	Payroll controls	M1	B	A	B	B	B+
PI-24	Procurement management	M2	NA	NA	NA	NA	NA
PI-25	Internal controls on non-salary expenditure	M2	A	B	D		B
PI-26	Internal audit	M1	A	B	B	C	C+
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	A	NA	A	B	A
PI-28	In-year budget reports	M1	A	B	A		A
PI-29	Annual financial reports	M1	A	B	A		B+
VII. External scrutiny and audit							
PI-30	External audit	M1	A	B	B	A	B+
PI-31	Legislative scrutiny of audit reports	M1	B	D	D	D	D+

2.C.2. Assessment by pillar, indicator and dimension

PILLAR ONE: Budget reliability

The pillar measures whether government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance: key strengths and weaknesses

COVID-19 crisis made a significant impact on the budget of the Republika Srpska, especially on the projected budget, revenues and expenses. The Ministry of Finance of Republika Srpska support funds from the IMF in the Revised Budget for year 2021.

Therefore, the deviations of both actual expenditures and revenue were moderate to high compared to the original budget.

Deviation of total expenditures is under 5 percent in the year 2019 and above 5 percent in the next two years of the assessed period. Variance in expenditure composition by function was relatively high and rising from 8.2 percent in 2019 to 13.3 percent in 2021. The variance in composition by economic classification was low in 2019, but in the very next year variance increased to 13.4 percent. Contingency reserve was low, on average at 0.4 percent of the central government budget. Due to allocated SDR funds, Budget revenues outturns were higher than those planned in the year 2021. Variance in revenue composition has increased up to 12.7 percent in the year.

Although COVID-19 crisis had an impact on the budget, the budget can be considered as generally reliable. Despite the unpredictable situation due to the pandemic, the budget was moderate in aggregate deviation of expenditures and revenues.

PI-1. Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved as defined in government budget documentation and fiscal reports. Coverage is BCG and it covers the last three fiscal years. Supporting calculations are presented in the annex.

Indicator/Dimension	Score	Brief justification of the score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	Actual expenditure outturns deviated from the originally approved budget in the range between 100.8% and 106.3%

1.1. Aggregate expenditure outturn

The data used for the calculation of expenditure deviation originates from the consolidated financial reports of the BCG in the period of assessment FY 2019-2021. Absolute deviation of the actual budget expenditures versus the approved expenditure in the last three completed fiscal years (i.e., 2019, 2020 and 2021) was between 0.77 % and 6.34%. This translates into budget outturn for those years in the range between 100.8% and 106.3%.

Table 1.1.C: Total BCG expenditure outturn (in million BAM)

	FY2019	FY2020	FY2021
Budget	2,731,568,600	2,971,171,300	3,167,832,700
Actual	2,752,471,210	3,148,135,487	3,368,547,064
% Deviation	0,77%	5,96%	6,34%

Source: Ministry of Finance RS

The main reason for this deviation is the late year budget adjustment in 2021 with donor budget support to mitigate the impact of the pandemic on the Government spending. The COVID-19 crisis made a huge impact on their budget, especially on the projected budget, revenues and expenses. In response to the crisis caused by COVID-19 pandemic, on 23 August 2021, IMF credited funds to the Central Bank of Bosnia and Herzegovina (CBBH), based on the allocation of Special Drawing Rights (SDR) in the amount of SDR 254,182,273. In accordance with applicable laws and bylaws, the CBBH, as the fiscal agent of Bosnia and Herzegovina for the allocated funds, credit with the corresponding amount of BAM 602,540,349 the deposit account for IMF transactions - the main account of the BH Ministry of Finance and Treasury. Thereafter, the funds were distributed on the basis of appropriate instructions from the BiH Ministry of Finance and Treasury.

In view of the above, funds were credited to the Republika Srpska in the amount of BAM 200,846,780. The IMF allocation was planned by the revised budget of RS. Therefore, the deviations of both actual expenditures and revenue were moderate to high compared to the original budget.

Based on the analysis and supporting evidence, the rating for this dimension is B.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Coverage is BCG and it covers last three fiscal years. Supporting calculations are presented in the annex.

Indicator/Dimension	Score	Brief justification of the score
PI-2. Expenditure composition outturn (M1)	C+	
2.1 Expenditure composition outturn by function	C	Deviation from originally approved budget was relatively high – up to 13.3%
2.2 Expenditure composition outturn by economic type	B	The variance was relatively small in 2019 but increased in the next two years.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was very low from the original budget, average 0.36%, for all three years.

2.1. Expenditure composition outturn by function

Variance of expenditure composition outturn by function was 8.2% in 2019, 11.4% in 2020 and 13.3% in 2021. The variance increased moderately from beginning to end of the assessed period. The common and also the largest source of variation of all three years was the functional group- 06 – Housing and community amenities. The deviation from the originally approved budget to actual expenditure was relatively high, due to budget reallocations and Covid-19 pandemic.

Based on the analysis and supporting evidence, the rating for this dimension is C.

2.2. Expenditure composition outturn by economic type

The variance in expenditure composition by economic classification was 2.5% in 2019, 13.4% in 2020 and 7.3% in 2021. The variance was relatively small in 2019 but increased in the next two years. The largest variance was in the next year 2020. It went up to 13.4 percent mostly due to BAM 177 million spent over the originally approved budget appropriation for the other expenditures of BAM 202 million.

Based on the analysis and supporting evidence, the rating for this dimension is B.

2.3. Expenditure from contingency reserves

The Budget System Law of Republika Srpska (Article 43) defines the meaning of contingency reserve as the share of projected budgetary funds that are distributed on the grounds of special decisions of the

Government of Republic of Republika Srpska of municipalities, cities and funds. Thus, contingency reserve funds may be used for the following:

- i. to cover contingency expenses that are not provided for in the budget,
- ii. budgetary expenses in respect of which it is established in the course of the year that the budgetary appropriation is not sufficient,
- iii. temporary execution of budget liabilities due to the constrained volume of budgetary funds, and
- iv. exceptionally for other purposes, in line with the Government's decision, or executive authorities of municipalities, cities and funds.

Article 44 of the Law specifies that the contingency reserves are limited to 2.5 % of the total projected budgetary revenues netted by the grants projected for the current fiscal year. A semi-annual report on the spending of the contingency reserves is submitted to the Government of Republika Srpska, relevant executive authority of municipalities, cities and funds.

Aggregate amount of funds spent within the contingency reserve in the budgetary central government in 2019, 2020 and 2021 was at the levels of 0.54, 0.23 and 0.31 percent, respectively, while the average in the last three completed fiscal years was 0.36 percent.

Based on the analysis and supporting evidence, the rating for this dimension is A.

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. Coverage is BCG and it covers last three fiscal years. Supporting calculations are presented in the annex.

Indicator/Dimension	Score	Brief justification of the score
PI-3. Revenue outturn (M2)	B	
3.1 Aggregate revenue outturn	B	The aggregate revenue deviated from the original approved budget to the actual budget mostly in 2020 and 2021 due to COVID-19 crisis. Certainly, the pandemic had an impact on revenue outturn.
3.2 Revenue composition outturn	B	The variance in revenue composition shows how COVID-19 crisis had an impact on revenue outturn especially in the social contribution and VAT tax.

Revenue forecasting is performed by the Department for Macroeconomic Analysis and Policy of the Ministry of Finance of RS and published in the Medium-Term Expenditure Framework and Economic Reform Program. The Fiscal Council of Republika Srpska gives its opinion on MTEF and ERP. (Additional analysis of the revenue forecasts is presented under PI-14.1).

3.1. Aggregate revenue outturn

Total actual revenue deviated from the revenue foreseen in the originally approved budget by 101.8% in 2019, 93.9% in 2020 and 117.8% in 2021. Due to COVID-19 crisis and the allocation of SDR funds, actual revenues were much higher than those planned in the approved budget for the year 2021.

Table 3.1.C: BCG aggregate revenue outturn deviation 2019-2021

	2019	2020	2021
BCG revenue deviation	101.8%	93.9%	117.8%

Source: Ministry of Finance RS

Based on the analysis and supporting evidence, the rating for this dimension is B.

3.2. Revenue composition outturn

The variance in revenue composition was 2.6% in 2019, 7.6% in 2020 and 12.7% in 2021. The list of sources of variance remains the same as in the previous dimension. Namely, estimates of taxes of goods and services (mostly VAT tax) together with social security contributions contributed the most to the overall misalignment of actual values with those set by the budget for the years 2019 and 2020. Due to COVID-19 crisis in 2021 the taxes of income and profit recorded a difference of nearly BAM 46 million and social security contributions BAM 94 million.

Table 3.2.C: BCG revenue composition outturn

	2019	2020	2021
BCG revenue composition variance	2.6%	7.6%	12.7%

Source: Ministry of Finance RS

Based on the analysis and supporting evidence, the rating for this dimension is B.

PILLAR TWO: Transparency of public finances

Pillar II measures whether Information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Overall performance: key strengths and weaknesses

Administrative, economic and functional classifications are defined by the domestic legislature, but first two are not fully compliant with the international standards. Economic classification applied is not fully compliant with the GFS 2014 Methodology, although most of tables for financial reporting follow the GFS2014 methodology. Functional classification is based on 10 main functions by COFOG classification. The accrual IPSAS international standard are fully applied in the processes of budget preparation, execution and reporting since the year 2017. Program classification is still not applied in RS but it is expected to be in the near future.

Budget documentation is comprehensive and includes most of the elements required by the PEFA Framework, with the exception of summary information about fiscal risks and quantified tax expenditures. Financial assets are presented in accordance with IPSAS (2,28,29 and 30). Off-budget revenue and expenditure are not fully reported by the Government.

There is a transparent, rule-based system for transfers to the sub-national level embedded in regulation. The allocation of indirect tax revenues and personal income tax are clearly regulated by the Law on Budget System and Local budget units can determine their share of revenue, and therefore plan it in their own budgets.

Even if the MoF was in regular possession of up-to-date information on funds received by all budget users through the Budget Planning and Management Information System (BPMIS), RS Budget is still not prepared and adopted in program format. Also, the obligation to prepare the budget in program format is not prescribed by law, which means that the first step in the preparing budget on a program basis requires the amendment of the relevant regulations.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator. The coverage is Budget Central Government and the period of assessment is the last completed year.

Indicator/Dimension	Score	Brief justification of the score
PI-4. Budget classification	B	
4.1. Budget classification	B	Budget preparation, execution and reporting are in accordance with IPSAS international standards. It is based on Periodical Statement about Transaction, and Harmonized Reporting Template in accordance with GFS and functional classification by COFOG.

The matter of budget related classifications is generally regulated by the Budget System Law of Republika Srpska. The individual classifications (i.e., functional, economic, administrative) are defined in bylaws as foreseen in the Budget System Law of Republika Srpska. Implementation of the classification throughout the public expenditure cycle (budgeting, execution, reporting) is warranted by the management information systems BMPIS (budget preparation) and SUFI (budget execution, accounting and financial reporting). Budget preparation, execution and reporting procedures are fully integrated and covered by the uniform set of classifications.

Budget users in RS in accordance with current regulations, use IPSAS as the basis for the preparations and presentation of financial statements which are based on the accrual basis of accounting.

With the aim of providing easier budget preparation and reporting, a number of by-laws in the field of budget accounting were adopted during 2016 and 2017. They are adopted through efficient control and management of budget and public consumptions, preparation of individual financial reports of budget users and consolidated financial reports of Republika Srpska. The full implementation of IPSAS starts from January 1st, 2017.

Reforms related to budget classification are envisaged in the current PFM Reform Strategy, in particular in the improvement of budgeting in program format that is planned to implement budget program structure at the national level. This is envisaged to take place by the end of FY 2024.

4.1. Budget classification

Administrative, economic and functional classifications are defined by the Rulebook on Budget Classifications, Content of the Accounts and Implementation of Chart of Accounts for Budget Users and according to the Budget System Law of Republika Srpska and Law on Accounting and Auditing of the Republika Srpska Budget Form and Content and Budget Execution Reporting established form and the content of the budget and budget execution reporting.

Based on The Instruction of the applications of International Accounting Standards for Public Sector 23 (Official gazette RS 116/13, 109/16) and Rulebook about Form, Content and Budget Execution Report with the related tables, accrual IPSAS is in line with the budget preparation, execution and other financial reports starting from the year 2017.

Budget is aligned with the IPSAS according to Periodically Execution Report tables and PIT (Periodical Statement about Transaction table presented in GFS 3 digits Ministry of Finance of RS for the purposes for IMF reporting produce Harmonized Reporting Template in accordance with GFS codes.

MoF RS established a Rulebook of Implementation of International Accounting Standards for Public Sector, and the budget users are obliged to implement it. Functional classification is based on 10 main functions by COFOG classification established by OECD. Sub-functional/program classification are going to be present in the Program Budget on which MoF RS has been working for years. According to Public Finance Management Strategy 2021-2025, program classification is planned to start from 2024.

Based on the assessment performed and supporting evidence, the score for this dimension is B.

PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. The coverage is Budget Central Government and the period of assessment is the last budget submitted to the legislature.

Indicator/Dimension	Score	Brief justification of the score
PI-5. Budget documentation	A	
5.1. Budget documentation	A	The budget documentation is comprehensive since it included each of the basic elements and the 6 additional elements.

5.1. Budget documentation

Performance level and evidence for scoring:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	The forecast of the fiscal deficit is provided in the MTEF 2022-2024. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirog_budzeta.aspx
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	The annual financial report for the previous year was prepared in the same format as the Budget proposal. It was submitted to the Parliament in December 2021 together with Budget proposal https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	Budget documentations contains the revised budget in the form which corresponds to the budget proposal. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Y	The Budget are based on MTEF which contains the expenditure and revenues data aggregated to the main heads and has been approved by the Government MTEF includes data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirog_budzeta.aspx
Additional elements		
5. Deficit financing, describing its anticipated composition	Y	Deficit financing is presented in a general part of the Explanatory note of Budget Proposal for 2022, defined in Article 14 of the Budget System Law and MTEF 2022-2024.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	The key macroeconomic assumptions underlying projections of fiscal indicators over the medium term are a part of the budget documentation. They are also discussed thoroughly in the MTEF 2022-2024 which is adopted by the Government and submitted to the legislature in July 2021. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirog_budzeta.aspx
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	Y	Information on debt includes a detailed breakdown of debt stock and it is approved by the National Assembly. Also, through financial reporting for the purposes to the IMF, it is presented in accordance with GFS2014. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx#collapsible1
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with IPSAS (2,28,29 and 30)	Y	Financial assets are shown within the consolidated balance sheet, which is part of the Consolidated Budget Execution Report submitted to the National Assembly. They are presented in accordance with IPSAS (2,28,29 and 30). https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx#collapsible1
9. Summary information of fiscal risks	N	No summary information in the budget documentation

10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or changes to expenditure programs	Y	<p>Explanation of budget implications of new policy and major new public investments are prescribed by Law on Fiscal Responsibility of Republika Srpska. Law prescribes submission of fiscal impact statements for all budget users. Fiscal Council of Republika Srpska Law), gives opinion on ERP. ERP is submitted to the National Assembly in the course of the budget process. Explanation of budget implications of new policy initiatives and major new public investments with estimates of the budgetary impact of all major revenue policy changes and changes to expenditure programs are provided in ERP.</p> <p>https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx</p> <p>https://fiskalnisanjetrs.net/doc/Zakon-o-fiskalnoj-odgovornosti-u-RS.pdf</p>
11. Documentation on the medium-term fiscal forecasts	Y	<p>Detailed documentation based on which the medium-term fiscal forecast is developed is part of the MTEF and ERP for the upcoming three-year period (2022-2024).</p> <p>https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirnog_budzeta.aspx</p> <p>https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx</p>
12. Quantification of tax expenditures	N	No information of quantification of tax expenditures is available from budget documents.

The requirements are met for four basic elements out of 4 and 6 additional elements out of 8. Based on the assessment performed and supporting evidence, the score for this dimension is A.

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. The assessment of this indicator is based on the latest information and reports available, which are related to the fiscal year 2021. The coverage is Central Government and the period of assessment is last completed fiscal year.

Extrabudgetary units are identified in accordance with the definition prescribed by the GFS 2014 Manual as the entities with individual budgets not fully covered by the main budget as well as public enterprises that do not meet the criteria of a 'public corporation'.

Indicator/Dimension	Score	Brief justification of the score
PI-6. Central government operations outside financial reports (M2)	C	
6.1. Expenditure outside financial reports	D	Expenditure outside government financial reports comprises 37% of total BCG expenditure.
6.2. Revenue outside financial reports	D	Revenue outside government financial reports is 39% of total BCG revenue. The revenue of extra budgetary units mostly consists of transfers from the central government and social security contributions.
6.3. Financial reports of extrabudgetary units	A	Detailed financial reports of extrabudgetary units are submitted timely.

Extrabudgetary units in Republika Srpska are (i) Health Insurance Fund, (ii) Child Protection Fund, (iii) Solidarity Fund for diagnostic and treatment of diseases, conditions and injuries of children abroad, (iv) Employment Fund., Public Company "Roads of Republika Srpska" (v) and Public Company "Highways of Republika Srpska" (vi). The concept of extra-budgetary funds covers entities with their expenditures in the financial statements of the Government, however their expenditures are not planned and not published in the officially adopted Budget, that is, their operations are not carried out within the Treasury's general ledger or through the Single Treasury Account, but through their own bank. The same applies for the revenue of these entities.

Financial reports submission procedure of extrabudgetary units is defined by the Budget System Law and the Law on Accounting and Auditing and the Law on Public Enterprises, which requires submission of annual financial reports to the Government of Republika Srpska by end-February (for funds) and end-March (for public roads companies) for the previous fiscal year. Financial reports of extra-budgetary funds are submitted on a monthly, quarterly and annual basis to the MoF RS and are consolidated "line by line" during the preparation of the comprehensive half-yearly and annual financial reports of the RS. Financial statements of all extrabudgetary units, including public companies are consolidated through the financial reports to the IMF in accordance with GFS 2014 Methodology.

6.1. Expenditure outside financial reports

This dimension assesses expenditure incurred by budgetary and extrabudgetary units (including social security funds) which are excluded from the government's financial reports. Coverage of The Treasury Ledger of RS is comprehensive in the sense that all financial operations of all budget users at all levels of governments are conducted within it. The Treasury Ledger, and thus the accounting records and financial statements which are consolidated in the annual financial report, are based on the transactional data extracted from this system as well as financial reports of all institutions that fall under the scope of the RS government.

Extrabudgetary units of RS namely social security funds, as well as public companies are not conducted within the main ledger. Those units are obliged to submit budget proposals to the competent ministry for their opinion in accordance with Budget System Law and Law on Public Roads of Republika Srpska. Also, they are obliged to submit annual financial reports, to the February 28th and March 31st respectively, for the previous year.

Consequently, the annual financial report of Republika Srpska central government does not comprise institutions of healthcare and social security, with the exception of financial reporting to the IMF.

Combined expenditure of institutions identified as extrabudgetary units was BAM 1.234,54 million for the year 2021. These subjects include public companies for construction and maintenance of roads and highways (BAM 245,6 mill). Based on calculation of all EBUs expenditure versus CG, expenditure outside government financial report is 37% of total CG expenditure.

Based on the analysis and supporting evidence, the rating for this dimension is D.

6.2. Revenue outside financial reports

The revenue of extra budgetary units is mostly transfers from central government and social security contributions. Although, there are some minor revenues from sales of goods and services and other non-tax revenues for public companies for roads and highways. Accordingly, there were no significant revenues contained in the financial reports which were generated by those units and submitted in a timely manner to MoF.

The total revenues of institutions identified as extrabudgetary funds was BAM 1.308,72 million for the year 2021. They include public companies for construction and maintenance of roads and highways (BAM 296,7 million).

Revenues outside government financial report is 39% of total CG revenues, by comparison of all EBUs revenues and CG revenues. Based on the analysis and supporting evidence, the rating for this dimension is D.

6.3 Financial reports of extrabudgetary units

This dimension assesses the extent to which ex-post financial reports of extrabudgetary units are provided to the central government and are sufficiently detailed and timely to yield a full picture of government financial operations when combined with the financial reports for budgetary central government.

Although their accounts are not part of the Government Treasury ledger, the budgets of the extrabudgetary units are considered and approved by the Government of Republika Srpska, as defined in the Budget System Law (Article 34). The only exception is the Solidarity Fund for diagnostic and treatment of diseases, conditions and injuries of children abroad whose reports are approved by the National Assembly of Republika Srpska. Financial report of the Central government of RS does not refer to the extrabudgetary funds and public companies. Their financial reports are comprehensive and are prepared and available to MoF RS through the procedure prescribed by Budget System Law (i.e., by 28th of February or 31 March).

Table 6.3.C: Financial reports of extrabudgetary units FY 2021

Name of extra-budgetary unit	Date of annual financial report completed	Date of annual financial report received by CG	Content of annual financial report (Y/N):			Expenditure as a percentage of total EBU expenditure (estimated)
			Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Health Insurance Fund	25-Feb-22	28-Feb-22	Y	Y	Y	64.73
Child Protection Fund	25-Feb-22	04-Mar-22	Y	Y	Y	9.21
Solidarity Fund for diagnostic and treatment of diseases, conditions and injuries of children abroad	16-Feb-22	28-Feb-22	Y	Y	Y	0.46
Employment Fund	28-Feb-22	07-Mar-22	Y	Y	Y	5.71
Public Company „Roads of Republika Srpska“	24-Feb-22	09-Mar-22	Y	Y	Y	11.27
Public Company „Highways of Republika Srpska“	28-Feb-22	15-Mar-22	Y	Y	Y	8.62

Source: Ministry of Finance RS

Based on the analysis and supporting evidence, the rating for this dimension is A.

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. The coverage is Central Government and the subnational governments with direct financial relationship. The period of assessment is the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-7. Transfers to subnational governments (M2)	A	
7.1. System for allocating transfers	A	The allocation of public revenues is clearly regulated by the Law on Budget System and other laws. There are clear formulas that LSUs can use when planning their revenue.
7.2. Timeliness of information on transfers	A	The MoF delivers the MTEF to the LSUs by the 1st of July. LSUs have enough time to prepare and adopt their budgets (more than six weeks), considering that the deadline for adopting budgets is 15th of December in the current year for the following fiscal year.

Article 76 of the Law on Local Self-Government prescribes the allocation of revenue between the RS central government and the local self-governments, based on local self-governments' development level. The objective of the revenue allocation is to supplement local self-governments financing sources and secure efficient execution of their competencies. Local self-governments' bodies can plan reliable amount of funds, which are available to them during the fiscal year.

Rules for allocation of funds from the Republic's Budget to the local self-governments are based on objective, transparent and assuring criteria determined by the National Assembly. Article 9 of the Law on Budget System of the Republika Srpska (LBS RS) prescribes the rules for sharing revenue between the Republic's Budget, budgets of local self-government units (LSUs) and other users.

The following revenues belong to local self-government units (LGUs) in the aforementioned distribution:

- 24% of revenues from indirect taxes, which belongs to the Republic from the Single Account of the ITA, following the deduction of the portion of the resources for the servicing of the external debt of the Republic,
- 25% of revenues from Personal Income Tax (income from personal wages and income from independent activities),
- 70% of revenues from charges for changing the purpose of agricultural land, 50% of revenues from the lease of land in the ownership of the Republic, 30% of charges for intake of surface and sub-terranean waters, charges for the generation of electricity resulting from the utilization of hydro-energy, charges for the excavation of materials from water streams, dispossessed property gain and resources acquired on the basis of the sale of dispossessed items from the scope of authority of the Republic Administration for Inspection Affairs
- 70% of concession fees for developed LGUs, 80% of concession fees for underdeveloped LSUs i 90% of concession fees for extremely underdeveloped LSUs.

Regarding individual allocation of indirect tax revenues (almost 50% of total revenue of all LSUs in 2021) between LSUs, criteria regarding population numbers on the territory of a LSU (with a weighting of 75%), size of the LSU (with a weighting of 15%) and number of high school students (with a weighting of 10%) is applied. Personal income tax revenue made almost 5.3% of total revenue of all LSUs in 2021. This is regulated by the Law on Personal Income Tax applied at the Republic level, while further allocation is done between the Republic's Budget and budgets of LSUs.

Further, LSUs receive certain funds, which are transferred from the Republic's Budget based on specific regulations. That includes transfers for social protection and personal disability benefits from the domain of social protection, paid through Ministry of Health and Social Protection and based on the Law on Social Protection. They also receive transfers for underdeveloped municipalities through the Ministry of Administration and Local Self-Government, transfers for public investments and similar.

7.1. System for allocating transfers

The allocation of indirect tax revenue is clearly regulated by the Law on Budget System and there are clear formulas that LSUs can use when planning their revenue. Allocation of indirect taxes on the Bosnia and Herzegovina (BiH) level has a clearly defined process. According to this process collected revenue is transferred to the ITA Single Account where portion of these funds is reserved for future tax refunds and another portion is used for financing BiH institutions. By applying predetermined coefficient for allocation of indirect tax revenue share of the Republic is calculated, and after funds necessary for foreign debt servicing are reserved, 24% of the remaining funds is allocated to the LSUs. Regarding personal income tax, Law on Personal Income Tax regulates allocation of these public funds, where LSUs receive 25% of these funds, depending on place where personal income has been acquired.

Regarding transfers for social protection, the Law on Social Protection regulates how they are financed. It sets the base for determining monetary aid, percentage applied to such base depending on the type of social benefit, and shares provided by the Republic and by the LSU. Transfers of financial funds to underdeveloped and extremely underdeveloped municipalities are performed on the basis of financial funds planned in the Republic's Budget, and in accordance with regulations governing budget execution, while the Rulebook on criteria and procedure for awarding financial funds to underdeveloped and extremely underdeveloped LSUs determines the criteria, conditions and procedure for awarding financial funds to underdeveloped and extremely underdeveloped LSUs.

Based on the available information, the score for the present dimension is A.

7.2. Timeliness of information on transfers

This dimension assesses the timeliness of reliable information provided to sub-national governments on their allocations from the central government for the coming year.

In accordance with the LBS RS, by the end of June the Government adopts the Medium-term Expenditure Framework (MTEF) which is a document that contains macroeconomic projections and forecasts of budget funds and expenditures for the next year and the following two fiscal years. The analysis determined that the Government adopts the MTEF on time and in the prescribed period, which allows for budget planning on lower levels. The Ministry of Finance delivers the MTEF to the LSUs by the 1st of July, meaning that LSUs have enough time to prepare and adopt their budgets, considering that the deadline for adopting budgets is 15th of December in the current year for the following fiscal year.

The MTEF has projections of tax and non-tax revenue, including projections of revenue from indirect taxes and personal income tax, specifically share belonging to LSUs. By applying rules prescribed by the LBS RS, LSUs can determine their share of said revenue, and therefore plan it in their own budgets. Further, the MTEF also includes amounts of transfers to LSUs earmarked based on their rights under the Law on Social Protection, transfers to underdeveloped and extremely underdeveloped municipalities and other transfers.

Hence, the score for the present dimension is A.

PI-8. Performance information for service delivery

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. The time period covered for Dimension 8.1 on performance indicators and planned outputs and outcomes is the next fiscal year (2022) and for Dimension 8.2 outputs and outcomes is the last completed fiscal year (2021). For Dimension 8.3 and Dimension 8.4 the last three completed fiscal years (2019-21) were assessed. The coverage is CG. The period of assessment as follows: PI-8.1 performance indicators and planned outputs for the next fiscal year; PI-8.2 last completed fiscal year; PI-8.3 last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-8. Performance information for service delivery (M2)	D+	
8.1 Performance plans for service delivery	D	The RS Budget is still not prepared and adopted in program format.
8.2 Performance achieved for service delivery	D	RS Budget is not prepared in program format, so budget users are not publishing information on provided services and achieved outcomes.
8.3 Resources received by service delivery units	A	The MoF was in regular possession of up-to-date information on funds received by all budget users through the BPMIS information system in the last three completed fiscal years. At least two large ministries have information on all resources received by its service delivery units.
8.4 Performance evaluation for service delivery	D	The RS Budget is still not prepared and adopted in program format.

Dimensions from the PI-8 indicator are closely tied to the level of implementation of the program budgeting. The LBS RS does not prescribe the obligation to adopt the budget in program format, and therefore current legislation needs to be amended in order to create basis for preparation and adopting budget in program format. The RS Budget is still not prepared and adopted in program format, but as line-item budgeting, according to organizational, economic and functional classification. Adopting the budget in program format is planned to start from 2024 in the RS Public Finance Management Strategy 2021-2025.

There are ongoing activities related to the procurement of an IT system that will, after the LBS RS is amended, allow for preparation of the budget in program format. MoF is planning to start with budget in program format from 2024. The relevant measure of the current PFM Reform Strategy is under reform 'Improvement of budgeting in program format' and the related expected activities are in order to implement the budget program structure at the national level to establish preconditions for the introduction of the budget in program format at the level of local self-government units. This is expected to be carried out by end FY2024.

8.1. Performance plans for service delivery

As discussed above, the RS Budget is still not prepared and adopted in program format, but line-item format according to organizational, economic and functional classification. In addition, monitoring and reporting on budget execution is not done in program format. Also, budgets of EBUs are not prepared and adopted in program format. The LBS RS and related bylaws do not prescribe the obligation for budget users to prepare and publish information on measurable performance indicators of outputs and outcomes for service delivery. Therefore, regarding the 2022 budget there is no published information on planned activities and/or objectives and indicators that should be achieved through government policies/ programs at government level or line ministry level. In the Ministry of Finance, the Budget Instructions No. 1 and 2 are created in program format, but they are recorded through BMPIS and only used internally. According to information provided by the MoF RS, currently ongoing is the procurement of an IT system that will, after the LBS RS is amended, allow for preparation of the budget in program format.

Based on the analysis and supporting evidence, the score for the present dimension is D.

8.2. Performance achieved for service delivery

Since the RS Budget is not prepared in program format, budget users are not publishing information on provided services and achieved outcomes. Even though there are regular quarter, semi-annual and annual reports on budget execution, those reports do not include performance indicators for providing services and/or objectives, since they are not defined before the budget is formed. The LBS RS and related

bylaws do not prescribe the obligation for budget users to prepare and publish information on measurable performance indicators of outputs and outcomes for service delivery.

Based on the analysis and supporting evidence, the score for the present dimension is D.

8.3. Resources received by service delivery units

The MoF was in regular possession of up-to-date information on funds received by all budget users through the BPMIS information system in the last three completed fiscal years. In case of direct budget beneficiaries (DBBs) the financial operations are reconciled daily while for some of indirect budget beneficiaries (i.e., healthcare system institutions that are not yet part of the Treasury system) there is a lag as a number of them are still not integrated in the budget execution system BPMIS. In the coming years, MoF plans to enable full coverage, which will include the rest of healthcare system institutions. Financial position of indirect budget beneficiaries (IBBs) are reconciled through semi-annual and annual budget execution reports submitted to their responsible DBB (e.g. Ministry of Health in case of healthcare system institutions).

At least two large ministries – Ministry of Education and Ministry of Health, have information on all resources received by its service delivery units. The consolidated annual report on the execution of the Budget Republika Srpska contains the information on resources received by the services delivery units.

Based on the analysis and supporting evidence, the rating for this dimension is A.

8.4. Performance evaluation for service delivery

The Supreme Audit Office of the RS is the only institution which conducts performance audits. Performance audits are carried out regularly in accordance with the annually audit plan and the Institution’s Methodology for Performance Measurement developed by Supreme Audit Office of the RS. The number of completed performance audits increases gradually from 2019 to 2021.

Performance audits conducted in the last three completed fiscal years are provided in the table below. Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such. The number and institutional coverage of performance audits is less than required for a C score.

Title of the performance audit
1. Pronatal measures in the Republika Srpska (2021)
2. Public passenger transport in urban and suburban traffic (2021)
3. Management real estate owned by municipalities in Republika Srpska (2021)
4. Compliance of secondary education with the needs of the labor market (2021)
5. Exploitation of river material as a segment of integral regulation and protection of Drina river watercourse (2021)
6. Functioning of the social housing system (2021)
7. Management of rail-road crossings (2021)
8. Functioning of the environmental protection system (2020)
9. Establishment of Business Zones in the Republika Srpska (2021)
10. Disposal of agricultural land owned by the Republika Srpska through lease (2020)
11. Public Lighting Management in the Republika Srpska (2020)
12. The efficiency of anti-hail protection in the Republika Srpska (2020)
13. Planning and reporting in public companies (2020)
14. Professional Rehabilitation and Employment of Persons with Disabilities (2019)
15. Management of special-purpose funds for forests (2019)
16. Management of centralized public procurement in the health sector of the Republika Srpska (2019)

17. Efficiency of the collection and use of fees for public roads in the registration of motor vehicles (2019)
18. Prevention of Malignant Diseases (2019)

Source: www.gsr-rs.org

Based on the analysis and supporting evidence, the rating for this dimension is D.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. The coverage is Budget Central Government and the period of assessment is the last completed fiscal year (2021).

Indicator/Dimension	Score	Brief justification of the score
PI-9. Public access to fiscal information	B	
9.1. Public access to fiscal information	B	The Government makes available to the public six elements: four basic and two additional.

The Law on Budget System of RS requires that all budget related documentation is published on the website of the Government. A Citizen Budget is also prepared and published on the website of the Government of RS. The Audit Report is required to be published and it appears on the website of the Ministry of Finance.

There were no specific reform activities found aimed at public access to fiscal information.

9.1. Public access to fiscal information

The requirements are met for four basic elements out of 5 and 4 additional elements out of 4.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of those to the legislature.	N	-
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of the passage of the law.	Y	Website of MoF of RS https://www.vladars.net/eng/vlada/ministries/MoF/Pages/default.aspx
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Y	Website of MoF of RS https://www.vladars.net/eng/vlada/ministries/MoF/Pages/default.aspx
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	Y	Website of MoF of RS https://www.vladars.net/eng/vlada/ministries/MoF/Pages/default.aspx

5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	Y	Web site of the Supreme Audit Office of RS https://gsr-rs.org/en/annual-audit-report/
Additional elements		
6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	-
7. Other external audit reports. All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	Y	All reported prepared by the Supreme Audit Institution are published on their website.
8. Summary of the budget proposal. A "citizen's budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	Y	Since 2018, the Ministry of Finance has been preparing and publishing the Citizen Budget on its website. https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/PublishingImages/Pages/Budzet/Budzet%20za%20gradjane%202022.pdf
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	-

All documents of the budget process that are prepared by the Government of RS and adopted by the National Assembly are available to the public, both on the website of the Ministry of Finance, and on the website of the Government of the Republika Srpska and the National Assembly of RS. Exceptions include items 1, 6 and 9. They were not found on the respective websites. Therefore, the score is B.

PILLAR THREE: Management of assets and liabilities

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Overall performance: key strengths and weaknesses

The assessment shows that fiscal risks are not well managed (PI-10 scored D+). The financial reports of the public corporations are not part of the annual financial report of RS and they are not published. The contingent liabilities of government are not reported, except for the guarantees related liabilities which are reported in the annual debt report of Republika Srpska (i.e. Informacija o dugu Republike Srpske). Even if they are not expected to have huge impact on the overall fiscal discipline, such risks may have potential impact on both central and local government and should be closely monitored and reported.

The key weakness in the process of public investment management (PI-11 scored D) is that there are no approved economic selection criteria for capital investment projects and all documentation relevant to the selection and monitoring of investment projects is not published. The related impact is low transparency to the decision-making process in selection of how public funds are invested. Any strengths to highlight?

Public investments do not provide value-for-money and the asset maintenance is not comprehensive and encompasses all resources owned by the government. The assessment shows that the management of assets is not very effective, either (PI-12 score D+). The strong area in this function is the full record of financial assets that are disclosed at fair value in the annual financial report. However, this does not cover the extrabudgetary units and the social funds. The budget documentation does not cover information on transfers and disposals of assets, even if the procedures and rules for transfer and disposal of assets are well established. The lack of transparency in general may expose to risk the efficient and effective use of the resources owned and controlled by the government.

Debt management function (PI-13 scored A) is a strong performer, supported by monitoring and detailed recording and reporting of debt and guarantees and a publicly available debt management strategy which provide accountability for all borrowings of the RS Government.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. The coverage is as follows: PI-10.1 public corporations controlled by the Central Government; PI-10.2 subnational government entities with direct relations with the CG; PI-10.3 CG. The period of assessment is the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-10. Fiscal risk reporting (M2)	D+	
10.1. Monitoring of public corporations	D	The line ministries monitor the operations of the public corporations. The audited annual financial statement of the public corporations is not captured in the annual budget report of the Government, nor were they found published for FY 2021. The financial statements of the public corporations are not included in the consolidated budget execution report.

10.2. Monitoring of subnational governments	C	Reports on the financial performance of municipalities are collected every month. Only 34% of the audited annual financial statements of all subnational governments are published. A consolidated report on the unaudited financial position of all subnational governments is published annually as part of the annual budget execution report. All municipalities channel their funds through the TSA thus facilitating the financial reporting.
10.3. Contingent liabilities and other fiscal risks	D	Contingent liabilities are not included in the annual budget execution report of the Government of RS.

Line ministries are generally in charge of monitoring the public enterprises of RS, however this function is in the process of reform. The information monitored by the RS Government does not ensure that risks are adequately identified, hence relevant management decisions cannot be made.

The control that RS Government is currently exercised over domestic and external borrowing of the public enterprises is carried out by the Department for Debt Management in the Ministry of Finance. In accordance with the Law on Borrowing, Debt and Guarantees ("Official Gazette of the Republic Srpske" No. 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21), the public companies can borrow only with the approval of the Ministry of Finance. In accordance with Article 6, paragraph (1) of the Law on Borrowing, Debt and Guarantees, the indirect debt of the Republika Srpska is a debt incurred in the name and for the account of the debtor (among others, a public company) and is returned by the Republika Srpska by that debtor.

There are two public companies that are captured in the consolidated financial report with their fixed assets/equity and investment fund shares. They are JP Putevi („Roads of Republika Srpska) and JP Autoputevi („Highways of Republika Srpska"). In accordance with the GFS classification used by the Central Bank of BiH, the two public companies are also classified as EBUs. They report to IMF and the World Bank as EBUs and to the Government as public companies, this is an issue of classification that affects government statistics and monitoring.

Ongoing reforms focus on strengthening supervision over public corporations through legislative interventions and developing institutional MoF capacity for oversight, The PFM reforms in this area are formulated as follows: (i) Determination of fiscal risks and (ii) Financial supervision over the operations of public companies. They are planned to be achieved through the following activities: (i) establishment of capacities for monitoring, analysis and fiscal risk reporting in order to define fiscal risks; (ii) establishment of the Registry of Business Entities of the Public Sector Republika Srpska; (iii) Establishment of the Central Unit for Financial Supervision of public enterprises; (iv) Application of international standards for the purpose of categorizing public companies and (v) Financial supervision over the operations of public companies. All these activities were supposed to have been carried out by the end of FY2022. The reform related to the monitoring of public enterprises is delayed.

10.1. Monitoring of public corporations

The legal framework relevant to the monitoring of the public corporation in RS is (i) the Decision on the establishment of a system for coordinating the supervision of public enterprises in the Republika Srpska; (ii) Article 46 of the Law on Public Enterprises which states that supervision over the implementation of the provisions of the Law on Public Enterprises is carried out by the competent ministries.

The law stipulates that if the Government is 100% owner of a public company, it bears the responsibility to adopt the annual financial reports, the business plans, the investment program and to appoint and dismiss the supervisory board. The corporate governance of publicly owned enterprises is usually carried out in accordance with internationally recognized principles of corporate governance establishing the reporting and accountability arrangements to facilitate appropriate monitoring of their activities.

The respective line ministries monitor the operation and the financial results of the public companies together with the Investment and Development Bank of the RS in the year of assessment. While from

FY2023 the Central Unit for Financial Supervision of Public Enterprises and the Ministry of Finance will participate in the financial supervision of public enterprises. Namely, at the beginning of 2023, this function will be taken over by the Central Unit for Financial Supervision of Public Enterprises (provisional name), which is in process of being established within the General Secretariat of the Government of the RS. Currently, this is a work in progress with the goal of establishing a new system for monitoring the operations of public enterprises. This will entail amendment of the acting legal regulations, as well as activities to establish centralized collection and processing of information related to public companies. In this regard, after the establishment of an information system that will enable centralized data collection, the Ministry of Finance will receive financial reports on the operations of public companies. This would allow them to analyse and compile a report on fiscal risks related to public companies. These reports will be submitted to the Central Unit for Financial Supervision.

The control that RS Government currently exercises over domestic and external borrowing of the public enterprises is carried out by the Department for Debt Management in the Ministry of Finance. In accordance with the Law on Borrowing, Debt and Guarantees, the public companies can borrow only with the approval of the Ministry of Finance. In accordance with Article 6, paragraph (1) of the Law on Borrowing, Debt and Guarantees, the indirect debt of the Republika Srpska is a debt incurred in the name and for the account of the debtor (among others, a public company) and is returned by the Republika Srpska by that debtor.

The information that the public enterprises are required to provide currently to the line ministries are (i) a three-year plan; (ii) and a one-year Work Plans and respective achievement reports. In addition, public companies (with the exception of public companies of local self-government units) submit materials for the shareholders' meeting to the Investment and Development Bank of the Republika Srpska, they also submit financial reports to the APIF. At the time of assessment, there were only two public companies that provided financial data to the MoF, these are JP Putevi and JP Autoputevi (classified as EBUS for the purposes of this assessment). With the establishment of the Register of Public Enterprises in the Department for Coordinating the Supervision of Public Enterprises, currently in progress, the information about the operation of the public enterprises is expected to be improved. With the lack of monitoring procedures established by the Government, there is high likelihood that the financial report of the Government would not have a comprehensive and consistent capture of all public enterprises.

Currently, there are no arrangements for a consolidated review of the financial position of public companies, the Ministry of Finance, when preparing a consolidated report for the general government sector, takes the financial data of two public companies JP Putevi and JP Autoputevi. One of the objectives of the establishment of the Department for Coordination of the Supervision of Public Enterprises is to have a consolidated review of the financial position of public enterprises. IMF is providing technical support to assist the RS Government to achieve this.

Hence, the score for the present dimension is D.

10.2. Monitoring of subnational governments

Information on financial performance is available through the audited annual financial statements of 64 subnational governments. The Supreme Audit Office performs audit of all subnational governments individually and not as a part of the Consolidated RS Government report. Due to capacity limitations SAO audits all subnational governments once in three years. Only 22 of the 64, corresponding to about 34%, subnational governments are covered in a year. However, the Government of RS publishes a consolidated report on the financial performance of all subnational governments annually as part of the consolidated annual budget execution report. Thus, the unaudited financial data of the subnational governments are covered in the annual budget execution report of the Government.

There are 22 subnational governments audited in FY2021, that is 34%, however the unaudited financial information of all sub-national governments is captured in the annual budget execution report of the RS Government. Thus the unaudited financial reports of all subnational governments are published annually.

Therefore, the score for this dimension is C.

10.3. Contingent liabilities and other fiscal risks

Information on the contingent liabilities are not included in the annual budget execution report of the Government. Information on exposure to risks associated with guarantees issued by RS is reported in the annual debt report (i.e. Informacija o dugu Republike Srpske). Only the liabilities from lawsuits are covered. The score for this dimension reflects an absence of any consolidated overview of the fiscal risks of the Government.

Therefore, the score is D.

PI-11. Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. The coverage is Central Government and the period of assessment is the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-11. Public investment management (M2)	D	
11.1. Economic analysis of investment projects	C	Economic analysis is conducted as part of feasibility studies for at least 25% of major investments. However, there are no national guidelines in place and analyses are not centrally reviewed.
11.2. Investment project selection	D	PIM Order is silent on the criteria for prioritization of projects. The process of preparing Public Investment Program is detached from the budgetary process.
11.3. Investment project costing	D	Budget does not contain information on total and recurring cost of major investment projects.
11.4. Investment project monitoring	D	Monitoring of investments implementation does not include collection of physical progress related information, except in the case of implementing institutions which do not publish such information.

In RS the responsibilities for public investment management rest with the Department for coordination of public investments within the Sector for public investments of the Ministry of Finance and the pre-implementation phase of PIP is regulated by the Decree on Rules for Selection, Appraisal and Prioritization of Public Investments of Republika Srpska (Official Gazette, 66/2016) – RS PIM Order.

This indicator defines major investment projects as project satisfying both of the following criteria:

- The total cost of the project amounts to 1 percent or more of total annual budget expenditure;
- The project is among the largest 10 projects (by investment cost) for each of the five largest central government units, measured by the units' investment project expenditure.

Fifteen projects satisfied the above criteria in the last completed fiscal year (2021). They are shown in the table below.

Table 11.1.C: List of major investment projects

#	Project description	Ministry in charge	Project cost
1	Construction of the hydro power plant "Buk Bijela"	Ministry of Energy and Mining	KM 568,063,551
2	Construction of wind farm "Hrgud"	Ministry of Energy and Mining	KM 126,121,698
3	Construction of hydroelectric power plant "Dabar"	Ministry of Energy and Mining	KM 661,070,540
4	Construction of hydro power plants on river Bistrica	Ministry of Energy and Mining	KM 234,369,019
5	Construction of health protection institute within Clinical Center of RS	Ministry of Health and Social Protection	KM 55,844,044
6	Construction of new hospital in East Sarajevo	Ministry of Health and Social Protection	KM 54,502,101
7	Construction of new hospital in Dobož	Ministry of Health and Social Protection	KM 103,625,400
8	Water supply and sewage system in RS	Ministry of Agriculture, Forestry and Water Management	KM 134,243,876
9	Water supply and sewage system in RS – second phase	Ministry of Finance	KM 58,674,900
10	Program of integrated development of Sava and Drina corridors	Ministry of Finance	KM 58,674,900
11	Resilience and competitiveness in agricultural sector	Ministry of Agriculture, Forestry and Water Management	KM 60,043,981
12	Construction of highway network (corridor Vc) – Rudanka-Karusa	Ministry of Transport and Communication	KM 183.299.232
13	Construction of highway network (corridor Vc) – Johovac-Rudanka	Ministry of Transport and Communication	KM 168,289,720
14	Construction of Bijeljina-Raca highway	Ministry of Transport and Communication	KM 260,000,000
15	Regional railways project in BiH – second phase	Ministry of Transport and Communication	KM 126,340,356

Source: *Public Investment Management project (ongoing)*

PIM related general objectives within the 2021-2025 PFM Strategy of RS have been laid out within Pillar III of the document and contained within the measure III.3 – Improve public investment management and reporting. The measure is to be implemented through two activities: i) strengthening the procedure for appraisal, priority setting and selection of projects (including PPPs), ii) strengthening public investment management. Specific outcomes linked to these activities are well structured to target the weaknesses identified in the assessment. Inter alia, they include: better integration of planning and budgeting within PIM, ensuring legal prerequisites for including local governments in the PIP, improving alignment of projects with sectoral strategies, strengthening HR capacities of the PIM department.

Implementation of this agenda is supported by the EU-financed technical assistance project "Managing public investments for results: Public investment planning and management system – PIPMS". The project is organized to support reforms in all phases of the PIM cycle – from project appraisal to implementation monitoring. The workplan agreed with MoF for the following year includes modifications of the Budget System Law to better integrate PIM into budget planning, certify project managers across

public administration to enhance project implementation and improvement of capacities in the domain of prioritization and implementation monitoring through adoption of methodologies and training.

11.1. Economic analysis of investment projects

The Law on Spatial Planning and Construction (Official Gazette 40/2013) and the Rulebook on Contents and Control of Technical Documentation (Official Gazette 08/2011) prescribe that feasibility study containing reference to the economic aspect of the investment is made for all “complex” projects being those for which the Ministry in charge of construction is issuing location and building permit.

There are no national guidelines in place for carrying out the economic analysis as part of public investment projects. Economic analysis as part of feasibility study is performed as part of the process of preparing major investment projects for more than 25% of the major investments, by value. This share pertains to projects 2, 8, 9, 10, 11, 12, 13 and 15 from the table above which combine to a total of KM 920.4 million which constitutes 32% of the total value of the portfolio of major investment projects. They are carried out mostly in line with international standards of practice varying based on the source of funding (e.i. EIB, EBRD, WB, KfW). The assessments are not checked for robustness and affordability quality by the Ministry of Finance. None of the existing feasibility studies are made publicly available.

Based on the analysis and supporting evidence, the score for the present dimension is C.

11.2. Investment project selection

The cornerstone of the pre-implementation phase of the PIM cycle in RS is the Project Identification (IP) form. The form is prescribed by the PIM Order and is reflected as such in the PIMIS. Project proposers make use of a comprehensive guidelines document which provides step-by-step instructions on how to structure responses and fill out respective sections of the PI form within PIMIS.

The project proposers in the RS rank their own investment ideas based on criteria which are prescribed by the guidelines and split into general and special ones. Projects are ranked from the one with highest to the one with lowest relevance based on each sub-criterion. A summary rank (i.e., combining each sub-criterion rank) determines the overall priority level of each project with every user.

These criteria, however, pertain only to project ideas and are used in the process of preparing the Public Investment Program (PIP). Based on the first draft of PIP, MoF is responsible for developing the Preliminary Investment Priority List (PIPL) which combines all projects which entered the PIMIS database ranked according to the mentioned criteria. The maximum number of projects by institution being 7. Institutions are then obliged to fill out a detailed questionnaire designed by MoF and prescribed by the PIM Order. This questionnaire is there to provide decision makers with more details on the submitted project proposals. Based on the PIPL of projects and the information provided in the questionnaires, the Commission for Prioritization of Public Investment Projects reports on implementation readiness and quality of each project proposal and determines the Single Investment Priority List (SIPL). The SIPL List is sent back to the MoF and it becomes a part of the final draft PIP which is sent to the GoRS for adoption.

Although the framework prescribed by the PIM Order contains the elements that do reflect best practice examples – in reality the prescriptions are not followed as the PIP is completely detached from the budget preparation process. After years of failing to establish and meet, the Commission adopted the SIPL in 2021, but the list of prioritized investments within the SIPL was not followed in preparing the capital budget of RS in 2022. The reason behind this is that the legislation (i.e., BSL) does not provide ground for integration of PIP in the budgetary process.

Based on the analysis and supporting evidence, the score for the present dimension is D.

11.3. Investment project costing

Budget documentation of RS for the last completed fiscal year (i.e. 2021) did not include information on total and recurrent costs for major investment projects. The capital expenditure within major projects for the forthcoming year is communicated as part of the budget preparation process and contained in

the budget of the institution responsible for its implementation. However, the information for a particular project is not identifiable in the budget.

Based on the analysis and supporting evidence, the score for the present dimension is D.

11.4. Investment project monitoring

Implementation monitoring of investment projects is not treated by the PIM Order as the piece only deals with pre-implementation of public investments. However, as part of PIP preparation, budget users are obliged to submit information on their ongoing portfolio of investments containing only financial progress (i.e. expenditure incurred so far) without any reference to the physical progress of capital investment projects. This information is aggregated and published as an Annex to the PIP.

Implementing institutions gather more information on financial and physical progress of investments running in their portfolio. However, this information is not publicly available – neither at institutional nor Government (i.e. aggregate) level.

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. The coverage is as follows; 12.1 is CG, 12.2 is Budget CG; 12.3 is CG for financial assets and BCG for non-financial assets. The time period is last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-12. Public asset management (M2)	D+	
12.1. Financial asset monitoring	C	The budget central government maintains a record of its holdings in all categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the performance of the portfolio of financial assets is published annually. However, this information covers only budget organization and not extrabudgetary units and the social funds
12.2. Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects information on their usage and age which is updated and published annually.
12.3. Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are established, however information on transfers and disposals is NOT included in budget documents, financial reports, or other reports.

12.1. Financial asset monitoring

The Government maintains a record of all categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the value of the portfolio of financial assets is centralized, monitored and published annually on the MoF website. This information, however, covers only budget central government organizations and not extra-budgetary units and social funds. The MoF is responsible for maintaining records of all financial assets, including short-term financial assets, such as cash and bank deposits.

Based on the analysis and supporting evidence, the score for the present dimension is C.

12.2. Nonfinancial asset monitoring

The government maintains an internal register of its holdings of fixed assets, including information on their usage and age, which is published in the Annual Financial Statement. A register of land and real estate is also maintained, but there is no register of subsoil assets. Furthermore, the information on non-financial assets is only at the aggregate level, presented in original value, depreciation, and net value.

Table 12.1.C: Categories of non-financial assets

Categories	Subcategories	Captured within	Comments
Fixed assets	Buildings and structures	Annual Financial Statement	Published annually
	Machinery and equipment	Annual Financial Statement	Published annually
	Other fixed assets	Annual Financial Statement	Published annually
Inventories	-		
Valuables	-		
Non-tradable assets	Land	Not Captured	-
	Mineral and energy resources	Not Captured	-
	Other naturally occurring assets	Not Captured	
	Intangible non-tradable assets	Not Captured	

Source: RS Government, Treasury and Annual Financial Statements FY2021

Information on land, mineral resources, energy resources, other naturally occurring assets, and intangible non-produced assets, is not recorded or published by the MoF.

Based on the analysis and supporting evidence, the score for this dimension is C.

12.3. Transparency of asset disposal

The management of asset disposal is regulated by the Law on Budget System. Therefore, procedures and rules for the transfer or disposal of nonfinancial assets are established. However, the government did not provide evidence of published reports on transfers and disposals of these assets in financial reports, or other reports.

Based on the analysis and supporting evidence, the score for this dimension is D. To qualify for a higher score, the institutions need to publish their reports on transfers and disposals of assets.

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. The coverage is Central Government and the period of assessment is as follows: 13.1 at time of assessment, 13.2 last completed fiscal year, 13.3 at time of assessment with reference to the last completed three years.

Indicator/Dimension	Score	Brief justification of the score
PI-13. Debt management (M2)	A	
13.1. Recording and reporting of debt and guarantees	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly and reconciled monthly.
13.2. Approval of debt and guarantees	A	<p>Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Based on Government's proposal, the National Assembly decides on the total new short and long-term debt during a fiscal year. Individual decisions on long-term borrowing are issued by the Government of RS, while short-term borrowing decisions are issued by the Minister of Finance. Decisions related to new debt used for capital investments financing are issued by the National Assembly. Total amount and purpose of guarantees to be issued during a fiscal year is determined by the National Assembly based on Government's proposal. The Government then issues individual decisions based for each guarantee.</p> <p>Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Every new borrowing must be approved by the government or legislature.</p>
13.3. Debt management strategy	A	The medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years, is publicly available. The strategy includes target ranges for risk indicators such as interest rates, refinancing, and foreign currency risks. Debt management strategy implementation is continuously monitored and Government is informed about it annually. The annual report on debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.

The legal framework regulating the debt management function is provided by three legislative acts, namely:

- Law on borrowing, debt and guarantees of Republika Srpska;
- Law on borrowing, debt and guarantees of Bosnia and Herzegovina
- The Law on Internal Debt of the Republic of Srpska;
- Law on conditions and procedure for verification of general obligations of the Republic of Srpska;
- Law on exercising the right to compensation for material and non-material damage incurred during the period of war from May 20, 1992 to June 19, 1996;
- Law on settlement of obligations based on verified accounts of old foreign currency savings;
- Law on the conditions and method of settlement of obligations based on old foreign currency savings accounts by issuing bonds in the Republika Srpska
- Law on fiscal responsibility of Republika Srpska
- Budget System Law of Republika Srpska

The function of debt management within the Government of RS is performed by the Debt Management Department at MoF. It was established in 2006 and consists of three units: (i) Internal Debt; (ii) External Debt) and (iii) Debt Planning and Analysis.

The MoF of RS monitors all borrowing by central government and local self-governance units, as well as the issue of guarantees. Debt management of Republika Srpska is under the jurisdiction of Republika Srpska. The Government of RS is autonomous in the process of preparing the Debt Management Strategy of Republika Srpska. The process of preparing the BiH Debt Management Strategy was agreed between the entities and is based on the Data Exchange Calendar for the preparation of the medium-term debt management strategy of BiH. The debt management strategy of the RS is compiled as a chapter in the Debt Management Strategy of BiH.

13.1. Recording and reporting of debt and guarantees

The Debt Management Department of the Ministry of Finance monitors and reports regularly on the main features of the debt portfolio. Therefore, the structure ensures data integrity and effective management, such as accurate debt service budgeting, making timely debt service payments, and ensuring well-planned debt rollovers.

Debt records are reconciled and updated on a monthly basis and debt reports which include detailed information on domestic debt, foreign debt, and guarantees is published quarterly as part of the Information on macroeconomic indicators of RS. Comprehensive debt related report (i.e. Informacija o dugu Republike Srpske) is adopted by the Government and National Assembly annually and published on the website of the MoF.

Based on the analysis and supporting evidence, the score for the present dimension is A.

13.2. Approval of debt and guarantees

Based on Government's proposal, the National Assembly decides on the total new short and long-term debt during a fiscal year. Individual decisions on long-term borrowing are issued by the Government of RS, while short-term borrowing decisions are issued by the Minister of Finance. Decisions related to new debt used for capital investments financing are issued by the National Assembly. Total amount and purpose of guarantees to be issued during a fiscal year is determined by the National Assembly based on Government's proposal. The Government then issues individual decisions based for each guarantee. The annual borrowing is within the envisaged plan in the Debt Management Strategy (evidence provided – a reported issued by the RS Government in May 2022 on the status of debt for FY2021).

Annual debt report is sent regularly to the Government for adoption and to the National Assembly for discussion and adoption. Appropriation for debt service payments and annual debt are provided in the annual budget. If the amount appropriated is insufficient to meet the debt service obligations (such as may be, but not limited to such, an increase in market rates or a need to borrow more than initially envisaged in the budget), the Ministry has the right to reallocate funds within the limits approved by the budget in line with the provisions of the Budget System Law.

Based on the analysis and supporting evidence, the score for the present dimension is A.

13.3. Debt management strategy

The RS medium-term debt management strategy establishes a medium-term goal and action plan in the area of debt management that the Government of the RS intends to implement during the observed medium-term period, in order to achieve the intended structure of the debt portfolio, and taking into account the Government's cost and risk preferences. The strategy is adopted and published every year. It covers the government's debt portfolio, assessment of macroeconomic, foreign exchange, interest rate, re-financing and contingent liabilities risks. The strategy includes debt that is a direct or indirect obligation of the RS (external debt of the RS, external debt of local self-government units, public companies and IRB arising from indirect indebtedness of the RS, internal debt of the RS, internal debt of social security funds arising from indirect indebtedness of the RS). The implementation of the Strategy is continuously

monitored and its execution is reported annually to the Government of the RS. The strategy of the Republika Srpska for the period 2021-2024, which was adopted by the Government of Republika Srpska is published on the website of the Ministry of Finance of the RS.

Based on the analysis and supporting evidence, the score for the present dimension is A.

PILLAR FOUR: Policy-based fiscal strategy and budgeting

The pillar measure whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Overall performance: key strengths and weaknesses

Macroeconomic forecasts for the budget year and three following years are prepared annually and updated once a year. Forecasts of key macroeconomic indicators are presented primarily in the MTEF, but also in the annual budget documentation and the Economic Reform Program and they are reviewed by the RS Fiscal Council. MTEF includes fiscal forecasts for the three years, including revenue, expenditure and fiscal balance, and discusses the changes from the previous year's projections. The MTEF and Economic Reform Program do not include alternative fiscal forecasts, based on changed macroeconomic conditions and forecasts. Fiscal impact of revenue and major expenditure policy proposals is elaborated in the MTEF and the Economic Reform Program, which is prepared for a -year period on a rolling basis. The budget does not capture information on cost of major investment projects. There is no link between strategic plans and projections of expenditures included in the MTEF and ERP.

The MTEF is prepared annually and covers a three-year period on a rolling basis. The MTEF includes time-bound and quantified fiscal goals and targets, with qualitative objectives and narratives for the period. However, reporting on the progress of implementation of the MTEF and deviations from its objectives and targets does not exist. The legislation does not prescribe that the MTEF includes drafting of the analysis of the disparities from the defined goals and the adopted MTEF and ERP do include only qualitative reasons for disparities from the suggested goals.

Medium-term expenditure estimates and ceilings are prepared for the budget year and three following years and included in the MTEF and the ceilings are subject to the government's approval. The MTEF and ERP define medium-term expenditure framework with the addition of expenditure estimates for the next and following three fiscal years, by economic and functional classification, whereas an overview by administrative classification is available only for the budget year. On the downside, subsequent medium-terms estimates do not explain deviations from previous year's expenditure estimates. In addition, strategies are not operationalized through the budget, and there is no linkage of sector and institutional strategies with annual and medium-term expenditure proposals.

There is a clear budget calendar prescribed by the Budget System Law, that is typically respected, with minor deviations during its realization. Budget proposals were submitted to the parliament relatively late, i.e., less than one month before the start of the fiscal year. However, the annual budget laws were adopted by the parliament in a timely manner before the start of the budget year, and the legislative scrutiny was adequate in terms of the scope and legislative procedures, rules for budget adjustments, and timeliness.

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. The coverage is for 14.1 the whole economy and for 14.2 and 14.3 Central Government. The period of assessment is the last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-14. Macroeconomic and fiscal forecasting (M2)	B+	
14.1. Macroeconomic forecasts	A	MoF prepares macroeconomic forecasts for the current fiscal year and the next three years for ERP that are adopted by National Assembly.
14.2. Fiscal forecasts	A	MoF prepares fiscal forecasts for the current fiscal year and the next three years for ERP that are adopted by National Assembly.
14.3. Macro-fiscal sensitivity analysis	C	There are only qualitative assessment of the impact of alternative macroeconomic assumptions.

Macroeconomic forecasts in the assessed period are provided in the Medium-term Expenditure Document (MTEF) and in the Economic Reform Program (ERP). According to the LBS RS, by the end of the June the Government adopts the MTEF and publishes it on the Ministry of Finance's website, while the National Assembly of the Republika Srpska adopts the ERP, together with the Republic's Budget for the following year usually by the end of December, after which they are published in the Official Gazette of the Republika Srpska.

Macroeconomic forecasting is part of the current PFM Reform Strategy and the related reform is 'Improvement of projections' with focus on improvement of macroeconomic and revenue projections that are planned to be carried out by end of FY2025.

14.1. Macroeconomic forecasts

Ministry of Finance prepares the macroeconomic forecasts for the ERP and MTEF, while the Fiscal Council of the Republika Srpska provides an opinion for both documents and publishes them on their website. Macroeconomic forecasts have been drafted for the previous three fiscal years and published as described.

In both of the above stated documents, macroeconomic forecasts are done for the current fiscal year and the next three years, and they contain basic macroeconomic indicators such as the GDP growth, inflation, export and import, average wage and unemployment trends. Taking into account the Constitution of the BiH and considering that the monetary policy competence is at the BiH level, and that the Central Bank operates based on the currency board, foreign exchange and interest rates forecasts are not done at the Republika Srpska's level.

Based on the analysis and supporting evidence, the score for the present dimension is A.

14.2. Fiscal forecast

The Ministry of Finance prepares fiscal forecasts for the current fiscal year and following three years based on the macroeconomic forecasts, current fiscal policies and trends in achieving fiscal indicators in the current fiscal year. Similar to macroeconomic forecasts, fiscal forecasts are drafted twice a year, within MTEF and ERP, but forecasts within the MTEF are drafted in significantly more detail. The Fiscal Council of the Republika Srpska provides opinions on both documents and therefore on fiscal forecasts within. Opinions are published on their website.

Within the MTEF, fiscal forecasts include forecasts of public revenue in relation to tax and non-tax revenue, grants and transfers, then public expenditure sorted by economic category, net surplus/deficit and net financing. Baseline deviations of fiscal forecasts for the current fiscal year compared to the values planned in the revised budget for the same fiscal period are explained in the ERP. The National Assembly of the Republika Srpska (RSNA) adopts the ERP and together with the Republic's Budget. It is published in the Official Gazette of the Republic of Republika Srpska basis for Republic's Budget drafting for the

following fiscal year. The National Assembly adopts the Republic of Srpska's Budget as a document in accordance with the Law on Budget Execution adopted for the specific fiscal year.

Based on the analysis and supporting evidence, the score for this dimension is A.

14.3. Macro-fiscal sensitivity analysis

This dimension assesses the capacity of governments to develop and publish alternative fiscal scenarios based on plausible unexpected changes in macroeconomic conditions or other external risk factors that have a potential impact on revenue, expenditure, and public debt.

By analyzing documents relating to the MTEF (for 2020, 2021 and 2022) and ERP (for 2020, 2021 and 2022) it is clear that no alternative quantitative fiscal forecasts have been drafted (only baseline scenario) based on changed macroeconomic conditions and forecasts. Instead, the documents contain a qualitative assessment of the impact of alternative macroeconomic assumptions. This was confirmed during the discussion with the representatives of the Ministry of Finance.

MoF is planning to improve Macro fiscal sensitivity analysis, as well as the preparation of alternative fiscal projections and their inclusion in ERP and/or MTEF.

Based on the analysis and supporting evidence, the score for this dimension is C.

PI-15. Fiscal strategy

This indicator provides analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. The coverage is Central Government and the period of assessment is 15.1 last three completed fiscal years, 15.2 and 15.3 last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-15. Fiscal strategy (M2)	C+	
15.1. Fiscal impact of policy proposals	C	There is a description of fiscal impact of new policy proposals on the budget's expenditure side and an explanation of the changes in policies regarding public revenue. Budget does not contain information on total and recurring cost of major investment projects and there is no link between strategic plans and projections of expenditures included in the MTEF and ERP.
15.2. Fiscal strategy adoption	A	Government adopts the MTEF by the end of June, but does not send it to the RSNA (it is not prescribed by the Budget System Law of RS), while the ERP is adopted by the RSNA typically at the end of December for the next and following two fiscal years.
15.3. Reporting on fiscal outcomes	D	There is no prescribed obligation to draft separate report on progress made during the implementation of fiscal outcomes included in the MTEF and ERP. The government has not submitted to the legislature and published that report.

By the end of April of the current year, budget users deliver to the Ministry of Finance priority proposals for the next year needed for MTEF drafting. In accordance with the LBS RS budget users draft budget requests, which includes request for budget expenditures with data on budget user's current activities and services and request for additional funds for budget expenditures whose financing cannot be aligned with the ceilings included in Ministry of Finance's instructions, and with priority proposal that should be

review during the budget adopting for the next fiscal year. Within the explanation that the budget users deliver to the Ministry of Finance, description and reason for performing activities, which need additional funds, are included. Regarding social insurance funds, proposals of their financial plans are adopted by the Government, taking into consideration whether there are any policy changes regarding rights of fund users, and changes in fiscal policy regarding mandatory contributions allocated to social insurance funds.

Within the ERP for which the MTEF is the baseline, description of fiscal impact of new policy proposals on the budget's expenditure side is included. For example, within the ERP 2022-2024 there is a description of the expenditure increase for gross wages, increase of capital expenditure and increase of transfers for social protection.

15.1. Fiscal impact of policy proposals

Changes in the public revenue policies relate to changes in fiscal and other regulations regarding adjustment of the tax base, tax rate, tax exemption and similar. In the ERP 2022-2024 amendments to the Law on Personal Income Tax and the Law on Contributions have been planned. Amendments include changes to the calculation of the personal income tax meaning that it will now be calculated on the gross wage and that the personal deduction is increased (amount that decreases the tax base) and changes to contribution rates, meaning their decrease and reducing the burden to the economy. The Budget does not contain information on total and recurring cost of major investment projects under PI 11.3 and under PI 16.2 there is no link between strategic plans and projections of expenditures included in the MTEF and ERP

ERP and MTEF are prepared for the next and following two fiscal years. Analyzed ERP is prepared for the 2022-2024 period (adopted end December 2021) and MTEF for the 2023-2025 period (adopted end June 2022).

Based on the analysis and supporting evidence, the score for this dimension is C.

15.2. Fiscal strategy adoption

Fiscal Strategy of the Republika Srpska is included in the Medium-term Expenditures Framework (MTEF) that is adopted annually for the next fiscal year and following two fiscal years. On the proposal of the Ministry of Finance, the Government adopts the MTEF by the end of June, as prescribed by the LBS RS and it is published on the website of the Ministry of Finance. The MTEF is not published in the Official Gazette of the Republika Srpska adopted by the National Assembly, but the Fiscal Council still provides its opinion. Even though LBS RS does not prescribe adopting revised MTEF, the Government in previous years adopted it.

Purpose of the MTEF is to set strategic framework and upper ceilings for resources, within which annual budget should be prepared. Preparation and drafting of the Republic's Budget for the next fiscal year is based on the MTEF, which provides projections of revenue, expenditure and financing for the three-year period. The MTEF includes time-bound and quantified fiscal goals, with qualitative objectives and descriptions for the MTEF's specific period. Quantified goals relate to macroeconomic framework, total public revenue and expenditure, planned deficit/surplus, public debt projection and capital spending. The MTEF is the starting point for ERP and ERP (for 2019, 2020 and 2021), which is adopted by National Assembly, includes all required elements.

The MTEF is connected to a documented relating to the ERP, which together with the Republic's Budget is adopted by the National Assembly of the Republika Srpska at the year end. The ERP similarly defines medium-term framework for macroeconomic and fiscal policy, with updated data collected up to its drafting. Important to note is that countries that are potential EU member states have certain obligations and therefore the Republika Srpska is obligated to draft the ERP, and it is doing so since 2015.

According to the LBS RS, the Government adopts the MTEF, but does not send it to the National Assembly of the Republika Srpska (because it is not prescribed by LBS RS), while the ERP is adopted by the RSNA typically at the end of December for the next and following two fiscal years.

Based on the analysis and supporting evidence, the score for this dimension is A.

15.3. Reporting on fiscal outcomes

The LBS RS does not prescribe the obligation to draft separate report on progress made during the implementation of fiscal goals included in the MTEF and ERP, nor does it prescribe drafting of the analysis of the disparities from the defined goals. The adopted MTEF and ERP do not include reasons for disparities from the suggested goals, defined in previous versions of the documents. Neither the Government nor the Ministry of Finance prepare mentioned reports, and the Ministry does not prepare the report on achieved fiscal goals from the MTEF and ERP for own needs.

Hence, the score for the present dimension is D.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. The coverage is Budget Central Government and the period of assessment is as follows: 16.1, 16.2, 16.3 - last budget submitted to the legislature and for 16.4 last medium-term budget.

Indicator/Dimension	Score	Brief justification of the score
PI-16. Medium-term perspective in expenditure budgeting (M2)	C	
16.1. Medium-term expenditure estimates	C	The ERP, adopted by National Assembly, defines medium-term expenditure framework with the addition of expenditure assessment for the next and following two fiscal years, but only sorted by economic and functional classification.
16.2. Medium-term expenditure ceilings	A	Government adopts the MTEF after which budgetary instruction number 2 is forwarded to budget users and approves budget ceilings to expenditures for individual budget users for the next budget year and following two years.
16.3. Alignment of strategic plans and medium-term budgets	D	There is no link between strategic plans and projections of expenditures included in the MTEF and ERP.
16.4. Consistency of budgets with previous year's estimates	D	MTEF and ERP do not explain any changes to expenditure estimates between the last.

16.1. Medium-term expenditure estimates

According to the LBS RS, the Government adopts the MTEF by the end of June, but it does not represent part of budget documentation, which is adopted by the RSNA together with the Budget. However, at the year-end and together with the Republic's Budget the National Assembly of the Republika Srpska adopts the ERP. Similar to the MTEF, the ERP defines medium-term expenditure framework with the addition of expenditure assessment for the next and following two fiscal years, but only sorted by economic and functional classification. On the other hand, overview by administrative and functional classification is available only for the budget year in this case 2, meaning only within the annual budget.

Based on the analysis and supporting evidence, the score for the present dimension is C.

16.2. Medium-term expenditure ceilings

By the end of June, the Government adopts the MTEF, after which the MoF delivers instructions to budget users on preparation and elements of the budget drafting for the next fiscal year. Within the MTEF, medium-term expenditure plans are represented through initial budget ceilings to expenditures for individual budget users, spending plans and budget ceilings to expenditures sorted by functions for the

next budget year and following two years. Further, the MTEF provides overview of fiscal ceilings sorted by economic classification, for the central government, social insurance funds and LSUs for the next budget year and following two years. The Government had adopted MTEF 2022-2024 including aggregate and budget heads expenditure ceilings for the 2022-budget year and two following fiscal years before the first (2022) budget circular was issued.

Based on the analysis and supporting evidence, the score for the present dimension is A.

16.3. Alignment of strategic plans and medium-term budgets

Analysis of documentation of the 16 ministries in the RS Government shows that some ministries have drafted and published strategic documents, while some ministries even have multiple published strategic documents. In order to assess this indicator, following strategic documents have been analyzed:

Table 16.1.C: Analyzed strategic documents by Ministry

Ministry	Name of the strategic document	Website
Ministry of Agriculture, Forestry and Water Management	Strategy for the development of agriculture and rural areas of the Republika Srpska 2021-2027	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/
Ministry of Economy and Entrepreneurship	Industry development strategy of the Republika Srpska for the period 2021-2027	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/
Ministry of Economy and Entrepreneurship	Strategy for the development of small and medium enterprises of the Republika Srpska for the period 2021-2027	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/
Ministry Energy and Mining	Energy development strategy of the Republika Srpska until 2035	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mper/
Minister of Labour, War Veterans and Disabled People's Protection	Occupational health and safety strategy in the Republika Srpska for the period from 2021 to 2024	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpb/
Ministry of Economy and Entrepreneurship	Strategy for attracting foreign investments to Republika Srpska for the period 2021–2027	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/
Ministry of finance	Public Finance Management Strategy of the Republika Srpska (2021-2025)	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/

Source: <https://www.vladars.net>

Even though sector strategies and connected action plans include clearly defined goals, they are not aligned in terms of expenditures with projections included in the MTEF and ERP, and therefore with the 2022 Budget. Goals of sector strategy papers are not aligned in wording to ensure consistency in order to reflect in the RS Budget.

Based on the analysis and supporting evidence, the score for the present dimension is D.

16.4. Consistency of budgets with previous year's estimates

Analysis of projected expenditures in the current and previous MTEF and ERP shows trends in fiscal and macroeconomic indicators for the following period, however neither of these documents explains disparity from the medium-term documentation and public revenue and expenditure projections from the previous year.

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. The coverage is Budget Central Government and the period of assessment is 17.1 and 17.2 last budget submitted to the legislature, 17.3 last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-17. Budget preparation process (M2)	B	
17.1. Budget calendar	A	There is prescribed and clear annual budget calendar, which is generally adhered by the budget users.
17.2. Guidance on budget preparation	A	There is a comprehensive and clear budget circular (Budget Instructions No. 2), which is issued to budgetary units and covering total budget expenditure for the full fiscal year.
17.3. Budget submission to the legislature	D	In the last three completed fiscal years were submitted to the National Assembly only two and three weeks before the start of the fiscal year.

Article 20 of the LBS RS prescribes that the Budget shall be prepared and adopted in accordance with budget calendar, while the Article 21 of the LBS RS prescribes the budget calendar itself. The Budget preparing and adopting process is initiated when the instruction on manner and elements for MTEF drafting is delivered.

By the end of June, the Government adopts the MTEF and according to it, on the 1st of July the Ministry of Finance delivers the instruction on manner and elements for Republic's Budget drafting to the budget users.

By the 1st of September the budget users shall submit to the Ministry of Finance the budget requests for the next fiscal year, after which the Budget is sent to legislation and adoption procedure, which is the last phase in the budget process.

17.1. Budget calendar

Article 21 of the LBS RS clearly prescribes the budget calendar with precise deadlines for certain phases of the budget process. As stated, on the 1st of July the Ministry of Finance delivers the instruction on manner and elements for Republic's Budget drafting to the budget users, after which the budget users deliver their budget requests for the next fiscal year to the Ministry of Finance by the 1st of September. This shows that the budget users have around nine weeks to assess their needs.

The budget calendar is typically respected, with minor deviations during its realization, no more than couple of days. Out of 125 budget beneficiaries, 93.6% submitted to the Ministry the budget requests for the following fiscal year within the prescribed period (budget calendar).

The National Assembly of the Republika Srpska adopted the Proposal Budget for 2022 by urgent procedure, which means that it has not been discussed as a draft by the Government and the National Assembly. Next table shows the budget calendar with its realization during the budget drafting for fiscal year 2022.

Table 17.1.C: Budget calendar for the last budget submitted to the legislature (FY 2022)

Activity	Planned date	Actual date	Met/Not met
The Ministry shall issue an instruction to the budget beneficiaries on the manner and elements of MTEF development	15-Feb-21	11-Feb-21	Met
The budget beneficiaries shall submit to the Ministry the proposal of priorities for MTEF development (Budget Instructions No 1)	30-Apr-21	19-May-21*	Not met
The Government shall adopt MTEF	30-Jun-21	8-Jul-21	Not met
The Ministry shall submit the MTEF to the municipalities, cities and funds	1-Jul-21	8-Jul-21	Not met
The Ministry shall submit the instruction to the budget beneficiaries on manner and elements of draft budget development for the following fiscal year	1-Jul-21	9-Jul-21	Not met
The budget beneficiaries shall submit to the Ministry the budget requests for the following fiscal year (Budget Instructions No 2)	1-Sep-21	1-Sep-21**	Met
The Ministry shall submit the Republic budget draft for the following fiscal year to the Government	15-Oct-21	-	NA
The Government shall adopt the Republic budget draft for the following fiscal year and submit it to the Parliament	5-Nov-21	-	NA
The Parliament shall vote on the Republic budget draft for the following fiscal year	15-Nov-21	-	NA
The Government shall adopt the Republic budget proposal for the following fiscal year and submit it to the Parliament	1-Dec-21	6-Dec-21	Not met
The Parliament shall adopt the Republic budget proposal for the following fiscal year	15-Dec-21	15-Dec-21	Met

Source: *www.vladars.net, www.narodnaskupstinars.net, Ministarstvo finansija Republike Srpske*

* *The date of the last submission of priority proposals for the preparation of the MTEF; the majority of budget users submitted the same within the prescribed period*

** *The date of the last delivery of Instruction No. 2; the majority of budget users (93.6% of all budget users) their budget requests within the prescribed period*

*** *Unlike the IBiH and FBiH calendar, the RS budget calendar does not refer to the GFF.*

Based on the assessment performed and supporting evidence, the score for this dimension is A

17.2. Guidance on budget preparation

After the Government of the Republika Srpska adopts the MTEF, the Ministry of Finance in accordance with the Article 23 of the LBS RS delivers Budget Instructions No. 2 on manner and elements for budget request drafting. Purpose of the Budget Instructions No. 2 is to provide budget users with initial budget ceilings for the next fiscal year and preliminary assessment for the following two fiscal years, necessary information for preparing budget requests for the next fiscal year and following two years, and to facilitate drafting of budget requests by budget users, sorted by economic classification in program format.

Budget users need to complete their budget requests for the next year, with projections for the following two years and deliver it to the Ministry of Finance by the 1st of September of the current year via the Ministry's registry office and via the BPMIS system application. Budget users are required to develop the consolidated budget request for subordinated budget units within their competence, in accordance with the Article 24 of the Law on Budget System of the Republika Srpska. Total budget funds cannot exceed the allowed budget ceilings as advised by the Ministry of Finance and set in these Instructions.

Initial budget ceilings set in the Instruction No. 2 are included in the MTEF, adopted by the Government and they are used as a baseline during the Republic's Budget drafting for the next fiscal year. These ceilings can be changed during the budget drafting process due to disparities between projections and changes in policies used during the MTEF drafting, but these changes must be adopted by Government.

Based on the assessment performed and supporting evidence, the score for this dimension is A.

17.3. Budget submission to the legislature

Proposals of the Republika Srpska's Budget for 2019, 2020 and 2021 were all adopted by urgent procedure, and for all three fiscal years they have been delivered to the National Assembly of the Republika Srpska which was less than a month prior to the beginning of a fiscal year. This leads to a conclusion that the legislative body had no more than a couple of days to analyze and review the proposed budget. The following table shows dates when the proposals of the Republic's Budget have been delivered by the Ministry of Finance to the Government in order it to be sent to the National Assembly of the Republika Srpska.

Table 17.3.C: Actual dates of budget submission for the last three completed fiscal years

Fiscal year	Actual date of submission
2020	9 December 2019
2021	9 December 2020
2022	6 December 2021

Source: Ministry of finance, Republika Srpska

Based on the assessment performed and supporting evidence, the score for this dimension is D.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The coverage is Budget Central Government and the period of assessment is as follows: 18.1, 18.2 and 18.3 is the last completed fiscal year; 18.3 last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-18. Legislative scrutiny of budgets (M1)	B+	
18.1. Scope of budget scrutiny	A	The National Assembly adopts ERP which covers fiscal policies, medium-term fiscal forecasts and medium-term priorities as well as details of expenditure and revenue.
18.2. Legislative procedures for budget scrutiny	B	Prior to the discussion on the Proposal of the Budget in the parliament, the Proposal is review by the Assembly Committees. In the last three years budget is adopted by urgent procedure, with no public discussions held.
18.3. Timing of budget approval	A	In the last three completed fiscal years the National Assembly approved the annual budget before the start of the respective fiscal year.
18.4. Rules for budget adjustments by the executive	A	There are clear legal and administrative rules that prescribe in-year amendments to the budget by the executive power without prior approval by the legislative body.

The Article 27 of the LBS RS prescribes that the National Assembly adopts the decision on adopting the Republic's Budget for the next fiscal year. The National Assembly has a Budget and Finance Committee which, inter alia, is competent to discuss issues relating to the Republic's budget.

The scope of the scrutiny by the National Assembly has extended since the previous assessment, because now the National Assembly adopts ERP which covers all fiscal policies and medium-term fiscal forecasts.

18.1. Scope of budget scrutiny

The National Assembly adopts the decision on adopting the Republic's Budget for the next fiscal year by the 15th of December in the current year and adopts the Law on Budget Execution. The Article 46 of the LBS RS prescribes that the Government is obliged to file a report on Republic's Budget execution for the first half of the current fiscal year by the 30th September of the current fiscal year, and for the previous fiscal year by the 31st of May of the current fiscal year. Further, according to the Article 21 of the Law on Public Sector Auditing of the Republika Srpska the RSNA shall discuss audited consolidated annual report on budget execution, delivered by the Supreme Audit Office of the Republika Srpska.

Even though the MTEF is a constituent part of the budget process in the RS, the National Assembly of the RS does not review it and does not officially adopts it (only the Government adopts it). The RS Government delivers the ERP with updated macroeconomic and fiscal projections for the next year and following two years, including the overall framework of public revenue and expenditure sorted by most significant categories, and with specific announcements of government policies, together with the 2022 annual budget proposal.

Based on the practices of scrutiny over the annual budget proposal as assessed under this dimension, the score is A.

18.2. Legislative procedures for budget scrutiny

The procedure for legislative review is prescribed by LBS RS by the National Assembly's Rules of Procedure. The National Assembly is bound by the Budget System Law to adopt the Budget of Republika Srpska by December 15. The National Assembly of the Republika Srpska adopts the Proposal of the Budget and the Law on Budget Execution. Prior to the discussion on the Proposal of the Budget in the parliament, the Proposal is reviewed by the Assembly Committees, with the significant role played by the Budget and Finance Committee. The Finance and Budget Committee considers issues within the jurisdiction of the NA that relate to the republican budget, financing of general needs, taxes, fees and other duties, loans and debts of the Republic. Along with the Budget and Finance Committee, the Proposal is reviewed by most of the major Assembly Committees, including Economy Committee, Audit Committee, Pension and Disability Insurance Monitoring Committee, etc. In previous years, including the last fiscal year, Proposal of the Budget for the next fiscal year has been sent to parliamentary procedure later, in December and by urgent procedure, with no public discussions held. Therefore, the National Assembly did not discuss the draft Republic's Budget for the next fiscal year, but RSNA discussed the proposal Republic's Budget for the next fiscal year. The Government submits a report on the implementation of the Republic's budget to the RSNA every six months and annually.

The Proposal of the Budget can be changed through amendments during the parliamentary discussion. Amendments can be submitted by authorized initiators of the law, and by the work body of the National Assembly. Budget Amendments must include the item to which the funds are transferred, and also item from which the funds are transferred. Amendments are adopted as any other act, meaning that they are adopted when more than half of the representatives in the Assembly voted in favor.

Based on the supporting evidence, the score for the present dimension is B.

18.3. Timing of budget approval

In the period covered by the assessment, the Government submitted the annual budget proposal to the NSRS before the start of the respective fiscal year. For each of the three fiscal years under review, the

NSRS approved the annual budget law before the start of the actual fiscal year. Below is an overview the actual dates of budget approval for the last three completed fiscal years.

Table 18.3.C: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Actual date of submission
2020	18 December 2019
2021	17 December 2020
2022	15 December 2021

Based on the available evidence, the score for the present dimension is A.

18.4. Rules for budget adjustments by the executive

The Article 41 of the LBS RS prescribed that the Law or decision governing budget execution may allow redistribution (reallocation) of budget funds within the budget user and between the budget users. The Law, i.e. the decision on budget execution prescribes specific ceilings in respect to amount and purpose of funds that can be reallocated.

1. The Article 13 of the Law on Budget Execution 2021 prescribed that the Government can on the basis of the Finance Minister’s recommendation reallocate Budget funds of each budget user within that particular user.
2. If unable to reallocated funds in such way, the Government can on the basis of the Finance Minister’s recommendation reallocated Budget funds between ministries or other budget users in the amount of up to 5% of budget users’ total adopted budget whose funds are reduced.
3. Further, the Government can on the basis of the Finance Minister’s recommendation reallocate Budget funds that have not been used by the 31st January of the following year between the ministries or other budget users in the amount of up to 5% of budget users’ total adopted budget whose funds are reduced.
4. All other adjustments, except (1), (2) and (3), require prior legislative approval.

In addition, there are clear legal and administrative rules within the LBS RS and the laws on budget execution that prescribe in-year amendments to the budget by the executive power without prior approval by the legislative body and these rules are adhered to.

Based on the available information, the score for the present dimension is A.

PILLAR FIVE: Predictability and control in budget execution

The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Overall performance: key strengths and weaknesses

On the revenue administration side, Tax administration is promoting voluntary compliance through dissemination of comprehensive and timely information to taxpayers, but there is no comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue. The Tax Administration, which is collecting the biggest amount of public revenue, performs audits and investigations of fraudulent activities through a plan for enhancing regulatory compliance, and it implemented all planned audits and investigations. Despite relatively efficient collection of tax arrears under 12 months, overall stock of tax arrears is still at a high level.

Accounting for public revenue continues to be satisfactory, because the data on collected public revenue is available daily to the Ministry of Finance and the Treasury has all these data, including information necessary for recording, by the next workday at the latest.

PI-19. Revenue administration

This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. The coverage is Central Government and the period of assessment is at time of assessment for 19.1 and 10.2 and the last completed year for 19.3 and 19.4.

Indicator/Dimension	Score	Brief justification of the score
PI-19. Revenue administration (M2)	B	
19.1. Rights and obligations for revenue measures	A	RSTA provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the RSTA website and it helps taxpayers in exercising their rights and fulfilling obligations regarding payments that are considered public revenue. If the taxpayers do not agree with liabilities assessed during the tax audit, they can object the minutes from the tax audit and submit an appeal to the MoF.
19.2. Revenue risk management	C	The Risk Management Department has been established and made independent from 2020, but still there is no comprehensive, structural and systematic approach in determining and prioritizing risks in public revenue collection.
19.3. Revenue audit and investigation	A	The RSTA in 2021 completed all planned comprehensive audits and investigations.
19.4. Revenue arrears monitoring	D	There is a low level of efficiency in collection of public revenue by the RSTA. The stock of revenue arrears at the end of 2021 is 45,9% of the total revenue collection for the year and the revenue arrears older than 12 months are 92,3% of total revenue arrears for the year.

Tax Administration of the Republika Srpska (RSTA) is competent for application of fiscal legislation and collection of all direct taxes, including non-tax revenue. The Law on Tax Procedure of the Republika Srpska regulates organization and competencies of the Tax Administration of the Republic of Srpska. Most significant tax revenue categories collected by the RSTA are collected by the RSTA are corporate income tax, personal income tax, property tax, mandatory social insurance contributions, fees, charges

and similar. The Ministry of Finance of the Republika Srpska is competent for drafting legislation that will govern direct taxes and non-tax revenue, its application and second-instance supervision. Along with the RSTA, the Administration of lottery games (ALG) of the Republika Srpska (GCA RS) is competent for supervision of games of chance Republika Srpska and for collection of minor share of public revenue from the games of chance.

The Indirect Tax Administration BiH is competent for collection of indirect taxes (VAT, excise, customs and road tariffs). It is a joint institution at BiH level and its performance is assessed in the report concerning the Institutions of BiH.

Table 19.1.C: Amounts and structure of collected RS Budget revenue (central government) for 2021

	Category of CG revenue	Collecting entity	Collected revenue amount FY21	% of total	Collected revenue administered by RS amount FY21	% of total administered by RS
1.	Indirect taxes	ITA	1,475,743,014	44.1%		
2.	Direct taxes	RSTA	1,436,912,041	42.9%	1,436,912,041	76.8%
2.1.	Corporate income tax	RSTA	243,142,346	7.3%	243,142,346	13.0%
2.2.	Personal income tax	RSTA	153,771,075	4.6%	153,771,075	8.2%
2.3.	Pension contributions	RSTA	1,022,276,412	30.5%	1,022,276,412	54.6%
2.4.	Other tax revenues	RSTA	17,722,208	0.5%	17,722,208	0.9%
3.	Non-tax revenue	RSTA, GCA RS	433,992,396	13.0%	433,992,396	23.2%
3.1.	Fees from the organization of games of chance	ALG	60,087,331	1.8%	60,087,331	3.2%
	Total		3,346,647,451	100.0%	1,870,904,437	100.0%

Source: Consolidated report on the execution of the RS Budget for FY21

The legislative framework for major taxes has improved since the previous assessment. The following new laws were adopted: Law on Tax Procedure (2020), Law on Corporate Income Tax (2016), Law on Personal Income Tax (2015) and Law on Contributions (2018). Also, double taxation treaties and transfer pricing have been further regulated. The tax appeal system has been significantly accelerated. After adopted new Law on Tax Procedure comprehensive on-site audits and comprehensive desk audits were improved. Even if there is a low level of efficiency in collection of public revenue by the RSTA, since the previous assessment RSTA has the available data on tax arrears related to direct taxes.

There is reform currently underway with regard to revenue administration and it is related to the measure 'Improving the work of the Tax Administration through strengthening the basic functions of the Tax Administration'. The activities that are being performed are to (i) encourage voluntary compliance with tax obligations and (ii) modernization of the tax administration. This measure is expected to be implemented by end of FY2025.

19.1. Rights and obligations for revenue measures

The headquarters of the RSTA is in Banja Luka, and there are seven regional centers, while regional units are stationed in every municipality or city in the Republika Srpska. All legal documents, tax return formats, tax forms, instructions and similar are published on the RSTA website and it helps taxpayers in exercising their rights and fulfilling obligations regarding payments that are considered public revenue. For couple of years now, taxpayers can register and file for their tax returns through eServices, with the eMail service for receiving and sending electronic documents, with secured technical support. The Taxpayer Service Sector is stationed in the RSTA headquarters and it provides information and education for taxpayers, assists taxpayers in correctly apply the fiscal provisions and drafting proposals for tax forms and instructions for their completion.

From 2016, the Republika Srpska tax system has been under reforms with numerous new legal acts whose purpose is to simplify the law application being adopted. Law on Tax Procedure (2020), Law on Corporate Income Tax (2016), Law on Personal Income Tax (2015), Law on Contributions (2018), etc. have been adopted. Transfer prices, application of the double tax avoidance agreements, thin capitalization and similar have been further regulated.

If the taxpayers do not agree with liabilities assessed during the tax audit, they can object the minutes from the tax audit and submit an appeal to the Decision of the RSTA to the second-instance body, i.e. the Ministry of Finance. Eventually if the taxpayer does not agree with the Decision of the Ministry of Finance, it can initiate an administrative case litigation at the competent court. Even though the decision process usually lasts longer than the timeframe specified in the rules/regulations, lately the second-instance tax procedure has been significantly accelerated (see table below). It is important to note that the appeal to the RSTA's Decision suspends the execution of the Decision, and the taxpayer can at any moment submit a request for acceleration of the administrative procedure to the MoF regarding a specific tax case.

Information provided by the revenue collecting entities covers notifications, instructions, and procedures for registration, declaration and payment, tax advice and tax opinions. All information can be obtained on RSTA website and by e-mail.

Table 19.2.C: Number of pending appeals at the end of year

Fiscal year	Number of appeals
FY2015	612
FY2016	793
FY2017	503
FY2018	497
FY2019	263
FY2020	210
FY2021	307
FY2022	317

Source: Ministry of finance, Republika Srpska

Based on the analysis and supporting evidence, the score for the present dimension is A.

19.2. Revenue risk management

Within the organizational structure of RSTA, Risk Management Department has been established and made independent from 2020, meaning it directly reports to the RSTA Director. The Risk Management Department is drafting operating plans of audits, it is collecting and analyzing risk management data, analyzing implementation of the plan of audits, drafting internal reports and other.

During the risk assessment, the Department analyses external financial data (for example, data from financial statements), it takes into account information on connected legal entities, performed services by the company for other connected legal entities in the group, disparities between corporate income shown in tax balance sheet and corporate income shown in income statement, changes in tax returns and similar. The RSTA Strategy, in the segment relating to improvement of risk management, plans future development and application of a risk management model, and implementation of several pilot projects in different risk areas. Also, for the purpose of risk management of majority of revenue streams (primarily direct taxes), RSTA has developed the following documents:

- A brief risk profile
- Risk map
- Reports on risk management for certain economic activities (presented for dentist practice)
- Plan for improving compliance with RSTA regulations

The RSTA Activities Report for 2021 shows that during the drafting of operating plans of audits there was total of 155 taxpayers included in the plan of regular audits for major taxpayers and 3 taxpayers in amendment of the plan. In the plan of audits for all regional centers, there was 440 taxpayers included for onsite audits and 3 taxpayers in amendments to the plan. There were 1,515 onsite and 2,230 desk audits, i.e. total of 3,745 audits planned in 2021.

Based on the analyzed information, even though the RSTA collects most of the public revenue, and it has an independent risk management department and it performs activities regarding risk management in collection of public revenue, there is no comprehensive, structural and systematic approach in determining and prioritizing risks in public revenue collection.

Based on the analysis and supporting evidence, the score for the present dimension is C.

19.3. Revenue audit and investigation

The Article 91 of the Law on Tax Procedure prescribes that the tax audit shall be conducted in line with the annual and monthly plan or emergency plan, issued by the director of the Tax Administration based on the risk assessment of a taxpayer. The tax audit may also be conducted without the plan in the event that the Tax Administration determines a necessity due to the audit subject-matter. The Finance Minister may request the director of the Tax Administration to issue an emergency audit plan in case there are assumptions implying an increased volume of tax avoidance.

The Tax Administration has an Audit, Investigations and Intelligence Sector which is competent for creating audit plans, for audits of major taxpayers (with income above eight million BAM), investigation and intelligence activities, i.e. delivering notifications and reports on criminal tax offences to competent prosecutor's offices. Within this Sector, there is a Transfer Pricing Audit Section. When considering minor taxpayers with income up to eight million BAM, the RSTA Regional Centres (there seven RCs in the RS) are performing audits within their audit units. The following table shows overview of planned and performed audits in 2021, sorted by audit type.

Table 19.3.C: Revenue audit

Type of revenue audit	Number of audits (FY21)		% completed
	Planned	Carried out	
Comprehensive on-site audits	1,515	1,552	102.4%
Comprehensive desk audits	2,230	2,413	108.2%
Unregistered entities audits	18	0	0.0%
Audits of Fiscalization of fiscal cash registers	9,475	8,887	93.8%
Information audits	211	65	30.8%
Audits of turnover records through fiscal cash registers	3,475	3,213	92.5%
Registration of taxpayers audits	262	612	233.6%
Total	17,186	16,742	97.4%

Source: RSTA work report for FY21

In 2021, the RSTA planned 1,515 comprehensive onsite audits and performed 1,552, which makes the plan implemented by 102.4% and it planned 2,230 comprehensive desk audits and performed 2,413, which makes the plan implemented by 108.2%. Certain deviations from the plan regarding reporting turnover via fiscal cash registers and audits of fiscal cash registers have occurred, but they are not relevant in terms of determining liabilities in favour of public revenue. The RSTA, which in 2021 collected biggest amount of public revenue, performs audits and investigations of fraudulent activities through a plan for enhancing regulatory compliance, and it implemented all planned audits and investigations.

Hence, the score for the present dimension is A.

19.4. Revenue arrears monitoring

On 31st of December 2021, the RSTA recorder that the overall outstanding amount in favour of public revenue was BAM 2,740.8, where the amount outstanding more than 12 months was 1,161 million BAM.

Table 19.4.C: BAM, in millions

No	Tax arrears stock and age profile for FY21	
1	Total revenue collections	2,740.80
2	Total stock of tax arrears at end of the fiscal year	1,257.34
3	Share of tax arrears in the total revenue collections (2/1, percentage)	45.9%
4	Tax arrears older than 12 months	1,161.06
5	Share of tax arrears older than 12 months in the total arrears (4/2, percentage)	92.3%

Source: TA RS

The stock of revenue arrears at the end of the last completed fiscal year is 45,9% of the total revenue collection for the year and the revenue arrears older than 12 months are 92,3% of total revenue arrears for the year.

The previous table shows that there is a low level of efficiency in collection of public revenue by the RSTA, but most of the outstanding liabilities are from the past period. In 2022, the Law on Tax Procedure has been amended to allow for the provisions of the existing law to apply for liabilities assessed by an act which enforceability began before 1st of January 2012. The period of limitation, which is ten years as of the date of enforceability of an act that assessed the liability, shall be applied to all taxpayers, except taxpayers with statute of limitation already established for their liabilities. In this way, by respecting equality principle and general principles of legal certainty, significant part of tax liabilities occurred before the January 2012 shall be written off.

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. The coverage is Central Government and the period of assessment is at time of assessment.

Indicator/Dimension	Score	Brief justification of the score
PI-20. Accounting for revenue (M1)	B+	
20.1. Information on revenue collections	A	Data on collected public revenue is available daily to both the Ministry of Finance and Tax Administration.
20.2. Transfer of revenue collections	A	All tax revenue is collected into bank accounts controlled by RSTA and transferred daily to Treasury.
20.3. Revenue accounts reconciliation	B	Reconciliation of assessments, collections, arrears, and transfers to Treasury is done semi-annually.

The Law on Budget System of the Republika Srpska, Law on Treasury and Order on payment of certain public revenues in favor of the budgets of the Republic, municipalities, cities and funds are the legal basis for collection of public revenue in the Republika Srpska. The Article 8 and 9 of the LBS RS prescribe the type of revenue belonging to the Republic's Budget, and revenue shared between the Republic' Budget and

budgets of municipalities, cities and other users. The Article 8 of the Law on Treasury prescribes that the allocation of public revenue of the Republic's Budget and revenue shared between the Republic's Budget and the budgets of municipalities, cities and other users is performed within the Republic' Treasury from the public revenue accounts to the transaction accounts of the Republic, municipalities, cities and funds. The Order on payment of certain public revenues in favor of the budgets of the Republic, municipalities, cities and funds prescribes the manner of payments in favor of public revenue in the Republic of Srpska. Republika Srpska

Every type of public revenues has its own subaccount number, which allows recording of collection of tax liabilities by type.

The MoF is planning to start performing reconciliations quarterly in order to improve financial reporting and align with other budget users' reporting periods.

20.1. Information on revenue collections

Data on collected public revenue is available daily to both the Ministry of Finance and Tax Administration. The commercial banks receiving public revenue payments on their deposit accounts provide daily updates through automatic system and RAS file to the Ministry of Finance and RSTA. The Ministry controls the allocation of public revenue and the RSTA further enters information on said payments into Single record on reported and paid taxes, in order for it to be recorded on taxpayers' tax cards. Every payment in favor of public revenue contains information on taxpayer' number, reference number, type of revenue, which allows for verification of payment source and accurate recording on taxpayers' tax cards.

Table 20.1.C: Information on revenue collection

Collecting entity	Category of revenue	Total amount collected ²⁰⁷	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by revenue type	Consolidated into a report	Consolidated
ITA	Indirect taxes	1,475,743,014	Daily	Y	Y	Y
RSTA	Direct taxes	1,436,912,041	Daily	Y	Y	Y
RSTA RSTA, ALG	Non-tax revenue	433,992,396	Daily	Y	Y	Y

The Ministry of Finance has daily data on revenue belonging to central government, including indirect taxes collected on the ITA Single Account and after allocation belonging to the RS.

Based on the analysis and supporting evidence, the score for the present dimension is A.

20.2. Transfer of revenue collections

Collection of public revenue is possible only through commercial banks, with clearly prescribed instructions for bank payments (Order on payment of certain public revenues in favour of the budgets of the Republic, municipalities, cities and funds), while the Treasury has daily data on public revenue belonging to the central government. Therefore, the Treasury has all data on collected public revenue, including information necessary for recording by the next workday at the latest.

207 As described under PI-19 to determine the materiality

Table 20.2.C: Transfer of revenue collections

Collecting entity	Category of revenue	Frequency of revenue collections transfer to the Treasury
RS Tax administration	Direct taxes	Daily
RS Games of Chance Administration	Fees from the organization of games of chance	Daily
The Indirect Taxation Authority - BiH	Indirect taxes	Daily

Based on the analysis and supporting evidence, the score for the present dimension is A

20.3. Revenue accounts reconciliation

Even though reconciliations between the RSTA and the Ministry of Finance in terms of public revenue collection in cash is done daily, alignment regarding assessed liabilities, outstanding liabilities, settlement of liabilities by means other than cash (for example, with bonds, compensation and similar) is done semi-annually. This is prescribed in the Rulebook on tax accounting system in the Republika Srpska, and based on the information provided by the Ministry of Finance there are plans to start performing reconciliations quarterly in order to improve financial reporting and align with other budget users' reporting periods.

Table 20.3.C: Revenue accounts reconciliation

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
RS Tax Administration	Direct taxes	Semi-annually	Two months	Y	Y	Y	Y

Based on the analysis and supporting evidence, the score for the present dimension is B.

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. The coverage is Budget Central Government and the period of assessment is at time of assessment for 21.1 and the last completed fiscal year for 21.2, 21.2 and 21.3.

Indicator/Dimension	Score	Brief justification of the score
PI-21. Predictability of in-year resource allocation (M2)	A	
21.1. Consolidation of cash balances	A	All cash balances are consolidated on a daily basis
21.2. Cash forecasting and monitoring	A	A cash flow plan is prepared by each budget user for the fiscal year and is updated monthly considering all actual inflows and outflows
21.3. Information on commitment ceilings	B	Information on commitment ceilings is provided for the preparation of the operational financial plans, which are adopted quarterly in RS. The budget users can spend as much as the limits approved in the adopted financial plans.
21.4. Significance of in-year budget adjustments	A	There were no significant in-year adjustments in FY 2021

The Treasury Department of the RS is responsible for preparing a monthly cash flow plan taking into account the expected expenditures provided by the budget users. The process is managed in a way that would prevent any unexpected expenditure that may incur arrears. To this purpose, the usual practice is that budget organizations commit up to the limits of their budget allocations as approved by the National

Assembly. The cash is being paid monthly based on the financial plans and in line with the Law on Budget System. The law allows that budget may be adjusted (“rebalanced”) over the year and the changes are to be approved by the National Assembly and be fully transparent. Reallocations from one budget user to another within the approved aggregate budget can take place only by agreement of the government.

21.1. Consolidation of cash balances

Cash consists of funds held mainly in the Central Bank of RS, commercial banks, as well as cash in hand with the respective budget users (petty cash). The government manages the cash funds using the Single Treasury Account. There are also funds which are not in the TSA but appear in the Annual Financial Statements. They represent money received in commercial banks which were not transferred to the Treasury TSA.

Table 21.1.C: Cash consolidation

Bank and cash - List of accounts	2021	End June 2022
Total cash	509,247,270.55	430,421,600.55
Total cash balance in TSA	509.186.239	430.361.269
Cash in other accounts not part of TSA	0	0
Cash in hand	61.031,55	60.331,55
Share of TSA cash balance	99.99%	99.99%

Source: MoF

The TSA covers all central and subnational government accounts which are centralized, reconciled and consolidated by the Treasury Department at MoF on regular basis. All cash balances (99%) are kept centrally through TSA in the Central Bank of BiH. All TSA accounts are reconciled on a daily basis.

Hence the score for this dimension is A.

21.2. Cash forecasting and monitoring

The Law on Treasury governs the preparation of cash flow forecast. The Treasury within the Ministry of Finance is responsible for the payment of expenditures, budget execution monitoring and cash. It consolidates and monitors the cash forecasts prepared by all budget users ensuring the availability of funds for the budget execution. The Treasury Department prepares a monthly cash flow plan taking into account the expected expenditure provided by budget users.

There are annual forecasts of cash inflows and outflows that are the basis of the cash flow plans submitted by all budget users to the Treasury. They are recorded and thus linked to the budget implementation and the commitment plan of the respective individual budget user. Cash flows forecasts are prepared at the beginning of the fiscal year, and they are updated monthly based on actual inflows and outflows.

Budgetary organizations’ commitments and cash flows are forecast and monitored by the MoF. There is effective cash flow planning, monitoring, and management performed by the Treasury facilitates the predictability of the availability of funds for budgetary units.

Hence, the score for the present dimension is A.

21.3. Information on commitment ceilings

There are two laws that describe the process of expenditure commitment made by the budget users: (i) the Law on Budget Execution (Article 7) of the Republika Srpska defines how the operational financial plans, that cover all estimated expenditures of the budget users, are prepared; (ii) Law on the Budget System (Article 39) defines that budget users can make expenditure commitments and spend funds only for purposes and amounts approved in the annual budget, and in accordance with the funds determined by the operational financial plan.

Requesting and approving expenditure commitments in the Treasury management information system is made within the available funds for the corresponding time period.

In accordance with Article 7 of the Law on the Execution of the Budget of the Republika Srpska, the Ministry of Finance prepares quarterly financial plans of budget spending in accordance with the planned collection of revenue and inflow of budget funds. Thus the Ministry of Finance informs the budget users about the amount of budget funds made available to them in quarterly financial plan, no later than ten days before the beginning of the quarter. The quarterly financial plan for the first quarter of the fiscal year is submitted by January 15 of the current year, and the funds of the quarterly financial plan for the fourth quarter of the fiscal year can be made available in monthly amounts.

The total amount of all quarterly financial spending plans of each budget user can be less than or equal to the amount of the adopted annual budget for each budget user. This provision is defined by the Law on Budget Execution of the Republic of Srpska.

Thus, the Treasury allows budget users to plan and commit their expenditure three months in advance. There is a high level of control embedded in the Treasury system that would allow the budget users to spend within their commitment ceilings. Treasury uses transparent cash control mechanisms during periods of cash flow problems. In time of cash shortages, salaries and pensions are paid with priority.

Hence, the score for this dimension is B.

21.4. Significance of in-year budget adjustments

The rules of budget adjustments are stipulated in the Law on Budget System (Article 35) and Law on Execution of the Budget. They stipulate that: (i) adjustment of budget resources and expenses at the lower, higher or the same level shall be performed with the rebalance of the Republic, municipal, city or fund budget, which as proposed by the Government, i.e. municipal or city assembly, i.e. authorized fund body; (ii) the rebalance shall be conducted in the identical procedure as for the budget adoption.

Budget revision is needed in extreme situation following the core principle of budget neutrality. Still, it is possible that during the last quarter funds can be economized and reallocated to other budget user.

The Treasury can only introduce changes to budget allocations when they are initiated and requested by budget users based on formal request and submission of adjustments to their initially approved cash-flow plans. Changes in the approved budget appropriations and subsequent reallocation of funds are made in accordance with the rules and procedures set out by the Law on Budget System and Law on Budget Execution.

The transfer of provision from one budget user to another within the approved aggregate budget can take place only by agreement of the government. The approval of the Assembly is only required for overall increases or imposed general reductions.

The Minister of Finance can initiate budget amendment during the year of budget implementation considering the impact it will have on the overall budget performance.

The budget is revised when it is necessary to rebalance the budget funds and expenditure regardless of the month in the year. The legislation does not specify any limit of times of in-year adjustment.

The in-year adjustments are initiated by the budgetary organizations and they are involved in the process. The rules are clearly defined and there were no exception in the three years of assessment. There was only one budget adjustment increasing the expenditures by about 6% in the budget of 2021 of RS.

Based on the above reported legislation and practice described, as well as the data and supporting evidence, the score for the present dimension is A.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. The coverage is Budget Central Government and the period of assessment is the last three completed fiscal years for 22.1 and time of assessment for 22.2.

Indicator/Dimension	Score	Brief justification of the score
PI-22. Expenditure arrears (M1)	C+	
22.1. Stock of expenditure arrears	A	The stock of expenditure arrears is less than 2% of total expenditure in the last three completed fiscal years.
22.2. Expenditure arrears monitoring	C	The data on the stock and composition of expenditure arrears is generated annually at the end of each fiscal year.

The provisions for the payments of arrears in RS are established in the Treasury Financial Regulation 04/2011 of RS. They stipulate the procedure on reporting of outstanding obligations of the budget organizations (including salaries). The budget users are required to enter all outstanding obligations from the previous year into the SUFI system by January, 31st the following year and the due amounts are settled in the first quarter of that year. In accordance with the Law on Outstanding Obligations there were no unsettled and unpaid obligations in 2019, 2020 and 2021. There is no formal definition of arrears. For the purpose of this assessment, any unpaid obligation at year end is considered to be in arrears.

22.1. Stock of expenditure arrears

The consolidated annual financial statements of the Government (Table 6.4) show a long-term plan for the settlement of outstanding obligations carried forward from the previous year. These are due expenditure, disaggregated by categories, with stock and due date for payment within the following fiscal year. The composition of these expenditure arrears (which is a new requirement of PEFA Framework 2016) show obligations for veterans' allowances and awards, severance that are regulated by different legislative acts such as Decree on the Veteran's Allowance (Article 7), the Law on war invalids (Article 33) that stipulate different deadlines for these payments. Therefore, these are not considered arrears by the local legislation, on the other hand they are referred to as outstanding obligations and are carried forward for payment in the following fiscal year. The table below shows these obligations for the three fiscal years of assessment. In all three years they amount to less than 1% of the total annual budget expenditure.

Table 22.1.C: Stock of expenditure arrears: breakdown by different categories

	Fiscal year 1	Fiscal year 2	Fiscal year 3
Total stock of arrears at the end of the FY (i)	19,985,870	18,300,000	13,959,500
Total actual expenditure for the FY²⁰⁸ (ii)	2,752,471,210	3,148,135,487	3,368,547,064
Ratio (i)/(ii)	0.73%	0.58%	0.41%

Source: Table 6.4 of the Consolidated AFS of the RS for FY 2019-2021

There are no overdue payables such as salaries and contract invoices. This information has been verified with the non-governmental organization GEA (Centre for Research and Studies - a hybrid organization of economic policy and analysis, www.gea.ba) and the SAI.

208 As described under PI-1

In all three years of assessment there were obligations planned for payment during the following fiscal year. According to the local legislation and practice they are not considered arrears. Nevertheless, they constitute unpaid obligations. These payments are related to veteran's allowance, severance pay, heating costs of primary schools, investment and maintenance costs, pension claims to Republic of Serbia.

Based on the information and data and the supporting evidence provided, the score for the present dimension is A.

22.2. Expenditure arrears monitoring

In addition to the veterans' allowance that constitutes the core payment of arrears (more than 90%), the other overdue payments reported by the Government are related to services and pension payments as shown in the table below.

Table 22.2.C: Expenditure arrears monitoring: breakdown by different categories

Category of arrears	Data generated (Y/N):			Frequency	Timeline
	Stock	Age	Composition		
Category 1: Annual veteran's allowance for the year 2021 - settlement in the 1st quarter of 2022 (Article 10 of the Decree on the Veteran's Allowance), veterans' awards and severance pay for the year 2021 - settlement in the 4th quarter of 2022. (Article 182 of the Labor Law)	Yes	No	Yes	Year-end 2021	To be paid in 2022
Category 2: Ministry of Education and Culture (primary schools) overdue payment of heating bills	Yes	No	Yes	Year-end 2021	To be paid in 2022
Category 3: Tax Administration - obligations for investment maintenance costs of business premises	Yes	No	Yes	Year-end 2021	To be paid in 2022
Category 4: Compensation claims based on pensions (Republic of Serbia)	Yes	No	Yes	Year-end 2021	To be paid in 2022

Source: Table 6.4 of the Consolidated AFS of the RS for FY 2021

The data of outstanding obligations as reported by the Government in the consolidated AFS in table 6.4 showing data on stock and composition. All these obligations incurred over the year are paid in the following year. The frequency of these expenditure arrears reporting is annual at the end of each fiscal year.

Hence, the score for the present dimension is C.

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. The coverage is Central Government and the period of assessment is at time of assessment for 23.1, 23.2, and 23.3 and for 23.4 - the last three completed years.

Indicator/Dimension	Score	Brief justification of the score
PI-23. Payroll controls (M1)	B+	
23.1. Integration of payroll and personnel records	B	There is full documentation supporting all changes made in the payroll and the personnel records each month. Data is updated monthly and checked against the previous month's payroll data. Payment, staff hiring and promotion is controlled by a direct link of the payroll system with the approved budget staff positions.
23.2. Management of payroll changes	A	Both payroll and personnel databases are integrated in the Treasury software. Retroactive adjustments are insignificant in the volume of 0.04% for the first half year of 2022.
23.3. Internal control of payroll	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.
23.4. Payroll audit	B	Payroll is conducted regularly every fiscal year based on documentary checks, weaknesses identified are consistently addressed by the Treasury Department to implement the audit recommendations.

The payroll management of the central government of RS is centralized in the Treasury at the MoF. All segments of the central government public service are covered in one centralized payroll. The payroll module is part of the management information systems SUFI. This enabled all procedures from allocation to execution to be interlinked within one system.

23.1. Integration of payroll and personnel records

The Ministry of Finance maintains the personnel and the payroll databases. The system currently allows for semi-automatic integration between personnel, payroll, and budget data. The payroll is still not automatically linked to the personnel database/staff list of all budget users.). This personnel data is verified against the approved salary budget allocations. The controls allow to insert all updates regarding staff employment, such as dismissal, promotion, transfer from one to another position within the government. This ensures that all changes are made and verified against the approved personnel budget allocations on a monthly basis in time for salary payment.

The payroll and personnel are updated monthly, in COP System, in good time for salary payment. Procedures for data entry and management of personnel records and changes are defined in the internal rules and procedures of MoF and are strictly complied with.

Currently, new system functionalities are being introduced to COP System which will allow better integration.

Changes to personnel records such as new hirings, promotions, etc. are reflected in the payroll COP System (Centralized Payroll Calculation) and are entered by the HR staff. The payroll is updated only in the case when changes are not reported on time (new employment, wrongly entered data related to calculation. In any event, it is not possible to make a payment in the payroll COP System without applying the respective budget controls that verify that there are available funds in the corresponding budget positions and the funds are sufficient for all payments according to the calculated payroll.

Based on the analysis and supporting evidence, the score for the present dimension is B.

23.2. Management of payroll changes

The procedures for appointments and promotions are normally completed within a month. The payroll database is a module of the Treasury system SUFI just like the personnel module known as COP. Thus, all budget users calculate the salaries and reflect the personnel changes directly into SUFI.) Officials who are assigned appropriate authorizations to work in the COP System. It is possible to track who entered what.

The COP system can be accessed only by assigned authorizations of officials and the system allows to track who made what kind of entries and when. The HR Module containing all data about all employees is an integral part of the COP. The data is entered on the employee's form and contains all the data taken from the database of personnel records (for which the Secretariat is responsible, that is, the personnel department) and a certain set of data related to salary calculation. Thus, COP system contains all data about employees where the salaries are calculated. There is an automated transfer of data from COP to SUFI where the payment is ordered and executed in the so-called Payables Module. The reporting of employee income, taxes and contributions from COP to the tax system is also automated.

The payroll system known as COP was established in 2015 on a web-based server. Changes that may occur after the payroll preparation are taken into account next month. As organizations update payroll lists each month, before executing the payroll, changes are made in a timely manner and retroactive adjustments are insignificant. For the first six months of FY2022, of the total gross salary volume amounting to BAM320,147,407, the total retroactive corrections were BAM 136,029, or 0.04%. The annual audit report of SAO for FY2021 does not show irregular salary payments.

Hence, the score for the present dimension is A.

23.3. Internal control of payroll

There are effective internal controls applied to salary calculation, data update and payment. The system will restrict the authority to enter changes into the database and hence calculation and payment of salaries ensuring separate changes requests from each budget user and verification against the approved budget allocations. The system provides audit trail tracking every entry and manipulation in the system. It generates a payroll report and keeps a history of all changes made with details of the authorizing officers. The table below outlines the key internal control functions in place.

The procedures and practice generate a full audit trail between the systems. This as a minimum reduced the possibility of errors. After each payroll payment, a report is generated by both SUFI and the Central Bank which allows control and eliminates eventual incidental inconsistencies.

Function	Yes/No	Performed by whom	Frequency
Hiring and Promotion checked against approved staff list	Yes	Personnel Service of the government administration responsible for employment and promotion of employees	It is carried out in accordance with the planned recruitment documented in a Personnel Employment Plan approved by the Government of the RS for the respective fiscal year, for which funds are planned in the Budget
Reconciliation of payroll and personnel database	Yes	Personnel Service and Accounting Service of the Republic Administration	The personnel department keeps records of employees and documentation. This record is kept at the same time in the centralized calculation of salaries of budget users (COP) in a database, known as Employees Register (staff list), and it is harmonized with the personnel records. The payroll and records of employees are harmonized being reconciled once a month after the calculation of the salary.

Documentation maintained for payroll changes	Yes	Personnel Service and Accounting Service of the budget user, that is, the republican administration body (documentation related to employees is submitted by the Human Resources Department to the Accounting Department, within which the calculation and payment of employees' salaries is made)	Each change is based on documentation that is an administrative act and a valid bookkeeping document. The documentation is submitted to the competent service that performs the calculation so that the employees are paid on time for the corresponding payment period.
Payroll checked and reviewed for variances from last payroll	Yes	The competent service that calculates the salary of employees	At least once a month for which the calculation was made. The control allows to determine the differences compared to the previous list.
Updates to personnel records and payroll.	Yes	Personnel Service and Accounting Service	Every three months, personnel records and payroll are reconciled (in accordance with the regulations governing reporting - Financial Reporting Regulations)
Updates includes validation with approved staff list	Yes	Accounting Department/Personnel Department	Quarterly
Audit trail of internal controls	Yes	IT unit within the Treasury Department	upon request
Payroll audits performed in last three years.	Yes	Supreme Audit Office of RS.	Once a year, it is mandatory to audit the payroll every year (the procedure includes staff employment and payroll)

Based on the information above and the supporting evidence, the score for the present dimension is B.

23.4. Payroll audit

There is no designated payroll audit performed by SAO in the last three years. Payroll is audited as part of the annual budget execution audit. According to SAO the payroll is not considered an area of high risk. The payroll audit performed as part of the regular annual budget execution audit covers control of staff employment (irregularities in employment and remuneration, control of existence of staff or the so called 'ghost workers'), calculation and payment of salary, as well as occurrence of any personnel data irregularities. The audit is based on documentation check. There is no evidence if the audit involves physical verification, therefore it is not rated as a strong audit. The Payroll control being part of the regular financial audit constitutes an audit. It is conducted regularly every fiscal year, there are weaknesses identified that are consistently addressed by the Treasury Department to implement the audit recommendations.

Hence, the score for the present dimension is B.

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The coverage is Central Government and the period of assessment is the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-24. Procurement (M2)	NA	
24.1. Procurement monitoring	NA	Please refer to the explanation on IBIH PI-24 assessment.
24.2. Procurement methods	NA	
24.3. Public access to procurement information	NA	
24.4. Procurement complaints management	NA	

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The coverage is Central Government and the time period is at time of assessment.

Indicator/Dimension	Score	Brief justification of the score
PI-25. Internal controls on non-salary expenditure (M2)	B	
25.1. Segregation of duties	A	There is appropriate segregation of duties prescribed in the rules and procedures for expenditure payment, there are clear responsibilities.
25.2. Effectiveness of expenditure commitment controls	B	The rules and procedures of payment enforce level of controls that limit the expenditure commitments to the approved budget allocations
25.3. Compliance with payment rules and procedures	D	All payments are reported to be in accordance with regular payment procedures. The rejected payments which represent the exception to the payment rules and procedures, however, are not monitored and evidence on their volume cannot be provided

The public finance internal control function is defined in the Law on System of Internal Financial Control in the Public Sector (dated 2016). Article 54 of this Law defines the Central Harmonization Unit within the MoF as a regulatory body in the area of financial management and control, supervising “the application of the adopted regulations and reporting on the state and progress of the financial system management and control”.

The objective of legal framework of internal control is to enhance levels of accountability, systems and processes controls and strengthened performance and governance. The system of internal control is managed by the Public Internal Financial Control (PIFC) policy monitored by the Central Harmonization Unit. The CHU is to provide oversight and direction in implementing the PIFC policy.

The CHU prepares an annual report consolidating the functioning of PIFC system in the budget organizations covering the performance of FY 2021. It provides analysis using the components of the COSO model. The PIFC policy provides for devolution of functions to the budget organization. They process the payments directly, ensuring a high level of autonomy and accountability. All controls are done through SUFI, to which all budget organizations are electronically linked. The SUFI is controlled by the Treasury Department at MoF of RS.

The EUD funded technical assistance project for the improvement of internal financial control in BiH contributed to strengthening and improvement of the internal control environment in RS. There were several by-laws drafted in the area of public internal financial control. IT solution was elaborated for updating and improving the process of reporting and preparation of annual consolidated reports in

the field of internal audit and financial management and control. As a result, a PIFC application was developed that will enable the improvement of the preparation and production of the Consolidated Annual Report on the establishment and development of internal financial control in the public sector of the RS as of December 31, 2021. a year. Consolidation will be done through an online application for reporting and preparation of annual consolidated reports. Additional reforms related to financial management and control are addressed in Pillar V of the PFM Reform Strategy.

25.1. Segregation of duties

For all operations done and verified in the Treasury system, there are instructions on segregation of duties that are complied with by all budget users belonging to the Central Government of RS. These instructions are embedded in the management information system known as SUFI limiting operational access at different levels of authority. All contracts signed by the budget organizations are registered in the Treasury system, thus available and allocated funds are checked and verified. When a payment request is being made, there are different people checking, signing, and approving. For payments, the order is signed by two persons ensuring the four-eye principle.

The integrity of SUFI is ensured by limiting individual access to the system through assigning differing levels of authority. The heads of the budget organizations are responsible for the reliability of the data generated in the automated system, as well as the timely and accurate production of reports.

Treasury procedures ensure segregation of functions. Expenditure transactions are authorized by the heads of the budget organizations. Recording and accounting of payments are done by the Treasury function. Public procurement officials monitor progress, acceptance of goods, services and works contracts is certified by different officials of the procuring entity. Audits are done by internal and external audit personnel who are operationally independent.

Based on the information and supporting evidence, the score for this dimension is A.

25.2 Effectiveness of expenditure commitment controls

The implemented SUFI system in the Treasury Department of MoF prevents the budget organizations from making payments that would exceed the amounts of funds allocated and approved for specific spending needs. The Government introduced new internal control procedures and enacted new legislation that further strengthens the financial management and control in the public sector. SUFI, which is the financial management information system, allows for the registration of expenditure commitments at the time they are made. The requirement for spending units to comply with this applies for all budget users and extrabudgetary funds within the budget of Central Government of RS. Generally, the financial controls are embedded in SUFI in hierarchical order such that (i) first is the control at the level of budget allocation to each budget users; (ii) second the control at the level of cash allocation; (iii) third control is at the expenditure commitment stage ensuring that commitments are within the budget allocations; and (iv) fourth control limits the funds as committed before the procurement process starts.

The Law on Budget System prescribes that liabilities cannot be above the approved budget plan or the available resources. However, it was acknowledged by the SAO that there are cases when the commitments are higher than the available resources. This is mainly in the area of public procurement.

Hence, the score for the present dimension is B.

25.3. Compliance with payment rules and procedures

The rules and procedures for recording and processing transactions are articulated in the Law on Budget System and in the Instructions on bookkeeping documents. It is governing the registration of transactions and the spending of public money. Budget organizations generally operate in accordance with the legislation in relation to financial management.

It was reported that the errors in payment of transactions and exceptions in the application of the standard rules are not recorded and monitored. There is no established practice to monitor data on payments that

violated the established procedures, i.e. errors in payments made by the Treasury. This refers to all budget organizations and extrabudgetary funds belonging to the Central Government of RS. Even with strong compliance with the payment control rules and procedures, the lack of practice of monitoring exception is indicative of weak internal control system. Hence, the score for the present dimension is D.

The previously assessed practice showed that the Treasury system limits any payments that would exceed the amounts of the allocated and available funds. The system allows for the expenditure commitments to be registered at the time they are made. The practice is sustainable and continues, the expenditure commitment control procedures that were found to partially effective and now found to be more reliable due to the newly adopted internal control legislation and methodology sustained by the CHU operation.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit. The coverage is Central Government and the time period of assessment is as follows: 26.1 and 26.2: at time of assessment; 26.3: last completed fiscal year; 26.4: audit reports issued in the last three fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-26. Internal audit (M1)	C+	
26.1. Coverage of internal audit	A	The internal audit is operational in 91% of the total budget expenditures of the central government of RS.
26.2. Nature of audits and standards applied	B	International internal audit standards are applied. The internal audit checks the effectiveness of the internal control system and the practice of quasi quality assurance exists for all internal audit units
26.3. Implementation of internal audits and reporting	B	Annual audit plans exist for most internal audit units. Most of the plans are completed, as evidenced by data provided by the CHU.
26.4. Response to internal audits	C	There is documentary evidence of management response to internal audit recommendations for all audits performed with two weeks timing of the response. The rate of response shows that less than 50% of the audit recommendations relevant for the period of assessment have been implemented.

The legal framework for the internal audit function is stipulated in the Law on Internal Audit (Law 03/L-128) that came into effect in September 2009, with focus on audits based on International Standards for the Professional Practice of Internal Auditors. This stand-alone law was abolished and incorporated in the Law on Internal Financial Control and International Internal Auditing Standards (No. 06/21) in 2018.

The institutional arrangements for internal audit constitute of the following functions:

- i. Central Harmonization Unit within MoF responsible for internal audit and financial management policies, guidance on the application of the respective methodologies, monitor implementation of internal control and internal audit, assessing the capacity and the process in place. The Internal Audit Unit within the CHU provides for capacity building of the internal auditors. An annual report is prepared on the activity of internal financial control and internal audit. It is submitted to the Government.
- ii. 57 Internal Audit Units within the respective central government budget organizations.

The CHU of the Ministry of Finance of the Republika Srpska published the standards of professional practice of internal audit of the International Institute of Internal Auditors (IIA) on the website of the Ministry of Finance and thus obliged the internal audit units to apply them. CHU also, within the framework of its

activities through the Coordinating Board of CHUs in Bosnia and Herzegovina, twice printed standards of professional practice in several hundred copies intended and distributed to internal auditors of the public sector of the Republika Srpska to those who undergo training to acquire the title of authorized internal auditor in public sector of the Republika Srpska.

All by-laws drafted by the CHU, and those which have been adopted and are being implemented in public sector entities are based on the standards of professional practice of internal audit. The Code of Ethics of internal auditors contains the principles and rules that internal auditors are obliged to adhere to when performing internal audit work, and they derive from the standards. Based on the collected information on the internal audit for 2021, all reporting entities stated that the internal auditors adhere to the Code of Professional Ethics for internal auditors in their work.

The internal audit framework charter is prepared and signed by the head of the internal audit unit and the head of the entity. The Framework Charter was developed by the CHU in accordance with the standards of professional practice of internal auditing. Public sector entities have the obligation to draw up individual Charters and to submit them for the approval of the CHU.

Continuous work on deployment of internal audit function and professional training of internal auditors in order to achieve full coverage of the government budget organizations. The PFM Reform Strategy of the RS Government envisages to strengthen the role of internal audit through performance of the following activities: (i) improvement of legal and by-law regulations in the area internal audits; (ii) training and continuous education of internal auditors; (iii) supervision over the implementation of the regulatory framework; (iv) conducting an external evaluation of the quality of the internal audit. The reform is supposed to be implemented by end of FY2023.

26.1. Coverage of internal audit

The internal audit function is established in 52 budget organizations, 36 of them are part of the central government and they cover central government budget organizations, extrabudgetary units and social funds. The remaining 16 are SNGs with established internal audit function. The budget expenditure of the 36 CG bodies accounts for 91% of the total budget expenditure for FY 2021. There is a detailed annual activity report monitoring the internal audit activities of all 52 budget organizations. There is a manual of internal audit procedures, Code of Ethics, Guidelines on preparation of audit findings, International Standards for the Professional Practice of Internal Auditing. All these documents are publicly available on the website of MoF. The annual internal audit activity report provides complete data on the number of auditors, audit committee, planned and performed audits, reports and recommendations issued and implemented. It constitutes sufficient evidence of operational audit function in these budget users. Audit Committees are established for nearly all budget users. Internal Audit reports of budgetary organizations were provided as an example.

The score for this dimension is A.

26.2. Nature of audits and standards applied

The internal audit standards prescribed are the International IA Standards of the Institute of Internal Audit. The Internal Audit reports provided show that the audit goes beyond the audit of compliance of financial transactions. Example audits show analysis of reliable and comprehensive financial data, effectiveness of internal control system and if there are internal control procedures which expose the organization to risk.

The CHU of the Ministry of Finance of the Republika Srpska developed and published the Instructions for the work of internal auditors ("Official Gazette of the Republika Srpska for the work of internal auditors in the public sector of the Republic of Srpska with attachments Republika Srpska website of the Ministry of Finance). This set constitutes the documented rules, regulations and procedures on internal audit. They cover methodological acts based and focused on assessing the adequacy and effectiveness of the internal control system, and the internal audit in public sector entities of the Republic of Srpska. Annexes 17 and 18 of the Manual (Republika Srpska and testing of controls, respectively) prescribe that the internal audit is based primarily on the system of internal control.

The internal audit units submit to CHU activity report every six-months and annually covering specific methodological topics of applied standards and quality assurance procedures. Based on the analysis of these reports, CHU determined that all internal audit units apply the prescribed methodology and evaluate the adequacy and effectiveness of the internal control system in the public sector entities.

The internal audit strategic plan is drawn up on the basis of risk assessment approach and probability and likelihood of occurrence.

With regard to the quality assurance, the CHU of Republika Srpska is doing a kind of quality control of the work of Internal Audit Units through the Annual Reports that all IA Units are obliged to prepare and send to CHU. CHU is analyzing the data from these reports and makes conclusions and opinions on the quality of work of the function of the IA in general and makes recommendations in its Consolidated Annual Report.

In addition, the IA Units are obliged to undertake regular activities that will ensure the quality of work of IA, such as for example that they have to perform monitoring of the work of internal auditors, etc. Also, the Law on IA prescribes that each IA Unit has to undergo external quality control at least once in five years

However, the manual on quality assurance is still in progress, having already a draft version yet to be finalized and adopted. Therefore, there is a quasi-quality assurance undertaken by the CHU of RS.

Based on the analysis and supporting evidence, the score for the present dimension is B.

26.3. Implementation of internal audits and reporting

There is a three-year Strategic Audit Plan and annual internal audit plan prepared by all internal audit units. The annual plan identifies the audit topic and object based on risk assessment. The annual activity report of internal audit which is a consolidated audit performance document of all operational central government internal audit shows the data of planned and actually performed audit in each one of the 57 internal audit units.

The table of all planned and performed audits was provided as evidence for this dimension showing the number of planned audits according to the adopted annual plan, the number of ad hoc audits, the number of performed audits from the adopted annual plan and the number of performed audits at the request of the manager. The data presented shows that the total percentage of performed audits compared to the planned ones in all central government public sector entities with internal audit function is 87%.

The reasons for not performing audits from the annual plan are analyzed and the result shows that most of them refer to the absence of internal auditors due to illness or due to the termination of employment of internal auditors in the respective internal audit unit. In addition, several internal audit units were actually just established during 2021 and there were no annual plans adopted but only such carried out by request of the manager.

The data shows that the percentage of performed vs planned audits is 87%. There are audit reports for implemented audits which are submitted to the respective head of the budget organization and to the CHU.

Based on the data and supporting evidence provided, the score for the present dimension is B.

26.4. Response to internal audits

Action is taken by management on internal audit findings. The response of management is to take appropriate action to implement the audit recommendations. The volume of implemented audit recommendations in FY 2021 was only 41% while some recommendations may take more time to take place. The table below shows the volume of implemented audit recommendations for all three years of assessment. The data shows that more than 50% of the recommendations provided are not implemented. Also, some recommendations take more than a year to be implemented. This indicates lack of action on internal audit findings that undermines the rationale for the internal audit function.

Table 26.4.C: Implemented internal audit recommendations for all budget organizations for FY2019-2021

FY	Total number of recommendations	Implemented	%
2019	1509	620	41
2020	1384	684	49
2021	1492	609	41

Source: CHU at MoF

The table above shows that less than 50% of the audit recommendations relevant for the period of assessment have been implemented.

Based on the information and supporting evidence provided, the score for the present dimension is C.

PILLAR SIX: Accounting and reporting

The pillar contributes to strengthening the aggregate fiscal discipline in general. The Treasury bank accounts are reconciled daily, and the advance accounts are reconciled monthly. This indicates that there is reliable financial information to support the integrity of data. The information protection processes in place are comprehensive and support the integrity of financial data even if there is no dedicated unit in charge of such verification.

The accounting and financial reporting practices are well established, and the overall financial data integrity is good (PI-27). Another good practice is that the treasury system allows full coverage of budget execution data and comparison with the originally approved budget. The in-year budget reports provide comprehensive, timely and accurate information on budget execution. They are consistent with the budget plans and allow monitoring of budget performance (PI-28). There is overall good performance in accounting and reporting strengthened by the complete annual financial statements containing information on revenue and expenditure, assets and liabilities, guarantees. Constant checking and verification of the accounting records is ensured. The international IPSAS accrual-basis accounting standards contribute to good financial reporting practice (PI-29).

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. The coverage is Central Government for 27.1 and BCG for 27.2, 27.3 and 27.4. The time period of assessment is for 27.1, 27.2 and 27.3: at time of assessment covering the preceding fiscal year and for 27.4 at time of assessment.

Indicator/Dimension	Score	Brief justification of the score
PI-27. Financial data integrity (M2)	A	
27.1. Bank account reconciliation	A	Due to the STA system, reconciliation of all active bank accounts takes place daily at aggregate and detailed level. Reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day.
27.2. Suspense accounts	NA	There are no suspense accounts.
27.3. Advance accounts	A	Advance accounts are reconciled monthly within a month. All advance accounts are cleared in a timely way.
27.4. Financial data integrity processes	B	Access and changes to records is restricted by passwords, they are recorded and they result in audit trail (enabling individual accountability), there is no operational unit in charge of verifying financial data integrity

The Asset Management and Payment Unit within the Treasury Department is responsible for the monitoring and reporting on all government bank accounts. There are about 165 bank accounts which are grouped in eight core accounts deposited in eight banks. There is one main account in Development Bank (NLB) that is used for regular payment for salaries, pensions, disabled persons, suppliers. All central government bank accounts of all budgetary organizations are regularly reconciled.

27.1. Bank account reconciliation

All government accounts are in STA, and all sub-accounts are reconciled on a daily basis by the Treasury Department. These are the accounts known as fund 01-05 covering (i) public revenue accounts, (ii) Treasury Single Accounts in KM and foreign currency, (iii) Special purpose accounts in KM and foreign currency.

The revenue collecting entities submit reports to the Treasury Department electronically, on a daily basis. These reports enable budget organizations to enter their revenues collected into STA, classified by revenue type and economic code. There are no unreconciled accounts. Bank accounts are reconciled on a daily basis and a full reconciliation is made before the annual financial statements are prepared.

Based on the above, the score for this dimension is A.

27.2 Suspense accounts

The Treasury Department does not hold any suspense accounts to manage public money. There is no such option stipulated in the legislation. Therefore, this dimension is NA.

27.3. Advance accounts

The Ministry of Finance of the RS keeps advance accounts for business and official traveling. These obligations are entered into the SUFI system on daily level at the time of request (evidence provided: Overview of advance payments for business trips). In addition, evidence was provided for the requested and refunded funds for FY 2019, 2020 and 2021, they show the total payment by year and the total return by year and the reasons for the return.

The amount of advance accounts, that based on the Law on Budget Execution is used for travel advances and imprests (petty cash), as of end July 2021 is 12,957 BAM (evidence provided by MoF signed by Treasury). Advance payments are provided mainly for travel purposes, including those for petty cash. The petty cash advances are based on budget users' requests for petty cash needs. Payments for petty cash are recorded on a daily basis. Petty cash is used for payments also for small repairs, spare parts (not covered by general maintenance contracts), postal fees, and mainly for advances for travel expenses.

The travel advance payments are based on official and approved travel agendas and are recorded as expenditures after the trip is completed, upon presentation of documentation of expenses. The reconciliation of advances is supposed to be automatic between each commercial bank and the Treasury at MoF. At the end of each month, all available or undocumented funds are refunded to the STA.

Advance payments for good and services are made with public procurement services when the contract requires 10% advance payment against a bank guarantee. Such advance payments are cleared as per the respective public procurement contractual terms.

Hence, the score for the present dimension is A.

27.4. Financial data integrity processes

The electronic record, payment and transfer of data is carried out by means a Management Information System known as SUFI, which was established and deployed before the implementation of the claims module and the personal income calculation module, that are now integrated into SUFI.

The rules, regulations or procedures for access and recording of changes to records. They are as follows:

- Law on Information Security;
- Handbook on information security standards;
- Law on Personal Data Protection;
- Rulebook on IT protection procedures of the accounting system;
- COP system IT protection procedure;
- Personal data security plan of the COP system;
- COP system management and maintenance procedure;
- Instructions on the exchange of electronic data in the treasury system.

These procedures are embedded in the financial management and control procedures of the Treasury Department. A unique password is required for access to the system. The password can be changed only by two levels of authority, i.e., by two people. There are different levels of access to SUFI according

to the position and the level of authority. One password is required for each workstation, two different passwords are required for reading rights in SUFI and three different passwords are needed in order to actually enter and change data in SUFI. Apart from the internal audit function, there is no dedicated unit in charge of verifying financial data integrity. There is an IT unit within the Treasury Department that maintains SUFI and all related electronic databases.

The access to information, including read-only and the authority to create, modify and change records is traceable in SUFI where all budget organizations are integrated as users. The network is web based and all data is accessible in real time on the Treasury server.

Based on the information and supporting evidence, the score for this dimension is B. There is no operational unit in charge of independently verifying financial data integrity which is the reason for score B.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. The coverage is Budget Central Government and the time period of assessment is the last completed fiscal year.

Indicator/Dimension	Score	Brief justification of the score
PI-28. In-year budget reports (M1)	A	
28.1. Coverage and comparability of reports	A	In-year reports cover data that allows comparison to the original budget, and it includes all items of budget estimate.
28.2. Timing of in-year budget reports	B	Budget execution reports are prepared monthly quarterly, six-months and annually and are issued within four weeks , from the end of the period
28.3. Accuracy of in-year budget reports	A	There are no issues regarding data accuracy, issues are highlighted in the report and the data is useful for analysis of budget execution, which is provided in the six-month report. Expenditures are captured at both commitment and payment stages

The Government of RS is obliged to present regularly periodic reports on the execution of the budget. They are presented to the Government and the National Assembly within the required period, and are published on the website of the MoF (<https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx>). Articles 45 and 46 Law on Budget System define the financial reporting obligations within the Government of RS: (1) The Ministry shall report the execution of the RS budget for the current fiscal year to the Government on a quarterly basis; (2) The Ministry shall file the report on the execution of the RS budget for the first quarter of the current fiscal year to the Government by 3 May of the current fiscal year; (3) The Ministry shall file the report on the execution of the RS budget for the period 1 January – 30 September of the current fiscal year to the Government by 30 November of the current fiscal year. The RS budget execution report for the period 1 January – 31 March and 1 January – 30 September of the current fiscal year shall include the following: (a) an overview of the fiscal situation and macroeconomic developments, (b) a comparative overview of projected and executed budget funds and expenses, including the explanation of potential risks, (c) an overview of the Republic's borrowing, (d) a proposal of measures to improve the situation if the circumstances so require, (e) information on the use of the budget reserve, and (f) information on re-allocations as executed. Also, the Ministry shall file the report on budget execution for the first half of the fiscal year to the Government until 31 August and until 30 April for the previous fiscal year. The Government files these reports to the National Assembly until 30 September and 31 May, respectively.

The Law on Accounting and Auditing and the Law on Budget System of RS require that MoF prepares and publishes consolidated and unconsolidated budget execution reports. The obligation of MoF to prepare and publish the periodic reports on transaction (PIT) on monthly, quarterly and annual basis is prescribed by the Rulebook on Financial Reporting for Budget Users.

28.1. Coverage and comparability of reports

The in-year budget execution reports are presented at the same level of detail as the approved budget. This coverage allows comparison of the original budget estimates with the actual reported information on allocations, commitments, and expenditures. The classification of data, economic and administrative, allows direct comparison to the original budget. The information includes all items of budget estimates. The in-year budget reports cover the actual expenditure of all budget entities including the expenditures made from transfers to the municipalities. Expenditure is covered at both commitment and payment stages. All in-year budget execution reports produced by Treasury are available on the website of MoF of RS.

Based on the above, the score for this dimension is A.

28.2. Timing of in-year budget reports

The consolidated report on the execution of the budget of the Republika Srpska is prepared quarterly, semi-annually and annually, in accordance with the Law on the budget system of the Republika Srpska, (Official Gazette no. 121/12, 52/14, 103/15, 15/16). Within the deadlines prescribed by the Budget System Law, the Ministry of Finance reports quarterly, semi-annually and annually to the Government of the Republika Srpska on the implementation of the Republika Srpska current fiscal year, while the Government submits the six-monthly and annual Consolidated Report to the National Assembly of the Republika Srpska. After the adoption of the consolidated report on the Republika Srpska the budget of the Republika Srpska by the National Assembly, it is published on the website of the Government of Republika Srpska.

Table 28.2.C: Timing of in-year budget reports for the last completed fiscal year

Period covered by the report	Actual date of issuance
Monthly in-year reports referred as well as PIT	4 weeks after the end of month
Quarterly in-year budget reports (three-month, six-month, nine-month), as well as PITs (period reports on transactions)	8 and 6 weeks after the end of the quarter
Six-months in-year budget report on budget implementation	8 weeks after the end of the first six months of the fiscal year
Annual budget report	4 months after the year end

MoF prepares monthly and quarterly PITs – Periodic Report on Transactions which presents an overview of income and expenditure in the reporting period, covering all funds. The monthly reports are published on the website of the Ministry of Finance within four weeks after the end of each month while the quarterly PITs are prepared and published six weeks after the end of each quarter. Budget execution reports are prepared based on the standards set forth by the Rulebook on Accounting, Accounting Policies and Accounting Estimates for Budget Users which is based on IPSAS. PIT is prepared according to GFS codes (GFS - macroeconomic statistical framework designed by the IMF for the needs of monitoring statistics of government finances and fiscal analysis).

The consolidated quarterly report on budget execution is submitted semi-annually and annually. The half-year report is submitted to the Government of the RS two months after the end of the half-year, i.e. by end of August. It is submitted to the National Assembly three months after the end of the half-year, i.e. by end of September. The annual report is submitted to the Government of the RS four months after the end of the fiscal year by end of April in the following year, it is then submitted to the National Assembly for adoption by May 31.

Based on the above, the score for this dimension is B.

28.3. Accuracy of in-year budget reports

The Treasury prepares monthly and quarterly PITs – Periodic Report on Transactions which presents an overview of income and expenditure in the reporting period, covering all funds. The monthly reports are published on the website of the Ministry of Finance within four weeks after the end of each month while the quarterly PITs are prepared and published six weeks after the end of each quarter. They are prepared according to GFS codes (GFS - macroeconomic statistical framework designed by the IMF for the needs of monitoring statistics of government finances and fiscal analysis). The contents and deadline for preparation of PIT are prescribed by the Articles 52 and 53 of the Rulebook on Financial Reporting of Budget Users.

The consolidated quarterly report on budget execution is submitted semi-annually and annually. The half-year report is submitted to the Government of the RS two months after the end of the half-year, i.e. by end of August. It is submitted to the National Assembly three months after the end of the half-year, i.e. by end of September. The annual report is submitted to the Government of the RS four months after the end of the fiscal year by end of April in the following year, it is then submitted to the National Assembly for adoption by May 31.

Based on the above, the score for this dimension is B.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. The coverage is Budget Central Government and the time period of assessment is as follows: 29.1.: last completed fiscal year; 29.2 last annual fiscal report submitted for external audit; 29.3: last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-29. Annual financial reports (M1)	B+	
29.1. Completeness of annual financial reports	A	Financial reports are prepared and are comparable with the classification used in the approved budget. They contain information on revenue, expenditure, financial and tangible assets, liabilities and guarantees, and a reconciled cash flow statement
29.2. Submission of reports for external audit	B	The annual financial reports are submitted for external audit within 4 months of the end of the fiscal year.
29.3. Accounting standards	A	International IPSAS accrual-basis accounting standards is applied in all financial reports. The standards used are disclosed in notes.

The annual financial statements are prepared in accordance with Article 41 of the Law on the Budget System of RS and contain full information on revenue and expenditure, and financial assets and liabilities. Evidence provided is the consolidated annual financial reports (scanned signed reports and working excel tables) for FY 2019, FY2020 and FY2021.

Recent or ongoing reform activities: The RS Government is in process of implementing a PFM reform on accounting and financial reporting through the performance of the following activities: (i) full application of IPSAS on accrual accounting basis; (ii) greater efficiency in the preparation of consolidated financial reports and improving the coverage and quality of information; (iii) improving the transparency of budget reports and the financial statements, and development of reporting according to GFS 2014 and ESA 2010; (iv) establishment of adequate lead capacity on statistics of government finances in accordance with international standards. The reform is supposed to be implemented by the end of FY2025.

29.1. Completeness of annual financial reports

In accordance with Article 47 of the Law on Budget System, the report on the RS budget execution includes the following: (i) an overview of budgetary funds and spending from the RS budget in the previous year as approved by the National Assembly, (ii) and overview of executed budget in the previous fiscal year, (iii) explanations of major deviations, (iv) information on borrowing and debt management, (v) information on the use of the budget reserve, (vi) information on non-financial assets and guarantees issued, (vii) balance of the single treasury accounts and special purposes accounts, and information on re-allocations as executed, (viii) assets, liabilities and cash flow statement. Also, the budget execution report contains data on the initial and final balance of assets, liabilities and sources of funds.

The quality of the information contained in the annual financial reports is good and is presented in a unified format for all three years. The information is based on recorded budget and budget implementation from SUFI. The reports for all three years of assessment contain identical financial data. There are notes and annexes which are an integral part of understanding the annual financial statements.

Table 29.1.C: Financial reports

Financial report ²⁰⁹	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Consolidated annual financial statements FY2021	29 April 2022	Yes	Yes	Yes	Yes

Based on the information presented above and annual financial reports being the supporting evidence, the score for this dimension is A.

29.2. Submission of reports for external audit

Article 46 of The Law on the Budget System as well as the Law on Accounting and Audit of Republika Srpska stipulate the deadlines for the submission of all financial statements prepared by the budget users. Also, in accordance with Article 57 of the Law on the Budget System, the Ministry is obliged to prepare a consolidated annual financial report of the Republic by April 30 of the current year for the previous fiscal year. This is also the deadline for submission of the financial report for external audit.

Thus, the annual financial statements are submitted by the end of February of the current year for the preceding year, and the consolidated statements are submitted by the end of April at the latest of the current year for the preceding year. The audit report by SAO is to be completed by the end of August. The evidence of submission of annual reports to external audit is the cover letter (dopis).

Table 29.2.C: Dates of submission of RS Government annual financial report for external audit for FY2019-2021

Fiscal Year	Date of submission of AFS to external audit (SAO)
FY 2019	11 May 2020
FY 2020	29 April 2021
FY 2021	29 April 2022

Source: RS Government Treasury

Based on the information presented above and the supporting evidence (Letter of Transmission, Dopis 2019-2021), the score for this dimension is B.

209 This may be a consolidated financial report or a list of financial reports from all individual BCG units.

29.3. Accounting standards

In accordance with current regulations, the budget users in Republika Srpska, apply the International Accounting Standards for the Public Sector (IPSAS), which are based on the accrual basis of accounting, as a basis for the preparation and presentation of financial statements. Mandatory application of IPSAS in the preparation and presentation of financial statements of budget users has been introduced since 2006. From the reporting year of 2013, applying IPSAS 23 - Transactions that are not exchange transactions (taxes and transfers), the financial reports of the Republic, municipalities, cities and funds also contain information on incurred and settled tax receivables, i.e. unpaid receivables from taxpayers according to the regulations of the Republika Srpska.

IPSAS published by the Board for International Accounting Standards for the Public Sector is the basis for adopted acts as well as for determining the accounting policies of budget users. The most significant innovations that were implemented are related to the following segments of budget accounting:

- regrouping and reclassification of certain types of expenditures, expenditures, receipts and partly income with the aim of harmonizing them with GFS 2014 and ESA 2010 classifications;
- this includes receipts from financial assets and borrowing and expenditures for non-financial assets and debt repayment with the aim of greater transparency in monitoring transactions;
- clear and complete separation of accounting and cash income groups;
- easier monitoring of transactions of different government budget users.

The prescribed regulation for the implementation of IPSAS was established by the Law on Accounting and Auditing of the Republika Srpska and the Law on the Budgetary System of the Republika Srpska. Government of the bookkeeping and accounting system of budget users is regulated by the Law on the Treasury. This is to say that IPSAS is fully implemented to date.

There are notes on the financial reports relating to the standards used in the preparation of the annual financial reports. The evidence provided covers the regulations describing the application of accounting standards, periodic report for the 3rd quarter of 2021, electronic version from the special module of the SUFI system "Consolidation General Ledger".

Based on the above information and supporting evidence, the score for the present dimension is A.

PILLAR SEVEN: External scrutiny and audit

The pillar measures whether the public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance: key strengths and weaknesses

The external audit function of RS Government is performed by the Supreme Audit Office. A strong point to note is that all budget organizations of RS, government bodies, extrabudgetary funds and public companies are in the mandate of SAO and are covered at different periods in the external audit. This implies that the external audit ensures accountability and transparency in the use of public funds. Another strength is the fact that there is timely and clear follow-up by the executive on audit recommendations.

The audit report is prepared and submitted to the legislature within six months. This implies that the financial statements are complete and correct for audit (PI-30). The scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports. The downside of the process is that there were no in-depth public hearings on key findings of audit reports. A peculiar practice in legislative scrutiny is that the National Assembly do not issue recommendations to the executive apart from those made by the Supreme Audit Office (PI-31). The coverage is Central Government and the time period of assessment is 30.1, 30.2 and 30.3: the last three completed fiscal years, for 30.4: at time of assessment.

PI-30. External audit

Indicator/Dimension	Score	Brief justification of the score
PI-30. External audit (M1)	B+	
30.1. Audit coverage and standards	A	The Supreme Audit Office has analyzed financial reports including revenues, expenditures, assets, and liabilities of all central government entities for fiscal years 2019, 2020 and 2021. ISSAIs were applied consistently. The audits have highlighted any relevant material issues and systemic and control risks.
30.2. Submission of audit reports to the legislature	B	All Annual Audit Reports were submitted to the legislature within six months of their receipt by the Supreme Audit Office for the last three completed fiscal years.
30.3. External audit follow-up	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.
30.4. Supreme Audit Institution independence	A	SAO is independent from the executive in all aspects including appointment and removal of the Auditor-General, publishing of its report, unrestricted and timely access to records, financial and managerial autonomy. The independence is assured by law (Article 4)

External audit in RS is carried out by the Supreme Audit Office of RS. It is an independent and professional institution of parliamentary oversight which reports to the National Assembly of RS. It is entitled to audit all financial, administrative and other activities, programs and projects managed by the public institutions. The legal framework governing its function and organization is Law on Public Sector Audit of the Republika Srpska. ISSAI audit framework for the public sector is applied for the audit of budget execution, financial reports, use of resources and management of public property in institutions in the public sector of the Republika Srpska

The Audit Committee of the National Assembly may require the Supreme Audit Office of RS to perform a special audit.

The Supreme Audit Office is authorized to audit public institutions, public and other companies in which the Republic has a direct or indirect ownership, all donor funds provided for the implementation of projects by international organizations, also all extra-budgetary funds established by law. It is also authorized to also perform audits of: (i) budget of municipalities and cities; (ii) any funds provided to the institutions, for purposes of implementing the projects, by the international organization as a loan or a donation to the Republic; (iii) budget funds allocated to any institution or organization. That is the Supreme Audit Office is authorized to conduct audits of public institutions, public and other companies in which RS holds direct or indirect ownership share.

Additional reforms related to external audit are addressed in Pillar VI of the PFM Reform Strategy. The relevant reform is, 'Strengthening audit capacity' and the activities planned to implement it are: (i) strengthening of personnel and technical capacities and (ii) strengthening performance auditing. They are supposed to be performed by end FY2025.

30.1. Audit coverage and standards

External audit in RS is performed by the Supreme Audit Office (SAO) of RS. It was established in 1999 under the Law on Public Sector Auditing. The Auditor-General reports to the Assembly and is entitled to audit all financial, administrative and other activities, programs and projects managed by public institutions. The scope of SAO is financial, compliance and performance audits. The number 78 staff are dedicated to the three types of audits. SAO covers 1050 public entities including schools. Annually it performs 73-75 financial audits and 67 performance audits. There are 78 planned financial audits and 20 follow-ups in FY2022.

Article 16 of the Law on Public Sector Auditing defines the coverage of the Supreme Audit Office. Pursuant to this law, it is authorized to perform audits of: (i) the National Assembly of the Republika Srpska; (ii) The Office of the President of the Republika Srpska Secretariat of the Government of the Republic of Srpska, ministries and offices; (iv) the Council of Peoples of the Republic of Srpska; (v) all other budgetary institutions of Republika Srpska budget; (vi) funds and extra budgetary institutions established by the law. The consolidated budget central government and social funds reports constitute the basis of the annual statutory audit.

There are three methodologies used: (i) financial audit methodology; (ii) performance audit methodology; (iii) quality control methodology. They are approximated to ISSAI standards which are the only professional standards applied in the external audit. The scope of SAO external audit covers all central budget users. The audit covers the consolidated annual financial report of the Government with all expenditure, revenue, assets and liabilities.

The external audit reports cover material issues and the functioning of the internal control system. Audit opinions on all financial statements are provided and supplemented with a description of the internal control environment, procurement compliance with the regulatory framework. The audit reports produced for the fiscal years 2019-2021 are based on the International Standards on Supreme Audit Institutions (ISSAIs).

Based on the analysis and supporting evidence, the score for the present dimension is A.

30.2. Submission of audit reports to the legislature

The table below shows when the Ministry of Finance submitted its financial statements to the Supreme Audit Office for the three fiscal years of assessment. It also shows when SAO submitted the audit reports to the National Assembly. The Government is to prepare the annual financial statements by end of February. The consolidated report covering the central government, local governments and all social funds is to be prepared by end of April. The audit should be completed and the external audit report submitted to the legislature within three months. The external audit reports for the three years were submitted to the legislature within four months from their receipt.

Table 30.2.C: Timing of audit reports' submission to the legislature

Fiscal years	Dates of receipt of the financial reports by the audit office	Dates of submission of the financial audit reports to the legislature
FY2019	11 May 2020	29 August 2020
FY2020	29 April 2021	31 August 2021
FY2021	29 April 2022	31 August 2022

Source: Supreme Audit Office of RS

Hence, the score for the present dimension is B.

30.3. External audit follow-up

During the current year SAO perform follow-up of the previous year audit report. SAO monitor the implementation of all audit recommendations. This activity is facilitated by establishment of a publicly available registers of all financial and performance audit recommendations. The register is regularly updated. The follow-up audits are formalized in a separate report on the implementation of recommendations given for a specific fiscal year audit. The usual weaknesses identified by the external audit are relevant to procurement tenders, fixed assets registry, classification of revenue and expenditure.

The follow-up reports provide the degree and status of implementation of the audit recommendations and conclusion is made on the degree of implementation of previously given recommendations. It is clear that there is formal, comprehensive, and timely response by audited entity on audits for which follow-up was expected, during the last three completed fiscal years. It is not clear how effective is the follow-up audit.

Hence, the score for the present dimension is B.

30.4. Supreme Audit Institution independence

The basis of the assessment on independence is the principles set out in the International Standards on Supreme Audit Institution, as stipulated in the Mexico Declaration on SAI Independence. The table below represents the core requirements on SAI independence.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1.The SAI operates independently from the executive with respect to:	Y	Law on public sector auditing of RS, Article 4
- procedures for appointment and removal of the head of the SAI	Y	Article 10 stipulates that the Auditor General and the Deputy Auditor General are appointed and removed by the National Assembly of the Republika Srpska upon the proposal of the President of the Republika Srpska seven years with no right of re-election.
- the planning of audit engagements	Y	The annual audit plan is prepared by the Auditor General and is submitted for discussion at the Audit Board of the National Assembly
- arrangements for publicizing reports	Y	All audit reports of SAO are published in their website
- the approval and execution of the SAI's budget.	Y	Article 25 law stipulates that SAO shall prepare the annual budget request and it is approved Assembly. The Auditor General disposes of funds and approves payments of the Supreme Audit Office. Unspent funds are carried forward to the following year (Fund 002) and are used for development and advancements of the Supreme Audit Office. The salaries of the SAO staff are decided by SAO as stipulated in Article 37 of the law. All financial issues related to the material and monetary resources of SAO are to be determined by SAO.

2. This independence is assured by law	Y	Law on public sector auditing of RS, Article 4
3. The SAI has unrestricted and timely access to records, documentation and information for:	Y	The access to records and documentation is assured by law in Article 39, 40, 41.
- all audited entities	Y	
- most audited entities	Y	
- the majority of requested records	Y	Article 10 stipulates that the Auditor General and the Deputy Auditor General are appointed and removed by the National Assembly of the Republika Srpska upon the proposal of the President of the Republika Srpska seven years with no right of re-election.

Hence, the score for the present dimension is A.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. The coverage is Central Government and the time period of assessment is the last three completed fiscal years.

Indicator/Dimension	Score	Brief justification of the score
PI-31. Legislative scrutiny of audit reports (M2)	D+	
31.1. Timing of audit report scrutiny	B	The audit reports have been scrutinised by the National Assembly within four months of receipt from SAO
31.2. Hearings on audit findings	D	There is no evidence of hearings of audit findings
31.3. Recommendations on audit by legislature	D	The National Assembly does not issue recommendations with regard to the audit findings.
31.4. Transparency of legislative scrutiny of audit reports	D	The Audit Committee does not issue reports on legislative scrutiny. Due to pandemic restrictions, there were no public hearings of the audit report in the years of assessment.

The Budget and Finance Committee of the National Assembly is engaged in the review of budget proposal and the audit report on budget execution.

The PFM reform relevant to legislative scrutiny is to implement activities that will strengthen the process for following up on audit recommendations and will improve the process of acting on audit findings. This is planned to be achieved by end of FY2025.

31.1. Timing of audit report scrutiny

The Assembly does not adopt the audit reports but only review and discuss them in the open chamber. The review of most of the reports is performed within a month of their receipt. However, the evidence provided shows that there are reports which are discussed much later mostly in December the same year. The scrutiny of the audit reports of budget execution for the three years of assessment took place within at least four months from the receipt of the audit reports from the Supreme Audit Office, see the table below.

Table 31.1.C: Timing of audit report scrutiny

Fiscal years	Dates of receipt of the financial audit reports	Dates of scrutiny by the legislature
2019	29 August 2020	22 September 2020 and December 2020
2020	31 August 2021	29 September 2021 and December 2021
2021	31 August 2022	September 2022

Based on the above information and the supporting evidence provided, the score for the present dimension is B.

31.2 Hearings on audit findings

The Audit Committee of the Assembly did not conduct public hearings during the requested period. However, the Audit Committee makes consideration of all audit report findings in sessions attended by representatives of the Supreme Audit Office and representatives of the audited institution. There are in-depth discussions of the issues disclosed in the audit report, however, there is no evidence, such as a record of hearings, minutes or action plans elaborated as a result, to verify the audit report discussions.

Based on the information provided, the score for the present dimension is D.

31.3. Recommendations on audit by legislature

The National Assembly of Republika Srpska does not issue recommendations related to the audit findings. Recommendations are made only by the Supreme Audit Office of Republika Srpska, which specifically monitors the implementation of recommendations and submits reports to the Audit Committee. Through these SAO reports, the Audit Committee monitors the implementation of recommendations. The audited entities are required to submit action plans for the implementation of recommendations.

Based on the information provided, the score for the present dimension is D.

31.4. Transparency of legislative scrutiny of audit reports

There are no public hearings of the audit report in the full chamber. Apart from the SAO and the audited organisation, the Audit Committee of the National Assembly invites to these sessions accredited subjects of the non-governmental sector, who are normally invited to all Audit Committee sessions, except in 2020, 2021 and 2022, when the number of attendees at the board sessions was limited due to measures to prevent the spread of Covid-19 and the spatial capacity of the National Assembly. Minutes from those sessions are provided as evidence. The Audit Committee published the minutes once they had been adopted and signed. The Audit Committee is not required to provide a report on the legislative scrutiny of the audit report.

The audit reports are published on the website of the Supreme Audit Office.

Based on the information and supporting evidence, the score for the present dimension is D.

2.C.3. Effectiveness of the internal control framework

The existing legislative basis for internal control covers the Law on the System of Internal Financial Control of the Public Sector of the RS, 2016 supported by rulebooks, internal control standards and guidance on risk management. The established Central Harmonization Unit at the MoF enhances and oversees the application of the legal acts and provides methodological guidance. The operational framework for internal control defines responsibilities and powers, and its application by the budget organizations, the management and the public administration.

There is a current strategy for further development of IC with detailed actions, priorities and objectives with a focus on managerial accountability and risk management. This is the Strategy for development of the system of internal financial control in the public sector of the Republika Srpska for the period 2021-2025. The RS Government has established processes for the CHU to monitor the implementation of

internal control and to report each year. Monitoring and reporting are not comprehensive, as not all budget organization have introduced risk management.

Risk Assessment

Operation and process related risk is based on the Law on Internal Financial Control and the supporting guidelines. They provide for a formalized risk assessment mechanism in the budget organizations but not in the tax administration of RS. Management decisions are based on risk factors identified and assessed in good time. Risk assessment status at different stages of PFM system is analyzed as follows:

Pillar 1: Budget reliability: high expenditure and revenue outturn increases the credibility of the budget. Budget composition amendments create potential for lack of short-term fiscal sustainability.

Pillar 2: Transparency of public finances: There are no inherent risks from lower government level. All subnational governments report monthly to MoF. The risks related to off-budget revenue and expenditure are monitored having the financial data of extrabudgetary units reported on a regular basis and in the annual financial statements. However, there is a significant amount of revenue and expenditure that are not captured in the annual financial report. The risk of misuse of funds and poor service delivery to the public exists due to the poor practice of publishing information and enabling public scrutiny of government policies, program and their implementation.

Pillar 3: Management of assets and liabilities: The legal framework does not contain requirements concerning monitoring and reporting of public enterprises, contingent liabilities and other fiscal risks (PI-10). There is little guarantee of value for money without well established and transparent economic analysis of investment proposals (PI-11), costing of investment and written procedures for monitoring the performance of public investments. There is a risk of poor accountability with the lack of transparency on assets disposal. (PI-12). Debt management is an area that may have a substantial impact on the government's capacity to maintain fiscal discipline (PI-13).

Pillar 4: Policy-based fiscal strategy and budgeting: There is good macroeconomic perspective in budgeting expenditure and the visibility of fiscal forecasts makes the budget less prone to various internal and external factors (PI-14). However, the limited mid-term perspective (PI-16) exposes the budget to the risk of making more in-year amendments. Well defined budget preparation process contributes to having less overall risk of having unrealistic plans in mobilizing the government resources.

Pillar 5: Predictability and control in budget execution: The revenue administration practice does not apply structured and documented risk management. This increases the risks of poor collection. The personnel database is linked to the payroll thus reducing the risk of errors and possibly of retroactive adjustment. There is segregation of duties between salary and non-salary expenditures.

Control Activities

Control activities in PFM appears to be well developed and applied with the deployment of the financial management information system SUFI providing for electronic treasury operations with various levels of control, authority and access. There is control of payment rules for all budget performance operations that enhance transparency and accountability.

Information and Communication

Generally, the PFM information such as the approved budgets, the in-year budget execution reports, and the annual budget execution report are well available to the public. There is public participation with regard to budget formulation. There is clear and comprehensive information on revenue collection and administration with regard to the right of obligation of the public (PI-19).

Monitoring

Monitoring in Committee of Sponsoring Organizations (COSO) terms means the process of assessing the quality of internal control performance over time. Performance monitoring in the PFM system is not well developed, yet (PI-11). The main tools of monitoring PFM ensure that the in-year quarterly reports and the

budget execution reports are consistently prepared. The internal control framework of the PFM system is well structured and operational through the deployment of internal audit function and well structured, functional and independent external audit function both services ensuring against key irregularities and errors.

2.C.4. Impact of PFM performance on budgetary and fiscal outcomes

Aggregate fiscal discipline

Aggregate fiscal discipline aims to align the levels of revenue and expenditures without creating significant fiscal deficits which could jeopardize fiscal sustainability and manage spending within the available fiscal space.

The reliability of expenditure and revenue at aggregate level contributes positively to aggregate fiscal discipline, however, the unreliability of expenditure and revenue at composition level has somewhat negative impact on the budget credibility. The consistently low contingency reserve is a factor of budget stability. The classification on the budget is in accordance with GFS and functional classification by COFOG, while the budget documentation shared with legislature for scrutiny enables solid overview of the fiscal position of the central government.

Almost 40% of the revenue and expenditure of the central RS government are not reported across every category. This affects the fiscal discipline by having not all resources covered in financial reports of the government. Clear rules exist for in-year budget amendments by the executive and are adhered to. The strong performance of budget credibility is, however, detrimented by low level of efficiency in collection of revenue incurring arrears of 45,9% for FY2021 and keeping high level of aged arrears.

The recording and reporting of debt is complete, updated and reconciled on a monthly basis and the existing and projected debt is monitored in a debt management strategy. However, the lack of fully functioning system for monitoring of fiscal risks may result in additional unplanned budget expenditures which poses a risk to efficient fiscal management. RS has made progress by establishing close monitoring of fiscal positions of local governments, but information about other notable contingent liabilities such as those from the public corporations remain scarce and fragmented. Budget execution reports of RS include contingent liabilities from the ongoing legal disputes. The efficiency of the public investment management framework is undermined by the lack of public investments' selection and prioritization criteria as well as the structure to monitor their implementation. The government maintains up-to-date records of its financial and non-financial assets, however transparency issues with asset disposal additionally aggravate fiscal discipline.

Macro-fiscal forecasts are prepared as part of the budget documentation but the MTEF is not aligned with the strategic plans which prevents the budget preparation process to contribute to the long-term fiscal impact of policy proposals.

Strategic allocation of resources

Allocating resources in line with strategic priorities contributes to maximizing the impact of public spending for an efficient public sector and economic growth.

The strategic allocation of resources is negatively affected by the significant level of budget reallocations at expenditure and revenue level. Frequent budget reallocations override government original policy intentions, leading to suboptimal resource allocation which affects efficient service delivery, going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original policy intent.

In-year budget reports are accurate and comprehensive thus providing reliable information about the execution of strategic allocations. The transfers framework in place is based on clear and transparent rules and allows sufficient time for the information on transfers to be incorporated in the budgets of local governments. Budget preparation process is well-structured and carried out in line with the prescribed

calendar, but frequent urgent adoptions of the Budget Law reduce time necessary for adequate scrutinization by the legislature. Although continuous efforts have been made, performance measurement practice has not yet become fully functional which prevents appropriate evaluation of achieved results under specific budgetary programs, projects and activities. Prioritization of budget allocation is deprived of this important information which ideally leads decision-making in formulating resource breakdowns. As already mentioned, this is further exacerbated by suboptimal public investment management framework.

Medium-term strategic planning is an area found to be weak, negatively impacting the strategic allocation of resources. The revenue administration and accounting functions with efficient administration and accurate recording and reporting of tax collections and daily accounting of collected revenue provide sound contribution to predictable allocation of resources.

Efficient service delivery

The manner in which the funds for service delivery are prioritized, budgeted, spent and evaluated, is a key success factor for efficiency of the public services which the government provides to citizens and society.

The continuous reallocation of approved budget at economic levels defeats the purpose of the original government policy. This means that planned service delivery activities will no longer receive the necessary funding, thereby impacting negatively on the quality of primary service delivery. However, this is compensated by a predictable resource allocation by having monthly cash flow plans updated. Having such process regularly monitored provides reliable information on the availability of funds to budget organizations for service delivery.

Public access to fiscal information and transparency of public finances is found to be good. Most of the fiscal information is prepared and made available to the public, however performance information for service delivery is not measured and thus not available to decision-makers.

Generally, the internal control of non-salary expenditures is found to be good, however with no record of transaction mistakes. The internal audit function in RS has significantly been improved. The practice covers all budget organizations, applies international standards and check system controls. The Supreme Audit Office responsible for the external audit of RS Government is found to be strong, well established and sufficiently independent to act professionally and to keep the government accountable for allocating public funds in accordance with the approved budget.

2.D. ANALYSIS OF PFM PERFORMANCE – Brčko District



Bosnia and Herzegovina

Brčko District

Public Expenditure and Financial Accountability (PEFA)

November 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat

November 30, 2023

2.D.1. Structure of the public sector

The central level of the Government of Brčko District includes entities that are included in the budget of the BD, extra-budgetary units and social security funds. In the Budget of the BD there are 23 entities which are directly included in the budget. Extrabudgetary units include PE Directorate for construction and maintenance of roads (Public Company „Roads of Brčko District“), the Development-guarantee Fund, the Institute for planning, design and development of Brčko District and the Radio-newspaper and publishing institution “Radio Brčko”. In addition, the central government includes two social security funds, the Health Insurance Fund and the Employment Fund.

Considering the administrative organization of the BD there are no lower level units of territorial autonomy and local self-government. There are two nonfinancial public corporations - JP "Komunalno Brčko" d.o.o. and JP "Luka Brčko" d.o.o.) which are part of public corporation subsector.

Table 2.D.1.1: Structure of the public sector (number of entities and financial turn-over)

Year	Public sector				
	Government subsector		Social security funds 1/	Public corporation subsector	
2021	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central 1 st tier subnational (State) Lower tier(s) of subnational	2/23	3*	2	4	n/a

1/ Depending on management control and funding arrangements, a social security fund is a public sector entity that may form part of a particular level of government or be classified as a separate sub-sector of the government sector (GFS 2014, para- graph 2.78).

2/ 'Budgetary central government comprises all central government entities included in the central government budget.

*Does not include Social security funds

Table 2.D.1.2: Financial structure of central government – actual expenditure (in BAM)

Year	Central government			
2021	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	245,288,279	55,655,000	52,485,000	278,725,000
Expenditure	214,162,076	53,691,000	50,801,000	262,671,000
Transfers to (-) and from (+) other units of general government	27,070,000	6,985,000	3,995,000	17,393.00
Liabilities	-4.840.000	0	0	-4,840,000
Financial assets	6.360.000	0	0	6,360,000
Nonfinancial assets	17.320.000	370.000	60.000	17,690,000

Data source: Harmonized Reporting Template made for the purpose of reporting to the IMF.

Note: There is no available data for extrabudgetary unit "Roads of Brčko District" in Harmonized Reporting Template

1/Consolidated total Where available this should be the consolidated total, but other aggregation method may be used (with explanation).

Table 1.D: Overview of the scores of the PEFA indicators – Brčko District

PFM performance indicator		Scoring method	PI scores				Overall score
			i.	ii.	iii.	iv.	
I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	C	D	A		D+
PI-3	Revenue outturn	M2	A	C			B
II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside financial reports	M2	D	D	C		D+
PI-7	Transfers to subnational governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	D	D	A	D	D+
PI-9	Public access to fiscal information	M1	D				D
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	NA	D		D+
PI-11	Public investment management	M2	D	D	C	D	D
PI-12	Public asset management	M2	C	C	D		D+
PI-13	Debt management	M2	A	A	B		A
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	D		D+
PI-15	Fiscal strategy	M2	C	C	D		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	D	A	D	D	D+
PI-17	Budget preparation process	M2	C	A	D		C+
PI-18	Legislative scrutiny of budgets	M2	B	A	D	A	D+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	C	A	D	B
PI-20	Accounting for revenue	M1	A	A	C		C+
PI-21	Predictability of in-year resource allocation	M2	D	A	C	C	C+
PI-22	Expenditure arrears	M1	A	C			C+
PI-23	Payroll controls	M1	B	D	C	A	D+
PI-24	Procurement management	M2	NA	NA	NA	NA	NA
PI-25	Internal controls on non-salary expenditure	M2	C	B	D		C
PI-26	Internal audit	M1	D	NA	NA	NA	D
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	D	NA	A	D	C
PI-28	In-year budget reports	M1	A	B	C		C+
PI-29	Annual financial reports	M1	B	B	D		D+
VII. External scrutiny and audit							
PI-30	External audit	M1	A	B	B	A	B+
PI-31	Legislative scrutiny of audit reports	M2	B	A	D	D	C+

2.D.2. Assessment by pillar, indicator and dimension

PILLAR ONE: Budget reliability

The pillar measures whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance: key strengths and weaknesses

COVID-19 crisis made an impact on the budget of the BD, as well as on other levels in BH. It reflects budget projections as well as actual revenues and expenses.

The deviations of both revenue and expenditure sides were moderate to high compared to the original budget with the exception of aggregate revenue.

The total expenditure was overestimated. The variance in composition by economic classification was over 20% which reflects a lower score.

Due to COVID-19 crisis, the variance in revenue composition shows moderate to high increase.

The revenue and expenditure budget is reliable at aggregate levels but is not reliable at composition levels. Tax and non-tax revenues were overestimated in all three years. The continuous budget reallocations on expenditures (PI-21.4) raise questions about budget credibility as well as the delivery of government services based on its original policy intent. Nevertheless, the actual expenditure from the contingency budget is reliable with less than 1% of the total budget (on average) for all three years of the assessed period.

PI-1. Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports.

Indicator/Dimension	Score	Brief justification of the score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	Actual expenditure outturns deviated from the originally approved budget in the range between 89,9% and 91,6%. This indicates overestimated expenditures.

1.1. Aggregate expenditure outturn

The data used for calculation of expenditure deviation originates from the comprehensive financial reports of the BCG in assessed period 2019-2021. Total expenditures outturn of the actual budget versus the approved, in the last three completed fiscal years (i.e., 2019, 2020 and 2021) was between 89.9% and 91.6%.

Table 1.1.D Total budget and actual expenditure 2019-2021

	FY2019	FY2020	FY2021
Budget	229,548,699	256,239,993	238,227,961
Actual	208,127,720	234,689,020	214,162,077
% Deviation	-9,33%	-8,41%	-10,10%

Source: Finance Directorate BD

Based on the analysis and supporting evidence, the rating for this dimension is B.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition.

Indicator/Dimension	Score	Brief justification of the score
PI-2. Expenditure composition outturn (M1)	D+	
2.1 Expenditure composition outturn by function	C	The expenditure by function was underestimated, deviation from originally approved budget to actual revenues varied up to 23.0%.
2.2 Expenditure composition outturn by economic type	D	The variance was over 20% during all three years of the assessed period.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was very low from the original budget (under 1%) for all three years of assessed period.

2.1. Expenditure composition outturn by function

The variation of expenditure composition outturn by administrative classification was 14.2% in 2019, 23.2% in 2020 and 10.6% in 2021. The source of variation differed from one year to another. Due to COVID-19 pandemic in the year 2020 when the variance was the largest, the primary source was general economic, commercial and labor affairs under the functional group 04 – Economic affairs. That budget item was underestimated from the originally approved budget to the actual budget, approximately BAM 12.9million.

Based on the analysis and supporting evidence, the rating for this dimension is C.

2.2. Expenditure composition outturn by economic type

The variance in expenditure composition by economic classification was 20.8% in 2019, 27.8% in 2020 and 26.7% in 2021. The source of variation was mostly in subsidies and grants for all three years of the assessed period. In 2020, when the variance was the largest, the primary source was the capital transfers and grants. It is caused by reallocation from one category to another and the differences between amending budget and originally approved budget.

Based on the analysis and supporting evidence, the rating for this dimension is D.

2.3. Expenditure from contingency reserves

The Budget System Law defines elements and ways of use of contingency reserves. The contingency reserve is spent upon decision of the Mayor of BD with approval from the Assembly of BD. Exceptionally from this, in emergencies adversities resulting from natural disasters or other extraordinary situations, the decision on spending resides upon the decision of with the Directorate of Finance with the approval of Government of BD.

The Budget System Law specifies that the contingency reserves are limited to 5 percent of total revenues for the year and can be used for urgent and unpredictable purposes. Also, it can be used to fund adversities resulting from natural disasters or other extraordinary situations.

Due to COVID-19, to manage unforeseen events in the year 2020, expenditure from contingency reserves amounted to 5,44 mil BAM. Funds for covering expenses caused by the COVID-19 pandemic were mostly used to cover the costs of materials and equipment procurement, and to a lesser extent as aid to the Red Cross of BD. The aggregate amount of funds spent within the contingency reserve in the budgetary central government in 2019, 2020 and 2021 was at the levels of 0, 2.1 and 0.7 percent, respectively, while the average in the last three completed fiscal years was 0.9 percent. Based on the analysis and supporting evidence, the rating for this dimension is A.

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn.

Indicator/Dimension	Score	Brief justification of the score
PI-3. Revenue outturn (M2)	B	
3.1 Aggregate revenue outturn	A	The aggregate revenue was close from original approved budget to the actual budget in 2019 and 2021, but in the year 2020 was overestimated. COVID-19 crisis had an impact.
3.2 Revenue composition outturn	C	The variance in revenue composition shows moderate to high increase.

The revenue of BD budget consists of tax revenues (taxes on profits, indirect taxes, other tax obligations), non-tax revenues (a wide range of administrative, court taxes, special taxes and fees, penalties and other revenue defined by the district special legal regulations) and capital receipts. The impact of Covid-19 crises reflected on revenue forecasting, especially in the year 2020. Overall variance showed a significant decrease from the originally approved budget in that year.

3.1. Aggregate revenue outturn

Total actual revenue outturn deviated from the revenue plan in the originally approved budget. by 100.9% in 2019, 84.1% in 2020 and 103.0% in 2021. Due to Covid-19 pandemic, taxes were overestimated in the year 2020. which causes the variation.

Table 3.1.D: Total aggregate revenue outturn 2019-2021

	2019	2020	2021
BCG revenue outturn	100.9%	84.1%	103.0%

Source: Finance Directorate BD

Based on the analysis and supporting evidence, the rating for this dimension is A.

3.2. Revenue composition outturn

The variance in revenue composition was 14.6% in 2019, 16.6% in 2020 and 4.8% in 2021. The list of sources of variance remains the same as in the previous dimension. Namely, estimates of taxes of goods and services (mostly VAT tax) together with grants contributed the most to the overall misalignment of actual values with those set by the budget for all three years of assessed period.

Table 3.2.D: Revenue composition variance 2019-2021

	2019	2020	2021
BCG revenue composition variance	14.6%	16.0%	4.8%

Source: Finance Directorate BD

Based on the analysis and supporting evidence, the rating for this dimension is C

PILLAR TWO: Transparency of public finances

Pillar II measures whether information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Overall performance: key strengths and weaknesses

Administrative, economic and functional classifications are defined by the Budget Law, but they are not compliant with the international standards. On the positive side, a number of financial reports that are bridged to the GFS2014 for purposes of the IMF reporting. Functional classification is based on 10 main functions by COFOG classification. Program classification is still not applicable in BD.

Budget documentation is limited concerning additional elements, but it satisfies the main elements required by the PEFA Framework.

Even if the Finance Directorate of BD BiH was in regular possession of up-to-date information on funds received by all budget users, the Budget of BD is still not prepared and adopted in program format. The obligation to prepare the budget in program format is prescribed by Budget law (Articles 27, Article 28 and Article 29, amendments from December 2019), which is the first step in the preparing budget on a program basis. The program budgeting need starting and further development to fully achieve its objectives, in order to increase the quality of performance information on service delivery and on the performance of the budget in general.

One area of weak performance is the expenditures and revenues outside financial reports (PI-6), with not detailed reporting on six EBUsin BD which constitute 32,71% of government budget expenditure. Main weaknesses identified in the transparency of public finances are related with performance information for service delivery, where information is not published annually on the activities to be performed under the policies or programs of the government or a framework of performance indicators relating to the outputs or outcomes is not in place. A strong point to note that information on resources received by frontline service delivery units is collected and recorded for at least budgetary institutions. (PI-8).

The public enjoys good access to fiscal information (PI-9). The Government of BD makes available to the public the key set of budget documentation, the budget plan, the enacted budget, the in-year budget reporting and audited budget as well as a citizen budget presenting the public funds in commonly language.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards.

Indicator/Dimension	Score	Brief justification of the score
PI-4. Budget classification	B	
4.1. Budget classification	B	Economic and functional classification is in accordance with GFS/COGOF standards whilst administrative/organizational classification is not.

Administrative/organizational, economic and functional classifications are defined by Budget Law. The Rulebook on Accounting and Financial Reporting established form and the rules of budget execution reporting and other financial reports.

4.1. Budget classification

In the Budget Proposal for the year 2022, functional and sub-functional classifications breakdown is provided at budget and out-turn side following the 10 main COFOG functions (page 123-124).

Economic classification provided in Budget Execution Report FY 2021 (page 63-69) presents the budget formulation, execution and reporting side in accordance with the GFS methodology (GFS standard 4 digits). Administrative/organizational classifications is still presented by domestic budget classification. The Finance Directorate of BD for the purposes of the IMF reporting produce Harmonized Reporting Template in accordance with the GFS methodology. Through a Treasury system all transactions are recorded and provides consistent reporting.

Based on the assessment performed and supporting evidence, the score for this dimension is B

PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements.

Indicator/Dimension	Score	Brief justification of the score
PI-5. Budget documentation	B	
5.1. Budget documentation	B	The budget documentation requirements meet each of the basic elements, and only 3 of 8 additional elements.

5.1. Budget documentation

The elements included in budget documentation of BD for FY 2022 are as follows in the table below.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	The forecast of the fiscal deficit is provided in the MTEF BD 2022-2024. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	The annual financial report for the previous year was prepared in the same format as the Budget proposal. It was submitted to the Parliament in March 2022 together with Budget proposal, in the budget documentation. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	The budget report contains the current year's budget in the form which corresponds to the budget proposal. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Y	The narrative part of Budget proposal contains the expenditure and revenues data aggregated to the main heads and estimates. Also, detailed estimates are covered in MTEF BD 2022-2024. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet

Additional elements		
5. Deficit financing, describing its anticipated composition	N	Definition of deficit and his financing is described in Budget Law, but there is no information describing its anticipated composition
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	The macroeconomic assumptions and estimates of GDP growth and inflation are described in the Budget Document for 2022 which is adopted by the Government and submitted to the legislature in March 2021.They are also discussed thoroughly in the MTEF 2022-2024. Information about interest rates and exchange rates has been made on BH level. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	Y	MTEF BD 2022-2024 includes a detailed breakdown of outstanding debt. Also, through financial reporting for the purposes to the IMF, it is presented in accordance with GFS2014. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	N	There is no information about financial assets in the budget documentation.
9. Summary information of fiscal risks	N	No summary information in the budget documentation.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or changes to expenditure programs	N	No information in the budget documentation.
11. Documentation on the medium-term fiscal forecasts	Y	Detailed documentation based on which the medium-term fiscal forecast is developed are part of the MTEF 2022-2024. http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
12.Quantification of tax expenditures	N	No information of quantification of tax expenditures in budget documentation.

The requirements are met for 4 basic elements out of 4 and 3 additional elements out of 8. Based on the assessment performed and supporting evidence, the score for this dimension is B.

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports.

Indicator/Dimension	Score	Brief justification of the score
PI-6. Central government operations outside financial reports (M2)	D+	
6.1.Expenditure outside financial reports	D	Expenditure outside government financial report is 23.6% of total BCG expenditure.
6.2.Revenue outside financial reports	D	Revenue outside government financial report is 28.1% of total BCG revenue. The revenue of EBUs is mostly transfers from central government and social security contributions. Although, there are some revenues from sales of goods and services and other non-tax revenues for public company for roads.
6.3.Financial reports of extrabudgetary units	C	Financial reports of all extrabudgetary units are submitted to the government in a timely manner, but not all financial reports are as detailed as required.

Extrabudgetary units in BD are: (i) Health Insurance Fund, (ii) Employment Fund, (iii) Development-guarantee Fund, (iv) the Institute for Planning, Design and Development of BD, and (v) Radio-newspaper and publishing institution "Radio Brčko" and public company "Roads of BD"(vi)

6.1. Expenditure outside financial reports

This dimension assesses expenditure incurred by budgetary and extrabudgetary units (including social security funds) which are excluded from the government's financial reports.

Out-turn statements of EBUs are delivered in timely manner and published in the Budget Execution Report. For the purposes to IMF reporting in Harmonized Table EBUs are consolidated in the budget report.

The Treasury Single Account of BD is defined by Treasury Law of BD). All budget users are obliged to record accounting and financial statements through Treasury Single Account.

Extrabudgetary units do not have access to Treasury Single Account, but they are obliged to use budget accounting under the Budget Law, in accordance with the Law on Accounting and Auditing.

Budget Law of BD prescribes that social security funds and other EBUs submit budget proposals to the Government of BD by July 20, to be approved by the Assembly of BD in accordance with Article 46. The financial plans approved by the Assembly of BD are submitted by EBUs to the Directorate of Finance of BD for the purpose of consolidation, no later than December 15. Although they are not part of the Treasury Single Account, the financial plans of the extrabudgetary units are considered and approved by the Assembly of BD, as defined in the Budget Law. There is no recorded data about externally financed project expenditure.

The total expenditure of the extrabudgetary units was 70.06 million BAM for the year 2021. Based on the analysis and supporting evidence, the rating for this dimension is D.

6.2. Revenue outside financial reports

Revenues of EBUs consist of social security contributions (for funds) and grants, more specifically transfers from other general government units. In addition, there is an insignificant amount of other (non-taxes) revenues.

The total revenues of the EBUs were 74.01 million BAM for the year 2021. Based on the analysis and supporting evidence, the rating for this dimension is D.

6.3. Financial reports of extrabudgetary units

This dimension assesses the extent to which ex-post financial reports of extrabudgetary units are provided to the central government and are sufficiently detailed and timely to yield a full picture of government financial operations when combined with the financial reports for budgetary central government.

Financial reports submission procedure of extrabudgetary units is defined by the Budget Law and the Law on Accounting and Auditing, which requires submission of annual financial reports to the Government of BD no later than 60 days (about 2 months) after the end of the reporting year. Comprehensive financial statements of all extrabudgetary units are submitted in a timely manner (up to 20 days after each quarter and 60 days after the end of reporting year) and presented in Budget Execution Reports. Some of them do not provide very detailed report as shown in table 6.2.C.

However, detailed and comprehensive financial reports are submitted only by the Health Insurance Fund and the Employment Fund which add up to 74.5% of the aggregate expenditure of extrabudgetary units.

Based on the analysis and supporting evidence, the rating for this dimension is C.

Table 6.2.C: Financial reports of extrabudgetary units

Name of extra-budgetary unit	Date of annual financial report completed	Date of annual financial report received by CG	Content of annual financial report (Y/N):			Expenditure as a percentage of total extra-budgetary unit expenditure (estimated)
			Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Health Insurance Fund	21-Feb-22	25-Feb-22	Y	y	y	65.67%
Development-guarantee Fund	14-Feb-22	15-Feb-22	Y	Y	N	2.23%
The Institute for planning, design and development of Brčko District	31-Jan-22	3-Mar-22	Y	Y	N	1,73%
Employment Fund	24-Feb-22	25-Feb-22	Y	Y	Y	6,85%
Public Company Roads of Brčko District	25-Feb-2225	2-Mar-22	Y	N	N	23.35%
Radio-newspaper and publishing institution "Radio Brčko"	24-Feb-22	28-Feb-22	Y	N	N	0.17%

Source: Finance Directorate BD

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning.

Indicator/Dimension	Score	Brief justification of the score
PI-7. Transfers to subnational governments (M2)	NA	
7.1. System for allocating transfers	NA	
7.2. Timeliness of information on transfers	NA	

Considering the administrative organization of the BD with no lower level units of territorial autonomy and local self-government, PI-7 is not applicable.

7.1. System for allocating transfers

N/A

7.2. Timeliness of information on transfers

N/A

PI-8. Performance information for service delivery

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded.

Indicator/Dimension	Score	Brief justification of the score
PI-8. Performance information for service delivery (M2)	D+	
8.1 Performance plans for service delivery	D	The BD Budget is still not prepared and adopted in program format and there are no other published information on measurable performance indicators of outputs and outcomes for service delivery
8.2 Performance achieved for service delivery	D	Individual budget users do not prepare and publish information on measurable performance indicators of outputs and outcomes for service delivery.
8.3 Resources received by service delivery units	A	The FDBD was in regular possession of up-to-date information on funds received by all budget users in the last three completed fiscal years. At least two large departments have information on all resources received by its service delivery units.
8.4 Performance evaluation for service delivery	D	Even if Office for the Audit of Public Administration and Institutions in the BD of BiH conducts performance audits, completed performance audit reports indicates that they are focused on specific functions or policies rather than institutions as such.

Dimensions in this indicator are closely tied to the level of implementation of the program budgeting. Budget of BD is still not prepared and adopted in program format. The obligation to prepare the budget in program format is prescribed by Budget law (Article 26, Article 27, Article 28 amendments from December 2019), which is the first step in the preparing budget on a program basis. The program budgeting need starting and further development to fully achieve its objectives, in order to increase the quality of performance information on service delivery and on the performance of the budget in general.

The PFM reform related to this topic is to introduce program budget format through implementation of the following activities: (i) Define a new program structure (program classification) and define a new budget format that reflects the program approach; (ii) Establish and implement a training program for budget users in defining the program budget. The timeline defined for the reform is last quarter of 2022.

8.1. Performance plans for service delivery

The LBBDD established the legal framework for the preparation BD Budget in program format, however, BD Budget is still not prepared and adopted in program format, but as line-item budgeting, according to organizational, economic and functional classification. In addition, monitoring and reporting on budget execution is not done in program format. Based on information provided by FDBD, individual budget users do not prepare and publish information on measurable performance indicators of outputs and outcomes for service delivery. Therefore, regarding the 2022 Budget there are no published information on planned activities and/or objectives and indicators that should be achieved through government policies/programs at government level or line ministry level. Also, the current IT system used by the Finance Directorate of BD BiH (FDBD) does not support the creation of a budget in program²¹⁰

The Public Finance Management Strategy for BD 2021-2025 plans to improve the budget drafting process by channeling funds toward performance and results in a medium-term budget framework and annual budget. The Strategy plans to make available BD BiH Budget in program format by the end of 2024 and that the budget users are trained in program budgeting. Based on the analysis and supporting evidence, the rating for this dimension is D.

8.2. Performance achieved for service delivery

Since the BD Budget is not prepared in program format, budget users are not publishing information on provided services and achieved outcomes. Even though there are regular quarter, semi-annual and annual reports on budget execution, those reports do not include performance indicators for providing services and/or objectives, since they are not defined before the budget is formed. Based on information provided by FDBD, individual budget users do not prepare and publish information on measurable performance indicators of outputs and outcomes for service delivery. Based on the analysis and supporting evidence, the rating for this dimension is D.

8.3. Resources received by service delivery units

The FDBD was in regular possession of up-to-date information on funds received by all budget users through in the last three completed fiscal years. The aforementioned information is available to the FDBD at least on a quarterly basis, given that the execution of the budget is reported regularly: quarterly, semi-annually and annually. Although the Brčko Government is not organized into line ministries, respecting the existing administrative organization of the BD, the two largest budget users are the Department of Health and other services and the Department of Education.

At least two large budget users – Department of Education and Department of Health and other services, have information on all resources received by its service delivery units. Information on resources received for these two departments are prepared at least annually. Based on the analysis and supporting evidence, the rating for this dimension is A.

8.4. Performance evaluation for service delivery

Performance level and evidence for scoring:

Office for the Audit of Public Administration and Institutions in the BD of BiH is the only institution which conducts performance audits. There is only one employee who is engaged in a performance audit and there is no established methodology for performance audit.

Performance audits conducted in the last three completed fiscal years are provided below:

210 Unlike in other government levels, budget preparation information system (BPMIS) was never functional in BD BiH.

- Management of work contracts, contracts on temporary and casual jobs and contracts on special jobs in the Government of BD BiH 2016-2018 (2019);
- Management of District Strategies (2020);
- Activities of the Government and institutions of the BD BiH in the process of passing by-laws on internal organization (2021).

Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such and they do not cover all or a material part of service delivery. The number and institutional coverage of performance audits is less than required for a C score.

Based on the analysis and supporting evidence, the rating for this dimension is D.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical.

Indicator/Dimension	Score	Brief justification of the score
PI-9. Public access to fiscal information	D	
9.1. Public access to fiscal information	D	The Government makes available to the public four elements: three basic and one additional.

The Law on the Budget of the BD of BiH requires that all budget related documentation is published on the website of the Government or the National Assembly. There are new documents prepared with regard to the government budget. Such is the Citizen Budget which is required to be prepared and published in the new Law on Budget adopted in 2019. Both the planned and the finally adopted versions of the Citizen Budget are published on the website of the Government of BD. Under the PFM Reform Strategy, plans are in place to progressively include more information on fiscal risks in budget documentation.

9.1. Public access to fiscal information

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	Y	After submitting the budget proposal to the Assembly of the BD of BiH, the Assembly makes the Budget Proposal available to the public and organizes at least one public debate on the Budget Proposal (in line with Article 66 of the Law on the Budget). The deadline for publication of 2021 budget proposal documentation was met. For the purposes of the aforementioned public hearings, a book of extracts from the Budget Proposal is printed. The decision on the number of public hearings and the number of books of excerpts from the Proposal to be printed is made by the Assembly.
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Y	In accordance with the Law on the Budget of the BD of Bosnia and Herzegovina, after its adoption by the Government of the BD of Bosnia and Herzegovina and in accordance with Article 108 of the Law, the Draft Budget is published on the Government's website for public access.
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	N	The quarterly reports are not published. They are submitted to the Mayor and to the Assembly only.

<p>4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.</p>	<p>N</p>	
<p>5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.</p>	<p>Y</p>	<p>The annual audited financial report is published on the website of the Assembly of BD. It cannot be traced when the report was posted online. https://www.skupstinabd.ba/images/dokumenti/2020-izvjestaj_o_reviziji_finansijskog_poslovanja-Skupstina-sr.pdf</p>
<p>Additional elements</p>		
<p>6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.</p>	<p>N</p>	<p>Not available.</p>
<p>7. Other external audit reports. All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.</p>	<p>N</p>	<p>The website of the external auditor does not work http://www.revizija-bd.ba/index.php/izvjestaji-bs</p>
<p>8. Summary of the budget proposal. A "citizen's budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.</p>	<p>Y</p>	<p>Public access to budget information is also enabled by the provisions of Articles 47 and 48 of the Law on the Budget of the BD of Bosnia and Herzegovina, which prescribe the preparation and publication of the budget review, i.e. the budget for citizens (activities related to the preparation of the budget for citizens are carried out by the Government Secretariat - Information Sector).</p>
<p>9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.</p>	<p>N</p>	<p>See PI-14 for detail. The Macroeconomic forecasts are published by the National Assembly but the timing (if more relevant than the fact of publication), if a week or more within endorsement, is not known and cannot be traced.</p>

All documents of the budget process that are prepared by the Government of BD and adopted by the Assembly are available to the public, both on the website of the FD, and on the website of the Government of BD and the Assembly of BD. The documents cannot be traced with the data of publication on the website. The documents that were not found to be published are those in items 3.4, 6, 7 and 9. Therefore, the score is D.

PILLAR THREE: Management of assets and liabilities

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Overall performance: key strengths and weaknesses

The assessment shows that fiscal risks are not well managed (PI-10). The financial reports of the public corporations are not part of the annual financial report of BD, they are not published but they are subject to an annual audit. The contingent liabilities of government are not reported. Even if they are not expected to have a huge impact on the overall fiscal discipline, such risks may have potential impact on the government and should be closely monitored and reported.

The key weakness of the public investment management process (PI-11) is the absence of approved economic selection criteria for capital investment projects. Similarly, not all documentation relevant to the selection and monitoring of investment projects is published. The related impact is low transparency to the decision-making process in selection of how public funds are invested.

The assessment shows that the management of assets is not very effective (PI-12). There is not a full record of financial assets that are disclosed at fair value in the annual financial report. The records of non-financial assets cover a good detail of categories but partial information on usage and age. In addition, the budget documentation does not cover information on transfers and disposal of assets, even if the procedures and rules for transfer and disposal of assets are well established. The lack of transparency in general may expose to risk the efficient and effective use of the resources owned and controlled by the government.

A strong point to note is the debt management function supported by monitoring and detailed recording and reporting of debt and guarantees and a publicly available debt management strategy.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters.

Indicator/Dimension	Score	Brief justification of the score
PI-10. Fiscal risk reporting (M2)	D+	
10.1. Monitoring of public corporations	C	The public corporation of BD submit their financial statements to the SAI and the Assembly. All annual financial statements are audited within seven months of the end of the fiscal year but they are not captured in the annual budget report of the Government of BD nor were they found published for FY 2021.
10.2. Monitoring of subnational governments	NA	There are no lower level governments in BD.
10.3. Contingent liabilities and other fiscal risks	D	The contingent liabilities are not included in the annual budget execution report of the Government.

The Law on Public Enterprises of the BD of BiH (Article 38) stipulates that a public enterprise submits a report to the Assembly of the BD of BiH and the Government of the BD of BiH on the financial operations of a public company, at least twice a year. The Law on Public Enterprise "Port of Brčko" BD of Bosnia and Herzegovina (Article 15, item 16) that the management board submits a report on the financial operations to the founder at least twice a year.

The current PFM Strategy of BD envisages to establish by FY 2025 a register of the public corporations in BD.

10.1. Monitoring of public corporations

The legal framework governing the public corporations stipulates their responsibility to report to the Assembly. The Economic Development Department within the Government of BD is entrusted with the task to establish a legal regulation on the performance of the public enterprises in BD. The corporate governance of publicly owned enterprises is usually carried out in accordance with internationally recognized principles of corporate governance establishing the reporting and accountability arrangements to facilitate appropriate monitoring of their activities.

The Finance Directorate of BD controls the provision of guarantees to PEs' borrowing. The PEs are required to report their annual business plans and financial results to the Assembly of BD. There is no mechanism in place to put together an overall view of the fiscal risks they might present to the government.

The public corporations are not covered in the budget execution report of the Government of BD. The table below shows the public corporations in BD and their financial data as provided by the external audit. All public corporations provide their financial statement and they are audited by the SAI of BD. All financial statements envisage disclosure of short-term and long-term liabilities but there is no specific disaggregation to contingent liabilities.

Table 10.1.D: Financial reports of public corporations

Public corporations	Date of audited financial statements	Total expenditure	As a % of total expenditure of public corporations	Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)
Utilities JP "Komunalno Brčko" d.o.o.	8 June 2022	46,106,675	96%	N
Port of Brčko (JP "Luka Brčko" d.o.o.)	22 July 2022	1,863,812	4%	N
Total		47,970,487		

It was not reported if the audited financial statements of the public corporation of BD are published. Therefore, the score for this dimension is C.

10.2. Monitoring of subnational governments

There are no lower-level governments in BD. Therefore, this dimension is not applicable.

10.3. Contingent liabilities and other fiscal risks

Information on the contingent liabilities, related to lawsuits proceedings, are not included in the annual budget execution report of the Government of BD. Only the liabilities from lawsuits are planned. The score for this dimension reflects an absence of any consolidated overview of the fiscal risks of the Government. Therefore, the score is D.

PI-11. Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects.

Indicator/Dimension	Score	Brief justification of the score
PI-11. Public investment management (M2)	D	
11.1. Economic analysis of investment projects	D	There are no guidelines for the economic analysis. Feasibility studies for major projects are not made publicly available.
11.2. Investment project selection	D	Project selection is not done by criteria which is transparent and embedded in legislature. Centralized review is not performed.
11.3. Investment project costing	C	Project costing includes submission of total cost and expenditure to be incurred in the forthcoming period.
11.4. Investment project monitoring	D	Implementation monitoring is not centralized. It is done at the level of the implementing unit and information is not made public.

Only one project satisfies the criteria for a large project in the last completed fiscal year (2021).²¹¹ It is shown in the table below.

Table 11.1.D: List of major investment projects

#	Project description	Ministry in charge	Project cost
1	Construction of the city stadium in Brčko	Government of Brčko District	KM 50,000,000

PIM framework in BD was introduced only recently by modifications of the Budget Law in December of 2019 while detailed guidelines were provided in the Rulebook on the criteria and process of preparation, approval and implementation monitoring of the Public Investment Program (PIP), introduced in October 2020. The relevant articles of the law prescribe a framework which entails reference to all phases of the cycle in the manner which is similar to that at other levels of government in BiH. The entire process is centered around adoption of PIP while prioritization and selection is to be performed by the GoBD appointed Evaluation Committee. The set of responsibilities of the Evaluation Committee is broadened to include monitoring of projects implementation. Unlike at other levels of government, BD's legal framework envisages project rationalization mechanisms for those investments which have slow or no implementation over a specified number of years.

Although legal framework is in place, Directorate for Finance of Brčko District has not yet institutionalized the PIM function within its organization. There is a plan to enlarge the department in charge of Treasury Single Account (TSA) and public debt to incorporate this function. Also, the information system supporting PIM at other levels (PIMIS) has been installed in Brčko but is not in use since there is no department officially in charge for it yet.

BD is schedule to benefit from the technical assistance from the EU financed project "Managing public investments for results: Public investment planning and management system – PIPMS". However, absorption of the support is hindered by absence of a counterpart in charge of PIM within the Directorate of Finance of the District.

11.1. Economic analysis of investment projects

Brčko District has not established guidelines for carrying out economic analysis of public investment projects. Also, there is no evidence that an economic analysis was performed for the major project presented in the above table. Based on the analysis and supporting evidence, the score for the present dimension is D.

²¹¹ i.e., The total cost of the project amounts to 1 percent or more of total annual budget expenditure; and The project is among the largest 10 projects (by investment cost) for each of the five largest central government units, measured by the units' investment project expenditure.

11.2. Investment project selection

Investment project selection is performed as part of regular budgetary procedure by the Government through the FD. There are no published criteria for project selection while centralized review of investment proposals is not in place. Based on the analysis and supporting evidence, the score for the present dimension is D.

11.3. Investment project costing

Brčko District runs a capital budget which covers a three-year period. The budget is updated annually for new projects and changes in budgetary appropriations of the already approved projects. Submission to the legislature as part of budget process does not include recurrent costs, but does include total project cost and expenditure for the forthcoming three-year period. This applies to all capital investment projects. Based on the analysis and supporting evidence, the score for the present dimension is C.

11.4. Investment project monitoring

Capital investment monitoring is not centralized. FD collects neither financial information nor information on physical progress from the implementing units. The projects are monitored by the units in charge of a particular investment. However, the information is not presented to the public. Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal.

Indicator/Dimension	Score	Brief justification of the score
PI-12. Public asset management (M2)	D+	
12.1. Financial asset monitoring	C	The government maintains a record of its holdings in all categories of financial assets, which are recognized at acquisition cost. Information on the financial assets is published annually in the budget execution report but their performance (interest, dividends, loss) is not captured.
12.2. Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects information on their usage..
12.3. Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are established and clear, however information on transfers and disposals is not included in budget documents, financial reports, or other reports.

The Law on Public Property in the BD of Bosnia and Herzegovina (2021) is a new law providing for management of the public assets in the BD, the organization and responsibilities of the Office for the Management of Public Assets and the management of public property in the district and supervision over the implementation of the Law. The new Law would address the procedures and rules of asset disposal.

12.1. Financial asset monitoring

The Government maintains a record of all categories of financial assets, which are recognized at acquisition cost. Information on the value of the portfolio of financial assets is published annually on the website of the FD. FD is responsible for maintaining records of all financial assets, including short-term financial assets, such as cash and bank deposits. Other categories of financial assets disclosed in the budget execution reports are (a) receipts from privatization of companies; (ii) domestic lending; (iii) proceeds from bank privatization; (iv) domestic and foreign borrowings; (v) shares in private companies and joint investment. The financial reports of the extrabudgetary units being part of the annual consolidated budget

execution report, however, do not show details on financial assets. Based on the analysis and supporting evidence, the score for the present dimension is C.

12.2. Nonfinancial asset monitoring

The non-financial assets of BD defined in the Law on Public Property are: (i) land; (ii) buildings; (iii) facilities such as power plant, industrial, railway, traffic, etc. (iv) underground constructions such as garages, reservoirs, passages, etc.; (v) plant and animal life. The non-financial assets are registered and a publicly available record is maintained by the Office for Public Property Management. It reports to the Mayor of BD.

Table 12.1.D: Categories of non-financial assets

Categories	Subcategories	Captured within	Comments
Fixed assets	Buildings and structures	Annual Financial Statement	Published annually
	Machinery and equipment		
	Other fixed assets		
Inventories	-		
Valuables	-		
Non-tradable assets	Land	Land Register	Maintained by the Office for the Management of Public Property, available on website, updated and published annually
	Mineral and energy resources		
	Other naturally occurring assets	Land Register	
	Intangible non-tradable assets	Land Register	

Note: The categories in the table are based on the GFS Manual 2014.

The data of non-financial assets are available on the website of the Government of the BD of BiH (real estate register: <http://kuji.bdbih.gov.ba/Content/Read/registri-kancelarije-za-upravljanje-javnim-imovinom>). The Law on Public Property, the Rulebook on the disposal of property through public bidding, as well as the register of public property can be found on the website of the Office for the Management of Public Property. The website shows an electronic database of a (i) register of goods in general use and (ii) the real estate registry with data on real estate owned by the District. It covers buildings and structures, as well as land, forests, parks and communal spaces. The register shows the usage and value of the assets but not the depreciation and age. Hence, the score for the present dimension is C.

12.3. Transparency of asset disposal

The Law on Public Property of Brčko District in Bosnia and Herzegovina, adopted in 2021 prescribes the organization and competences of the Office for the Management of Public Property in BD. Under the Law (Article 9), the Mayor is obliged to make a plan for the disposal of public property for each calendar year, no later than January 31. The plan establishes the public property in the BD that can be disposed of during one calendar year, the type and method of disposal. Article 13 stipulates the manner and rules of public auction of disposal.

The Rulebook on disposition, determines the conditions, method, procedure for disposing of public property through public bidding, the amount of the deposit for participation in the public bidding, the initial monthly price of real estate lease, special conditions of disposition as well as the initial monthly price for leasing property of the BD of Bosnia and Herzegovina through a public tender with associations and foundations registered in the BD.

The regulations on the procedures and rules governing the transfer or disposal of financial and non-financial assets are also available on the website of the Government of the BD of BiH. However, the Government of BD do not publish information on transfers and disposals of assets in financial reports,

or any other reports. The Budget Execution Report contains an Annex 8 referred to as ‘other financial data’ capturing other fixed assets with year-end balance (Prilog 8: Ostali finansijski podaci – ostala dugotrajna imovina sa stanjem na kraju godine)

Based on the analysis and supporting evidence, the score for this dimension is D.

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements.

Indicator/Dimension	Score	Brief justification of the score
PI-13. Debt management (M2)	A	
13.1. Recording and reporting of debt and guarantees Economic analysis of investment projects	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly.
13.2. Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to the BD FD. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the BD FD. Annual borrowing must be approved by the government and the Assembly.
13.3. Debt management strategy	B	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. The annual debt reporting is part of the budget execution report and is provided to the Assembly.

The function of debt management within the Government of BD is performed by the Finance Directorate. The legal framework regulating the debt management function, including guarantees, is provided by the legislative acts of the State of BiH and complemented by the following laws of BD:

- Law on Internal Debt of BD of Bosnia and Herzegovina;
- Law on settlement of obligations based on old foreign currency savings accounts by issuing bonds in the BD of BiH.2

The strategic goal of the Government's debt management in the period 2021-2024 is the provision of such sources of financing that are exclusively designed to finance investment projects of key importance to boost the economic growth and development of BD at acceptable level of financing costs and risks. In order to improve the public debt management system in the next mid-term period, there is a need to reform the legislative and institutional framework for managing public debt and to strengthen the capacity of human resources to manage public debt. To this purpose, there is an ongoing reform that will produce a new legislation on debt servicing. It will enable the Government of BD to prepare their own debt management strategy as a proposal to the State level.

13.1. Recording and reporting of debt and guarantees

The BD FD monitors and reports regularly on the main features of the debt portfolio. The debt records are reconciled and updated on a monthly basis. Debt reports which include detailed information on domestic debt, foreign debt, and guarantees are produced.

All debt related tranches and operations are recorded in the Treasury system. All foreign currency debt servicing is monitored and handled by the State Ministry of Finance and Treasury. The internal debt is serviced by the Finance Department of BD. Based on the analysis and supporting evidence, the score for the present dimension is A.

13.2. Approval of debt and guarantees

The public debt legal framework stipulates the terms to borrow, issue new debt, and issue loan guarantees on behalf of the Government of BD. Borrowing (loans and guaranteed) must be approved by the government and the Assembly. A debt program has to be sent to the government annually for approval, and to the Assembly for information. Information on annual debt is covered in the annual budget execution report. The single entity responsible for debt management is the Financial Directorate of BD.

Currently there is no legal framework for debt securities and bonds. There is an ongoing reform that will tackle this issue.

Based on the analysis and supporting evidence, the score for the present dimension is A.

13.3. Debt management strategy

The Government of BD has a medium-term debt management strategy covering 2021-2024 that is updated annually, covering current and projected public debt. The Debt Management Strategy is prepared and adopted by the State level. As such it is part of the strategy at the state level but there is no legal obligation, so far, to prepare an annual report on debt management. This strategy is published every year. The strategy includes the state debt portfolio, macroeconomic risks, risk of currency exchange, interest rate risks, refinancing risks, operational risk, and risk of contingent liabilities. Debt Management Strategy of the BD is published on the website of the Ministry of Finance and Treasury of BiH.

The Medium-term debt management strategy of BD outlines the related cost and risk analysis, while considering the macroeconomic and market circumstances and limitations. The Strategy also acknowledges that the borrowing conditions of domestic commercial banks are still unfavorable and for that there is no legal framework that enables the issuance of long-term treasury bonds. It recognizes the need to reform the legislative and institutional framework for debt management.

There is no annual reporting against debt management objectives that is reported to the Assembly. In any event, the debt reporting on quarterly and annual basis is covered in the budget execution reporting. Therefore, the score for the present dimension is B.

PILLAR FOUR: Policy-based fiscal strategy and budgeting

The pillar measure whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Overall performance: key strengths and weaknesses

Macroeconomic forecasts for the budget year and three following years are prepared annually and updated once a year. Forecasts of key macroeconomic indicators are presented in the MTEF, but they are not a part of annual budget documentation. MTEF includes fiscal forecasts for the three years, including revenue, expenditure and fiscal balance, and discusses the changes from the previous year's projections. The Assembly of Brčko District does not adopt macroeconomic and fiscal projections and they are not reviewed by an entity other than Finance Directorate. The MTEF does not include alternative fiscal forecasts, based on changed macroeconomic conditions and forecasts. Fiscal impact of revenue and major expenditure policy proposals is elaborated in the MTEF.

The MTEF is prepared annually and covers a three-year period on a rolling basis. The MTEF includes time-bound and quantified fiscal goals and targets, with qualitative objectives and narrative without figures for the period. MTEF is not adopted by the Assembly, but only sent by the Government to inform the Assembly. However, reporting on the progress of implementation of the MTEF and deviations from its objectives and targets does not exist. The legislation does not prescribe that the MTEF includes drafting of the analysis of the disparities from the defined goals and the adopted MTEF does not include reasons for disparities from the indicative goals.

Medium-term expenditure estimates and ceilings are prepared for the budget year and three following years and included in the MTEF and the ceilings are subject to the government's approval. The MTEF defines medium-term expenditure framework with the addition of expenditure assessment for the next and following three fiscal years, but only sorted by economic classification, while an overview by administrative and functional classification is available only for the budget year. On the downside, subsequent medium-terms estimates do not explain deviations from previous year's expenditure estimates. In addition, strategies are not operationalized through the budget, and there is no linkage of sector and institutional strategies with annual and medium-term expenditure proposals.

There is a clear budget calendar prescribed by the Law on Budget, that is respected, but there are deviations during its realization. Budget proposals were submitted to the parliament relatively late, i.e., less than one month before the start of the fiscal year. The annual budget laws were adopted by the parliament after the start of the respective budget year to which it applies, and the legislative scrutiny was adequate in terms of the scope and legislative procedures, rules for budget adjustments, and timeliness.

The FDBD prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are not included in budget documentation and are not adopted by legislature (PI-14).

The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative and qualitative fiscal objectives for at least the budget year and the following two fiscal years but it is not published.

The annual budget presents an estimate of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification. At present, Medium-term strategic plans are developed in ministries and departments of the Republican Budget only, not at the level of subnational governments.

A clear budget calendar exists but allows budgetary units only two weeks to prepare their budget. A budget circular is issued to the budgetary units but this does not contain the budget estimates (PI-17).

The executive has submitted the annual budget proposal to council after the start of the new fiscal year (PI-18). This has led to the delay in budget approval by the council, where approval is done after more than one month into the budget year.

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances.

Indicator/Dimension	Score	Brief justification of the score
PI-14. Macroeconomic and fiscal forecasting (M2)	D+	
14.1. Macroeconomic forecasts	C	FDBD prepares macroeconomic forecasts for the current fiscal year and the next three years for MTEF, but that are not adopted by BD Assembly. Macroeconomic forecasts are not part of budget documentation.
14.2. Fiscal forecasts	C	FDBD prepares fiscal forecasts for the current fiscal year and the next three years for MTEF, but that are not adopted by the Assembly. Fiscal forecasts are not part of budget documentation. The MTEF does not include an explanation of general deviations of fiscal projections between periods.
14.3. Macro-fiscal sensitivity analysis	D	There are no macro fiscal sensitivities analysis and alternative fiscal forecasts.

Unlike other levels of government in BiH, BD does not produce ERP or any other relevant document, which was used for scoring.

14.1. Macroeconomic forecasts

The macroeconomic forecasts are drafted within the Medium-term Expenditure Framework (MTEF). In accordance with the Article 37 of the Law on Budget of the Brčko District (LBBD), the Government adopts the MTEF by the end of June and delivers it by the 15th of July to the Assembly for informing purposes and publishes it on the Government's website. During the drafting of this report, MTEF 2023-2025 and MTEF 2020-2022 are published on the Government's website, but MTEF 2021-2023 and MTEF 2022-2024 are not published.

The FDBD prepares the macroeconomic forecasts and they are based on the BiH Directorate for Economic Planning (DEP) projections for Bosnia and Herzegovina (BiH) and analysis of macroeconomic indicators in previous years. The projected rates by the DEP were typically used in previous years for projecting macroeconomic indicator trends. In the MTEF, macroeconomic forecasts are done for the current fiscal year and the next three years, and they are basic macroeconomic indicators such as the GDP growth, inflation, investment, average wage and internal debt. Taking into account the Constitution of the BiH and considering that the monetary policy competence is at the BiH level, and that the Central Bank operates based on the currency board, foreign exchange and interest rates forecasts are not done at the level of BD.

The LBBD does not prescribe the revised macroeconomic forecasts, nor is it drafted in practice. Macroeconomic forecasts are not part of budget documentation, submitted to the legislative authority and the body other than the document drafter does not review the projections. Based on the analysis and supporting evidence, the score for the present dimension is C.

14.2. Fiscal forecast

Within the MTEF, fiscal forecasts for the current and following three fiscal years are prepared by the FDBD. The revenue projections are based on ITA's projections of indirect revenue, projections of revenue realized by budget users within their competence, and other relevant information and projections. The Tax Administration does the direct taxes projections. Even though the Article 37 of the LBBB prescribes that the FDBD should revise the revenue projections approved in the MTEF by the 1st of September, in practice, revenue projections are not revised.

Within the MTEF, fiscal forecasts include tax and non-tax revenue, current donations and transfers, and financing and public expenditure presented by economic categories. Fiscal forecasts are not part of budget documentation, submitted to the legislative authority and the body other than the document drafter (for example, fiscal council) does not review the projections. The Assembly of Brčko District does not adopt referred projections and they are not published in the Official Gazette, but the Government adopts them, within the MTEF, which is published on the Government's website. The MTEF does not include an explanation of general deviations of fiscal forecasts for the current fiscal year compared to amounts planned in the revised budget for the same fiscal period. Based on the analysis and supporting evidence, the score for this dimension is C.

14.3. Macro-fiscal sensitivity analysis

This dimension assesses the capacity of governments to develop and publish alternative fiscal scenarios based on plausible unexpected changes in macroeconomic conditions or other external risk factors that have a potential impact on revenue, expenditure, and public debt.

By analysing documents relating to the MTEF it is clear that only baseline scenario is presented and no alternative fiscal forecasts have been drafted (only baseline scenario) based on changed macroeconomic conditions and forecasts are available. Based on the analysis and supporting evidence, the score for this dimension is D.

PI-15. Fiscal strategy

This indicator provides analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals.

Indicator/Dimension	Score	Brief justification of the score
PI-15. Fiscal strategy (M2)	D+	
15.1. Fiscal impact of policy proposals	C	There is a description of fiscal impact of new policy proposals on the budget's expenditure side and an explanation of the changes in policies regarding public revenue. Budget does not contain information on total and recurring cost of major investment projects.
15.2. Fiscal strategy adoption	C	Government adopts the MTEF by the end of June for the next and following two fiscal years and sent it to Assembly. MTEF is not adopted by the Assembly.
15.3. Reporting on fiscal outcomes	D	There is no prescribed obligation to draft separate report on progress made during the implementation of fiscal outcomes included in the MTEF. The government has not submitted to the legislature and published that report.

The MTEF is not published in the Official Gazette of Brčko District, i.e. it is not adopted by the Assembly, but only sent by the Government to inform the Assembly.

15.1. Fiscal impact of policy proposals

In accordance with the LBB, budget users are drafting and delivering budget requests to the FDB. The budget requests include expenditures and outflows sorted by prescribed budget categories, planned number of posts and structure of employees in the fiscal year for which the budget funds are requested, transfers and subsidies request, and capital project request with the explanation.

On the revenue side, there is an explanation of policy changes relating to public revenue, with the impact of those changes to the amount of certain types of revenue and to the overall amount of public revenue. The Budget does not contain information on total and recurring cost of major investment projects under PI 11.3. Explanations of public revenue policy changes typically relate to explanations of ITA's indirect revenue projections. Based on the analysis and supporting evidence, the score for this dimension is C.

15.2. Fiscal strategy adoption

The Fiscal Strategy in Brčko District is included in the Medium-term Expenditure Framework (MTEF), which is adopted annually and relates to the next and following two fiscal years. Upon the proposal of the FDB, the Government adopts the MTEF by the end of June, as prescribed by the LBB, and the stated documents is published on the Government's website. Even though the LBB does not prescribe adopting of a Revised MTEF, it prescribes the revision of projected revenue, but in practice no such revision is performed.

The MTEF is a preliminary draft of the Brčko District's Budget for the next fiscal year, and it includes framework plans for the following two years. This document includes revenue and expenditure projections for the Brčko District's Budget, and consolidated projections of public revenue and public spending for the Brčko District's Budget. It also includes financial plans for SSFs (Health Insurance Fund of Brčko District BiH and Employment Institute of Brčko District BiH and extra-budgetary beneficiaries subject to budget accounting (Development-Guarantee Fund of Brčko District BiH, the Institute for Planning, Design and Development of Brčko District BiH and RNU "Radio Brčko" of Brčko District BiH).

The MTEF is not published in the Official Gazette of Brčko District, i.e. it is not adopted by the Assembly, but only sent by the Government to inform the Assembly. Based on the analysis and supporting evidence, the score for this dimension is C.

15.3. Reporting on fiscal outcomes

The LBB does not prescribe the obligation to draft separate report on progress made during the implementation of fiscal goals included in the MTEF, nor does it prescribe drafting of the analysis of the disparities from the defined goals. The adopted MTEF do not include reasons for disparities from the suggested goals, defined in previous versions of the documents. Neither the Government nor the FD prepare mentioned reports, and the FD does not prepare the report on achieved fiscal goals from the MTEF for own needs. Hence, the score for the present dimension is D.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

Indicator/Dimension	Score	Brief justification of the score
PI-16. Medium-term perspective in expenditure budgeting (M2)	D+	
16.1. Medium-term expenditure estimates	D	MTEF it is not part of the budget documentation.
16.2. Medium-term expenditure ceilings	A	Government adopts the MTEF after which budgetary instruction number 2 is forwarded to budget users and approves budget ceilings to expenditures for individual budget users for the next budget year and following two years.
16.3. Alignment of strategic plans and medium-term budgets	D	Only some of strategic plans have a link with projections of expenditures included in the MTEF, but the amount of expenditure linked with this strategic plans is not materially compared with total budget expenditure.
16.4. Consistency of budgets with previous year's estimates	D	MTEF do not explain any changes to expenditure estimates between the last.

The PFM reform for medium-term perspective is to strengthen the link between strategic/medium-term planning and the medium-term budget framework. The Government of BD planned three activities in order to introduce the reform and they are: (i) Strengthen strategic/medium-term planning related to budgeting processes and investments; (ii) Develop the Program of Economic Reforms for BD BiH as a medium-term planning document; and (iii) Improve the credibility and the usefulness of MTEF. There is a time plan for the implementation of this report in stages. The first two activities should be completed by the end of FY2022 and the third activity is envisaged to be carried out by end FY2025.

16.1. Medium-term expenditure estimates

The overview of budget is sorted by administrative, economic, and functional classification is available only for the budget year, 2022 in this case, i.e. only within the annual budget. The analysis of budget documentation for 2022, when was the last budget submitted, determined that it does not include expenditure projections for the following two years, i.e., 2023 and 2024. The last MTEF submitted is for FY2023-2025.

Based on the analysis and supporting evidence, the score for the present dimension is D.

16.2. Medium-term expenditure ceilings

By the end of June, the Government adopts the MTEF, after which the FD delivers instructions to budget users that determines the method, elements and deadlines of the budget drafting for the next fiscal year. Within the MTEF, medium-term expenditure plans are represented through initial budget ceilings to expenditures for individual budget users, spending plans and budget ceilings to expenditures sorted by functions for the next budget year and following two years. Further, the MTEF provides overview of fiscal ceilings sorted by economic classification, for the central government, extrabudgetary funds and extrabudgetary users who are obliged to apply budget accounting, for the next budget year and following two years. The Government had adopted MTEF 2022-2024 on 30 June and send first budget circular the same day to budget users.

Based on the analysis and supporting evidence, the score for the present dimension is A.

16.3. Alignment of strategic plans and medium-term budgets

Analysis of the documentation of a number of the institutions of the Government of BD shows that some of them have drafted and published strategic documents, which do contain strategic goals that are to be achieved in the medium term. In order to assess this indicator, following strategic documents have been analyzed:

- Public finance management reform strategy for the period 2021-2025,

- Development strategy of the BD of BiH for the period 2021-2027,
- Strategic plan of the Brčko District Police for the period 2019-2023.

Even though sector strategies and related action plans include clearly defined goals, currently only some of them (for example: the Development Strategy of the BD of BiH for the period 2021 - 2027) are aligned in terms of expenditures with projections included in the MTEF and therefore with the 2022 Budget. But the amount of expenditure linked with these strategic plans is not materially compared with total budget expenditure.

Based on the analysis and supporting evidence, the score for the present dimension is D.

16.4. Consistency of budgets with previous year's estimates

The analysis of assessed expenditures in the current and previous MTEF determined that they include explanations in terms of fiscal and macroeconomic indicator trends in the following period, but the MTEF 2023-2025 has no explanations regarding deviations from medium-term documentation and public revenue and expenditure projections included in the last year's MTEF.

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely.

Indicator/Dimension	Score	Brief justification of the score
PI-17. Budget preparation process (M2)	C+	
17.1. Budget calendar	C	There is prescribed and clear annual budget calendar, but it is adhered to by only some of budget users.
17.2. Guidance on budget preparation	A	There is a comprehensive and clear budget circular (Budget Instructions No. 2), which is issued to budgetary units and covering total budget expenditure for the full fiscal year.
17.3. Budget submission to the legislature	D	In the last three completed fiscal years were submitted to the National Assembly at the beginning of the fiscal year to which it applies.

The Article 37 of the LBBB prescribes that the Budget is drafted and adopted in line with the budget calendar, which prescribes the deadlines for budget activities, and the budget calendar for drafting and adopting the Brčko District Budget is included in the same Article. The Budget drafting and adopting process is initiated when the FDBD sends the Instruction on the MTEF drafting to the budget user, EBF and extra-budgetary beneficiary subject to budget accounting.

17.1. Budget calendar

Table 17.1.D: Budget calendar for the last budget submitted to the legislature

Activity	Planned date	Actual date	Met/Not met
Directorate delivers the Instruction on MTEF drafting to budgets users, EBFs and extra-budgetary beneficiaries subject to budget accounting	31-Jan-21	1-Feb-21	Not met
EBFs and extra-budgetary beneficiaries subject to budget accounting deliver their priority proposals for MTEF drafting to the competent budget user	5-Apr-21*	13-Apr-21	Not met

Budget user delivers his priority proposals and priority proposals of EBFs and extra-budgetary beneficiaries subject to budget accounting to the Directorate for MTEF drafting	15-Apr-21*	25-May-21	Not met
Directorate makes a draft of macroeconomic projections and fiscal policies for the three-year period and delivers it to the Government for approval	30-Apr-21	28-Apr-21	Met
Directorate prepares and delivers the draft MTEF to the Government for review and adopting	15-Jun-21	28-Jun-21	Not met
The Government reviews and adopts the MTEF	30-Jun-21	30-Jun-21	Met
Directorate delivers Instruction No. 2 on next year's budget drafting to the budget user	1-Jul-21	30-Jun-21	Met
Mayor of District delivers the MTEF to the Assembly to inform them	15-Jul-21	16-Jul-21	Not met
Mayor of District publishes the MTEF on the Government's website	15-Jul-21	Not published	Not met
EBFs and extra-budgetary beneficiaries subject to budget accounting deliver their proposals of financial plans to the competent budget user	20-Jul-21**	31-Aug-21	Not met
Budget user delivers his budget requests and financial plans of EBFs and extra-budgetary beneficiaries subject to budget accounting to the Directorate	1-Aug-21**	4-Aug-21	Not met
Directorate revises assessed revenue approved in the MTEF	1-Sep-21	-	-
The Government approves the Budget Proposal and delivers it to the Assembly for discussion and adopting	30-Sep-21	28-Sep-21	Met
The Assembly adopts the Budget	1-Dec-21	15-Dec-21	Not met

Source: Finance Directorate of Brčko District BiH; Assembly of Brčko District BiH

*The date of the last submission of priority proposals for the preparation of the MTEF; the majority of budget users submitted the same within the prescribed period

**The date of the last delivery of Instruction No. 2; the majority of budget users submitted Instruction No. 2 within the prescribed period

*** Unlike the IBiH and FBiH calendar, and like the RS budget calendar, BD BiH budget calendar does not refer to the GFF.

Based on the assessment performed and supporting evidence, the score for this dimension is C.

17.2. Guidance on budget preparation

After the Brčko District Government adopts the MTEF, the FDBD delivers the Instruction No. 2 on next year's budget drafting to the budget user, in accordance with the Article 37 of the LBB. The purpose of the Instruction No. 2 is to inform the budget users on next year's expenditure ceilings, which are based on the previous MTEF, and are relevant to next year's budget drafting. For the Budget 2022, the Instruction No.2 was sent to budget users on 30 June 2021.

All budget users need to deliver their budget requests for the next year to the FDBD, at the latest by the 1st of August of the current year for the next year. Prior to that, EBFs and extra-budgetary beneficiaries subject to budget accounting have to submit their proposals of financial plans to the competent budget user, at the latest by the 20th of July of the current year for the next year. Users of budget funds receive comprehensive

and clear instructions on the preparation of the budget, which include all budget expenditures for the whole fiscal year, and include gross wages and contributions, other employee's compensations, inventory and services, current and capital transfers, donations, and capital budget. Based on the assessment performed and supporting evidence, the score for this dimension is A.

17.3. Budget submission to the legislature

Proposal of the budgets of the BD for 2019, 2020 and 2021 were sent by the Government of the BD to the Assembly of the BD of BiH at the beginning of the fiscal year to which it applies, which is shown in the following table.

Table 17.3.D: Actual dates of budget submission for the last three completed fiscal years

Fiscal year	Actual date of submission
2019	25 January 2019
2020	31 January 2020
2021	2 February 2021
2022	28 September 2021

Based on the assessment performed and supporting evidence, the score for this dimension is D.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature.

Indicator/Dimension	Score	Brief justification of the score
PI-18. Legislative scrutiny of budgets (M1)	D+	
18.1. Scope of budget scrutiny	B	The Assembly adopts Budget which covers details of expenditure and revenue and fiscal policies.
18.2. Legislative procedures for budget scrutiny	A	Prior to the discussion on the Proposal of the Budget in the Assembly, the Proposal is reviewed by the Budget Committee. After the Budget Proposal is submitted to the Assembly, it holds at least one public discussion on the Budget Proposal.
18.3. Timing of budget approval	D	In the last three completed fiscal years the BD Assembly approved the annual budget after the start of the respective fiscal year.
18.4. Rules for budget adjustments by the executive	A	There are clear legal and administrative rules that prescribe in-year amendments to the budget by the executive power without prior approval by the legislative body.

The Article 65 of the LBBDD prescribes that the Budget Proposal is adopted in line with deadlines prescribed in the budget calendar, i.e. the Assembly adopts the Budget by the 1st of December. The Assembly has a Budget Committee, which is competent for all issues relevant to Brčko District Budget.

18.1. Scope of budget scrutiny

The Assembly of Brčko District adopts the Budget by the 1st of December of the current fiscal year for the next fiscal year, and adopts the Law on Budget Execution. The Article 101 of the LBBĐ prescribes that the Mayor submits quarterly reports on Budget execution, with the annual report at the end of every fiscal year to the Assembly.

The FDBĐ drafts the mentioned quarterly report and sends it to the Government within 45 days after the end of every quarter. The Mayor then submits the report to the Assembly within 15 days upon receiving it from the FDBĐ. Further, the FDBĐ drafts the annual report on budget execution for every fiscal year and sends it to the Government, at the latest by 31st of March of the current year for the previous year, while the Mayor submits the stated annual report to the Assembly, at the latest by end of April of the current year for the previous year. The Article 18 of the Law on Audit of Public Administration and Institutions of Brčko District BiH prescribes that the Audit Office must submit their audit report on annual financial statement of the budget to the Assembly and the Government.

Even though the MTEF is part of the budget process in BD, it is not officially adopted by the Assembly (only by the Government). The Government only informs the Assembly when it adopts it. The Assembly adopts Budget which covers details of expenditure and revenue, capital budget and fiscal policies. Based on the practices of scrutiny over the annual budget proposal as assessed under this dimension, the score is B.

18.2. Legislative procedures for budget scrutiny

The procedure for legislative review is prescribed by LBBĐ by the Assembly's Rules of Procedure. The Assembly is bound by the LBBĐ to adopt the Budget of Brčko District by December 15. The Assembly of Brčko District adopts the Budget Proposal and adopts the Law on Budget Execution in line with the Article 66 of the LBBĐ. The competent Assembly Committee reviews all suggestions and comments of the public and drafts a report on accepted and rejected suggestions and comments with explanations. The Assembly has a Budget Committee competent for reporting on the ground of the Budget Proposal submitted by the Mayor. The Committee also reviews the Budget Proposal before it is submitted to the Assembly for discussion, provides suggestions to the Assembly in relation to Budget adopting or provides suggestions for necessary changes and makes sure that the Budget is adopted in compliance with the law. The competent Assembly Committee reviews all suggestions and comments of the public and drafts a report on accepted and rejected suggestions and comments with explanations. Likewise, Budget Committee of the Assembly of the Brčko District BiH reviews and provides its opinion before the Budget is adopted or amended. Before the parliamentary discussion, a public discussion and discussion with all budget users is organized. All procedures, which include a competent Assembly Committee review, the Budget Committee review and opinion, and public discussion, are approved in advance for last fiscal year. The Budget Proposal can be changed through amendments (which can be suggested by the Mayor and any Member of Assembly), during the assembly discussion on the Proposal. According to Article 66 of the LBBĐ, Budget changes adopted by the Assembly through amendments to the Budget Proposal cannot surpass ceilings for expenditures and outflows set in the dedicated segment of the Budget Proposal. If the amendments suggest the increase of expenditures and outlays set in the Proposal, they can be adopted only if there is a decrease in other expenditures, i.e. outlays set in the dedicated segment of the Budget Proposal. The Mayor submits a report on the implementation of the Brčko budget to the Assembly every three months as well as the annual report.

Based on the supporting evidence, the score for the present dimension is A.

18.3. Timing of budget approval

In the period covered by the assessment, the Government submitted the annual budget proposal to the Assembly of BD after the start of the respective fiscal year. For each of the three fiscal years under review, the Assembly of BD approved the annual budget law after the start of the actual fiscal year.

Table 18.3.D: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Actual date of submission
2020	18 March 2020
2021	31 March 2021
2022	15 December 2021

Source: Assembly of BD BiH

Based on the available evidence, the score for the present dimension is D.

18.4. Rules for budget adjustments by the executive

The Article 70 of the LBBĐ prescribes that the budget user cannot breach the ceiling allowed by the annual Budget without prior amendment to the Budget. The Article 72 of the same Law prescribes that the reallocation of funds within a budget item and in line with the allowed ceilings set for the budget user can be performed upon the request of the budget user and based on the Decision of the FDBĐ. Reallocation of funds can be performed once per quarter and only in the last three quarters.

The Article 17 of the Law on Budget Execution of Brčko District BiH for 2021 prescribes that the FDBĐ can, upon request of the budget user, issue a decision on the reallocation of funds within the total amount of approved budget for the budget user, and up to 10% (ten percent) of the total budget of the budget user, not including subsequent amendments to the budget. Stated reallocations do not apply to the capital budget, and expenditures for gross wages and contributions and employees' compensations. All other adjustments require prior legislative approval

Accordingly, there are clear legislative and procedural rules in the LBBĐ and laws on budget execution governing amendments to the budget during the year by the executive power, without prior approval of the legislative body and these rules are adhered to in all instances.

Based on the available information, the score for the present dimension is A.

PILLAR FIVE: Predictability and control in budget execution

The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Overall performance: key strengths and weaknesses

The Tax Administration service facilitates compliance through dissemination of comprehensive and timely information to taxpayers, however there is no comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue. The Tax Administration perform audits and investigations of fraudulent activities through a plan for enhancing regulatory compliance, and it implemented all planned audits and investigations. Despite relatively efficient collection of tax arrears under 12 months, overall stock of tax arrears is still high (PI-19).

Accounting for public revenue continues to be satisfactory, because the data on collected public revenue is available daily to the Finance Directorate of BD BiH and the Treasury has all these data, including information necessary for recording, by the next workday at the latest. Outstanding liabilities are not recorded in the Main Treasury Ledger and the alignment of assessed liabilities and outstanding liabilities between the Treasury and the Tax administration is not being performed. Even if all revenue collection and transfers are reconciled on monthly basis, there is no reconciliation of assessments and arrears that makes the revenue account process incomplete thus impairing sound resource allocation.

The Tax Administration of BD provides functions related to revenue administration. The process of predicting and controlling the budget execution has both strengths and weakness. The assessment of revenue administration indicates that the function is well aligned to international practice as long as accessibility to information is concerned, it is clear; the public is well informed about tax legislation and there are various media employed to reach the taxpayer. Comprehensive risk management supported by a formalized compliance improvement plan is not in place, yet. However, the practice shows that there are regular tax audits with focus on improving tax collection. There is a well-established practice of monitoring revenue arrears however demonstrating low efficiency in collection of public revenue. Both stock of revenue arrears at year-end older arrears indicates levels of 64 and 77 percent, respectively. The daily inflow of revenue collection into FDBD Treasury facilitates the reconciliation of accounts in good time; however, the reconciliation process is not sufficiently comprehensive by having no alignment of revenue assessments and arrears.

An area that needs development is the fact that there is no cash planning (PI-21), however this is compensated by a rigorous budget spending discipline with no adjustments to the budget made in the last FY.

Expenditure arrears (PI-22) is generally contributing to budget credibility by monitoring and clearing payables. The internal control system benefits also from the integration of payroll and personnel records (PI-23), which are updated in time for salary payment. The internal controls restrict the authority to change records and payroll, however there is no established practice to monitor technical errors that may occur in the absence of automatic reconciliation system between the payroll and the personnel data. The payroll audit that is carried out once in three years is not sufficient tool to verify for the financial integrity of the payroll and personnel systems.

The assessment of PI-25 shows the following strength and weaknesses in the PFM system. The internal control for non-salary payment is strong ensuring clear responsibilities; segregation of duties; expenditure commitment controls and strict application of payment rules and procedures. This setting contributes to sound internal control system assuring that transactions are performed as intended. The resources are used only when the authority has been verified. However, the comprehensives of the entire process is determined by the lack of practice to monitor the rejected payments which represent the exception to the payment rules and procedures and are indicative of fiscal discipline at all levels.

There is still no established legislation in internal audit. There is no internal audit methodology in place and no established practice.

PI-19. Revenue administration

This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues.

Indicator/Dimension	Score	Brief justification of the score
PI-19. Revenue administration (M2)	B	
19.1. Rights and obligations for revenue measures	A	TABD provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the TABD website and it helps taxpayers in exercising their rights and fulfilling obligations regarding payments that are considered public revenue. If the taxpayers do not agree with liabilities assessed during the tax audit, they can appeal to the decision of the Tax Administration to the Appeal Commission as the second-instance body.
19.2. Revenue risk management	C	The Taxation Risk Management Office has been established, but still there is no comprehensive, structural and systematic approach in determining and prioritizing risks in public revenue collection.
19.3. Revenue audit and investigation	A	The TABD in 2021 completed all planned comprehensive audits and investigations. A basic compliance improvement plan is a part of the annual Report on the work and work program of the TABD for 2021.
19.4. Revenue arrears monitoring	D	There is a low level of efficiency in collection of public revenue by the TABD. The stock of revenue arrears at the end of 2021 is 64,2% of the total revenue collection for the year and the revenue arrears older than 12 months are 77,7% of total revenue arrears for the year.

The Tax Administration of the Brčko District (TABD) is competent for the application of fiscal regulations and collection of all direct taxes and certain non-tax revenue. Based on the Cooperation Agreement between the Tax Administration and the Health Insurance Fund of Brčko District BiH (HIF BD), the Tax Administration controls the calculation and payment of contributions, while the Fund is competent for assessment and collection of contributions. The organization and competencies of the TABD are regulated by the Law on Tax Administration of Brčko District BiH. Most significant taxes collected by the TABD include corporate income tax, payroll tax, property tax, fees, and similar. Additionally, the TABD prepares preliminary drafts and drafts of laws and other regulations, analyses, information and reports relevant to fiscal policies.

The Indirect Tax Administration BiH is competent for collection of indirect taxes (VAT, excise, customs and road tariffs). It is an institution at BiH level and its performance is assessed in the report concerning the Institutions of BiH.

Table 19.1.C: Amounts and structure of collected RS Budget revenue (central government) for 2021

	Category of CG revenue	Collecting entity	Collected revenue amount FY21	% of total	Collected revenue administered by RS amount FY21	% of total administered by BD
1.	Indirect taxes	ITA	196,865,227	70.6%	-	-
2.	Direct taxes	TABD	27,331,052	9.8%	27,331,052	33.3%
2.1.	Corporate income tax	TABD	13,110,129	4.7%	13,110,129	16.0%
2.2.	Personal income tax	TABD	9,545,219	3.4%	9,545,219	11.6%
2.3.	Other tax revenues	TABD	4,675,704	1.7%	4,675,704	5.7%
3.	Non-tax revenue	TABD, OBU*	11,736,722	4.2%	11,736,722	14.3%
4.	HIF contributions	TABD	42,961,095	15.4%	42,961,095	52.4%
	TOTAL		278,894,095**	100.0%	82,028,869	100.0%

Source: Report on the execution of the BD Budget for FY21

*Other budget users

** This amount includes Health Insurance Fund contributions. Budget revenues, such as grants and capital receipts are not included in this table because they are not collected from tax administrations.

The legislative framework for major taxes has improved since the previous assessment. Also, double taxation treaties and transfer pricing have been further regulated. The tax appeal system has been significantly improved, after adopted a new Law on Tax Administration of Brčko District BiH. There is a low level of efficiency in collection of public revenue by the TABD and since the previous assessment, the efficiency in collection of public revenue has decreased. Even if HIF continuously monitors and controls the calculated and paid contributions for health insurance, TABD is competent for external control of legal and natural persons - contributors and further undertaking measures in accordance with regulations and competences.

There is a PFM reform planned by the BD Government in the area of tax administration and it is related to continuous improvement of the work of the Tax Administration of BD BiH. The activities envisaged for the achievement of the reform are: (i) amend the Law on the Tax Administration of the BD of BiH; (ii) strengthen the organizational, personnel and technical capacities of the Tax Administration; (iii) procurement and implementation of new software for the Tax Administration; (iv) strengthen services to taxpayers, including electronic communication. The time of implementation of the reform is FY2025.

19.1. Rights and obligations for revenue measures

The Tax Administration is an organizational unit of the FDBD, and it is competent for the application of fiscal regulation and collection of all direct taxes, contributions and fees. The TABD prepares preliminary drafts and drafts of laws and other regulations, analyses, information, and reports relevant to fiscal policies, as well as impact analysis of law application and it also suggests measures regarding amendments to the law in favor of a better collection of revenue. All regulations, tax declarations, forms, instructions, opinions on the application of tax regulations and the like, which enable taxpayers to realize their rights and obligations regarding the payment of public revenues, are published on the PUBD website.

If taxpayers are not satisfied with the liabilities assessed during the tax audit, they object the minutes from the Tax Administration's audit, and they can appeal to the decision of the Tax Administration to the Appeal Commission as the second-instance body (the Appeal Commission is attached to the Mayor's Office), and to initiate an administrative litigation at the competent court, if unsatisfied by the Decision of the FDBD. It is important to emphasize that the appeal to the Decision of the TABD suspends its execution until the final effectiveness of the Decision. According to available information, there are no delays by the Appeal Commission in resolving taxpayers' appeals, i.e. appeal procedure is typically resolved in prescribed period.

Information provided by the revenue collecting entities covers notifications, instructions, and procedures for registration, declaration and payment, tax advice and tax opinions. All information can be obtained on RSTA website and by e-mail. The internet is common public place for information use and exchange related to taxpayers needs.

Based on the analysis and supporting evidence, the score for the present dimension is A.

19.2. Revenue risk management

Within the organizational structure of the TABD, Taxation Risk Management Office has been established. The Office, inter alia, is competent for continuous selection of segments and parameters for risk identification – selection of taxpayers to be audited, and drafting the report on risk analysis on the operational level.

The Taxation Risk Management Office sends the list of potentially risky taxpayers to the External Audit Sector for further preparing and planning of the audit. According to information available in the 2021 Activity Report of the Tax Administration of Brčko District BiH, the Office conducted analyses in order to expand the scope of fiscalization of taxpayers in Brčko District, and analyses of taxpayers with determined discrepancies between the date in annual tax returns and realized turnover recorded on the fiscal register.

Even though the TABD is competent for the collection of most of the public revenue, and there is an independent risk management department, which performs activities relating to risk management in public revenue collection, based on analyzed information, it can be concluded that there is no comprehensive, structural and systematic approach in assessment and prioritization of risks in public revenue collection. There is a partly structured and systematic approach for assessing and prioritizing compliance risks for some revenue streams.

Based on the analysis and supporting evidence, the score for the present dimension is C.

19.3. Revenue audit and investigation

Article 7 of the Law on Tax Administration of Brčko District BiH prescribes that the tax administration is competent for assessing, auditing, collecting and enforced collection of taxes and public revenue prescribed by the District laws. The TABD has an External Audit Sector, which consists of the Unit for control of medium and small taxpayers, Unit for control of major taxpayers, and the Investigation and Intelligence Unit. Audits are conducted in line with the annual audit plan and they can be complete, partial and ad hoc audits. Complete audits are conducted based on risk analysis and identification, while partial audits relate only to certain tax payers and certain types of public revenue. Ad hoc audits are performed upon the request of the competent body, such as the Government, courts, and similar.

At the end of 2021, the total number of active taxpayers is 3,681, of which: 1,640 are legal entities based in BD, 241 business units based in the Federation of Bosnia and Herzegovina and 162 business units based in the Republika Srpska and 1,638 entrepreneurs. The following table shows overview of planned and performed audits in 2021, sorted by the above-mentioned organizational units in the External Control Sector. A basic compliance improvement plan is a part of the annual Report on the work and work program of the TABD for 2021.

Table 19.3.D: Overview of tax audits planned and carried out

Section in TABD	Number of audits (FY21)		% completed
	Planned	Carried out	
Department for the audit of small and medium-sized taxpayers	364	470	129.1%
Department for Investigations and Notifications	90	73	81.1%
Department for the audit of large taxpayers	86	89	103.5%
Total	540	632	117.0%

Source: Report on the work and work program of the TABD for the year 2021

Based on the available evidence, the score for the present dimension is A.

19.4. Revenue arrears monitoring

On 31st of December 2021, the TABD recorded that the overall outstanding amount in favor of public revenue was BAM 28,022,174, where the amount outstanding more than 12 months was BAM 13,974,475.

Table 19.4.D: Tax arrears stock and age profile for FY21

No		Amount
1	Total revenue collections	28,022,174
2	Total stock of tax arrears at end of the fiscal year	17,990,006
3	Share of tax arrears in the total revenue collections (2/1, percentage)	64.2%
4	Tax arrears older than 12 months	13,974,745
5	Share of tax arrears older than 12 months in the total arrears (4/2, percentage)	77.7%

Source: TABD

The previous table shows that there is a low level of efficiency in collection of public revenue by the TABD, but most of the outstanding liabilities are from the past period.

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government.

Indicator/Dimension	Score	Brief justification of the score
PI-20. Accounting for revenue (M1)	C+	
20.1. Information on revenue collections	A	Data on collected public revenue is available daily to both the FDBD and Tax Administration.
20.2. Transfer of revenue collections	A	The most of tax revenue is collected into bank accounts controlled by TABD and transferred daily to Treasury.
20.3. Revenue accounts reconciliation	C	There is no reconciliation of assessments and arrears. There is reconciliation of collections and transfers to Treasury on a monthly basis.

Legal framework for the collection of public revenue in Brčko District consists of the Law on Budget of Brčko District and the Decision on payment accounts of the budget and funds of Brčko District BiH, manner of paying revenue, and reporting periods for revenue users. The Decision prescribes the manner of payments made in favor of public revenue in Brčko District BiH. Every type of public revenue has its subaccount number, which allows for recording of collected revenue sorted by type of tax liability.

20.1. Information on revenue collections

Data on collected public revenue is available daily, to both FDBD and Tax Administration. The commercial banks receiving public revenue payments on their deposit accounts provide daily updates through an automatic system, i.e. RAS (Revenue allocation system) file to the FDBD, which then controls the allocation of public revenue, and to TABD, which then enters those payments into the Single registry of reported, additionally assessed and paid taxes, in order for it to be recorded on the taxpayers' tax cards. Every payment in favor of public revenue contains information on the taxpayer' number, reference number, and type of revenue, which allows for verification of payment source and accurate recording on taxpayers' tax cards. The Treasury every day (on a business day) delivers to the Tax Administration the RAS files obtained by deposit banks.

The FDBD has daily data on all revenue belonging to the central government, including indirect taxes collected on the ITA Single Account, i.e. the Brčko District's share.

Based on the analysis and supporting evidence, the score for the present dimension is A.

Table 20.1.D: Information on revenue collection

Collecting entity	Category of revenue	Total amount collected ²¹²	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by revenue type	Consolidated into a report	Consolidated
ITA	Indirect taxes ITA 1,475,743,014 Direct taxes RSTA 1,436,912,041	196,865,227	Daily	N	Y	Y
TABD	Direct taxes	27,331,052	Daily	Y	Y	Y
HIF	Contributions	42,961,095	Daily	Y	Y	Y

20.2. Transfer of revenue collections

Collection of public revenue is possible only through commercial banks, with clearly prescribed instructions for bank payments (Decision on payment accounts of revenues from the budget and funds of the BD of BiH, the method of payment of those revenues and the method and deadlines for reporting the users of the revenues), while the Treasury has daily data on public revenue belonging to the central government.

Table 20.2.C: Transfer of revenue collections

Collecting entity	Category of revenue	Frequency of revenue collections transfer to the Treasury
TABD	Direct taxes	Daily
ITA	Indirect taxes	Daily
HIF	Contributions	Daily

The Treasury has all data on collected public revenue, including information necessary for recording by the next workday at the latest.

Based on the analysis and supporting evidence, the score for the present dimension is A.

20.3. Revenue accounts reconciliation

Reconciliations between the Tax Administration and other budget users obliged to assess and collect, on one side and the FDBD in regards of collected public revenue, on the other side, is performed monthly (by the 5th in a month, for the previous month). However, according to available information, the Reconciliations of assessed liabilities and outstanding liabilities between the Treasury and entities collecting most of the public revenue for central government is not being performed. Outstanding liabilities are not recorded in the Main Treasury Ledger, only the TABD keeps records and informs institutions requesting this information.

212 As described under PI-19 to determine the materiality

Table 20.3.D: Revenue accounts reconciliation

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
TABD	Direct taxes	Monthly	Five days	N	Y	N	Y

Based on the analysis and supporting evidence, the score for the present dimension is C.

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery.

Indicator/Dimension	Score	Brief justification of the score
PI-21. Predictability of in-year resource allocation (M2)	C+	
21.1. Consolidation of cash balances	D	Only 38% of cash balances are consolidated on a daily basis, the remaining part are consolidated monthly.
21.2. Cash forecasting and monitoring	A	A cash flow plan is prepared by each budget user for the fiscal year and is updated monthly considering all actual inflows and outflows
21.3. Information on commitment ceilings	C	Information on commitment ceilings is provided for the preparation of the operational financial plans, which are adopted quarterly in BD. The budget users can spend as much as the limits approved in the adopted financial plans.
21.4. Significance of in-year budget adjustments	C	There were three significant (17%) in-year adjustments in FY 2021. The legal framework does not impose a limit on budget adjustments.

The Single Treasury Account (TSA) is managed by the Financial Directorate of BD through budget bank accounts of payments. All public revenues and liabilities are recorded in the Treasury General Ledger system. The system is updated daily with all account changes being reflected in real time. Thus, the STA allows for a centralized monitoring and control over all public finances.

The Treasury of the Finance Directorate is responsible for the preparation of annual and quarterly cash flow plans. The planning is made mostly on a historical basis drawing from previous period actual revenue and expenditure. The approved cash flow plans are the basis for the preparation of operational expenditure plans proposed by the budget users.

21.1. Consolidation of cash balances

In accordance with the provisions of the Law on the Treasury of the BD of BiH, the Finance Directorate-Treasury is authorized to open and maintain the following types of bank accounts:

A. Accounts in STA:

1. Account for protection and investment of funds from the budget of the BD of BiH,
2. Deposit accounts for revenue collection that belong to the budget of the BD of BiH,
3. Transaction accounts for payments of budget expenditures and expenses,
4. Special purpose accounts.

B. Accounts that are not in the STA:

1. Deposit accounts for the revenue collected by the Directorate for Indirect Taxation in BiH with two separate lots: 37212 and 37213.

The funds in the above accounts are managed by the Finance Directorate and Treasury. Changes in all accounts are recorded daily in the Treasury's General Ledger. Budget users do not have the opportunity to open and manage their own bank accounts. Cash consists of funds held mainly in accounts that are not part of the STA. There are no funds that are cash in hand with the respective budget users (petty cash). The Treasury manages all cash. The funds in the Single Treasury Account and those that are not in STA appear in the Annual Financial Statements.

Table 21.1.D: Consolidation of cash balances

Bank and cash - List of accounts	FY2021	End June 2022
Total cash	53,707,255	95,324,605
Total cash balance in TSA	11,409,440	36,655,559
Cash in other accounts not part of TSA	42,297,815	58,669,046
Cash in hand	0	0
Share of TSA cash balance	21%	38%

Each year there are more cash accounts that are part of the STA. As of the time of assessment, there are 38% of all cash accounts that are consolidated on a daily basis. The majority of the cash is in accounts that are reconciled only on a monthly basis.

Based on the above information with only 38% of the cash in STA as of June 2022 that is consolidated on daily basis the score of this dimension is D.

21.2. Cash forecasting and monitoring

Preparation of cash flow forecasts is stipulated in Articles 90 and 91 of the Law on the Budget of the BD of BiH. The Finance Directorate is responsible for the preparation of cash flow plans, which are the basis for the execution of the budget and are an instrument for managing the budget deficit, as well as for maintaining liquidity.

The evidence provided is the quarterly cash flow plans for 2021, which are reviewed and approved by the Budget Liquidity Committee in the Finance Directorate. The Finance Directorate consolidates and monitors the cash forecasts prepared by all budget users, ensuring the availability of funds for budget execution. It prepares a monthly cash flow plan taking into account the expected expenditure provided by budget users.

There are annual forecasts of cash inflows and outflows that are the basis of the cash flow plans submitted by all budget users to the Treasury. They are recorded and thus linked to the budget implementation and the commitment plan of the respective individual budget user. Cash flows forecasts are prepared at the beginning of the fiscal year, and they are updated monthly based on actual inflows and outflows.

Hence, the score for this dimension is A.

21.3. Information on commitment ceilings

The Law on Budget of Brčko District describes the process of budget requests made by the budget users that cover the expenditure commitment made by all budget users, extrabudgetary units and funds. Article 37 defines the chronology of the process and the responsible government unit. Article 43 describes the process of defining the estimated expenditures of the budget users that can make expenditure commitments and spend funds only for purposes and amounts approved in the annual budget, and in accordance with the funds determined by the operational financial plan.

The Budget Circular, Instruction II provides information to budgetary units on ceilings for expenditure commitment for the fiscal year. They are necessary in order to facilitate planning of activities and procurement for effective service delivery and to avoid disruption of the implementation of these plans. Requesting and approving expenditure commitments in the Treasury management information system is made within the available funds for the corresponding time period. The total amount of all quarterly financial spending plans of each budget user should equal the amount of the adopted annual budget for each budget user.

The Finance Directory - Treasury allows budget users to plan and commit their expenditure three months in advance. There is a high level of control embedded in the Treasury system that would allow the budget users to spend within their commitment ceilings. Treasury uses transparent cash control mechanisms during periods of cash flow problems. In time of cash shortages, salaries and pensions are paid with priority.

The Budget Law of BD stipulates measures that the Finance Directorate should take in case of endangered liquidity. They include (i) terminating payment expenditure; (ii) suspend new commitments; (iii) withdraw funds from investment allocations or to borrow.

Hence, the score for this dimension is C.

21.4. Significance of in-year budget adjustments

The budget of BD BiH for 2021 was adopted in the amount of 238,227,961 BAM. During 2021, there were three budget amendments that increased the budget spending to the amount of 277,667,277 BAM, the increment is 39,439,316 BAM or 16.56%.

The Law on the Budget of the BD of Bosnia and Herzegovina does not prescribe a limit on the number of budget changes during the fiscal year (Articles 70 and 71). Amendment of the budget can be initiated in case of: (i) increase in income not planned in the budget; (ii) unforeseen circumstances that may endanger the achievement of government objectives; (iii) need of unplanned and unforeseen expenditures in order to achieve the government objectives. The amendment takes two months in order to be discussed and approved.

Any proposed budget amendments are to be made only under the condition of simultaneous reduction of other expenditures. The Finance Directorate - Treasury can only introduce changes to budget allocations when they are initiated and requested by budget users based on formal request and submission of adjustments to their initially approved cash-flow plans. Budget amendment during the year is initiated considering the impact it will have on the overall budget performance. For this purpose, the Finance Directorate prepares an economic impact statement that provides the likely effects that such proposed adjustment may have on the approved budget. The budget is usually revised in June, but the legislation does not specify any limit of times or volume of in-year adjustment.

Based on the above, as well as the supporting evidence, the score for the present dimension is C.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

Indicator/Dimension	Score	Brief justification of the score
PI-22. Expenditure arrears (M1)	C+	
22.1. Stock of expenditure arrears	A	There are no expenditure arrears recorded in the annual financial statement of BD in the last three years of assessment. There is no legally defined period after which an unpaid invoiced obligation is considered to be in arrears. However, the payment of all invoices is monitored by the Financial Department of BD and there is no incurred stock for the last three years.
22.2. Expenditure arrears monitoring	C	Due date of invoice payment is monitored by the Financial Department of BD and this information is generated at the end of the fiscal year.

There is no legal definition of expenditure areas in BD. The information on how expenditure arrears are defined is in the tender documents. The procurement contracts and ultimately arrears are established through court decisions. Article 34, paragraph (1) in the Rulebook on Accounting and Financial Reporting provides an operational rule for overdue payable, which reads as follows: (i) A claim that has not been collected within a year is recorded under subcategory 131000 – Short-term receivables on analytical account 131351 – Suspicious and disputed receivables. Posting is done using the reversal method post the regular receivable from the corresponding analytical subcategory accounts 131000 – Short-term receivables for the same amount, the analytical account 131351 – Doubtful and disputed claims. (ii) The write-off of doubtful and disputed receivables is carried out using the method of analytical account 131351 – Suspicious and disputed receivables and the corresponding analytical subcategory account 391000 – Short-term accruals. (iii) The write-off of doubtful and disputed receivables can only be carried out after the decision made by the Government and the decision of the Administrator of the board of the extra-budgetary fund and the extra-budgetary user who is obliged to apply budget accounting.

22.1. Stock of expenditure arrears

There is no legal definition of arrears in BD. However, Article 34, paragraph (1) in the Rulebook on Accounting and Financial Reporting, stipulates that all payables that have not been paid within one year are recorded as "doubtful and disputed." However, all payables are registered, and their payment due date is monitored in the Treasury. It was confirmed by the FD's Budget Execution Section that BD has no overdue obligations from previous years on the expenditure side of the annual financial report. It was reported that the government has been always in surplus.

The issue of lack of overdue obligations of the Government was discussed and verified only with the Office for the Audit of Public Administration and Institutions in the BD of BiH.

The information is sufficient to score this dimension as A.

22.2. Expenditure arrears monitoring

Liabilities of claims and public procurement invoices are registered with the Treasury, and they monitor the due date of invoice payment. The arrears are segregated by responsible budget user and type of arrear. Such data is generated at the end of the fiscal year and the financial reports for the last three years do not show any liabilities incurred. The information is sufficient to score this dimension as C.

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25.

Indicator/Dimension	Score	Brief justification of the score
PI-23. Payroll controls (M1)	D+	
23.1. Integration of payroll and personnel records	B	There is full documentation supporting all changes made in the payroll and the personnel records each month. Data is updated monthly and checked against the previous month's payroll data. Payment, staff hiring, and promotion is controlled manually with the approved staff positions every month.
23.2. Management of payroll changes	D	Both personnel records and payroll are updated at least monthly, in time for the following month's payments. Payment corrections data is not maintained.
23.3. Internal control of payroll	C	The internal controls restrict the authority to change records and payroll, however it cannot be ascertained how effective these controls are with the lack of financial integrity function.
23.4. Payroll audit	A	Payroll is conducted regularly every fiscal year, weaknesses identified are consistently addressed by the Treasury to implement the audit recommendations.

The Law on salaries and remuneration in public administration bodies of Brčko District in BiH adopted in 2019 prescribes the method of calculation and payment of wages and benefits of civil servants and employees in public administration bodies that are financed from the budget of the BD of Bosnia and Herzegovina.

23.1. Integration of payroll and personnel records

The payroll management of the central government of BD is carried out by means of salary calculation software which is operated at Finance Directorate. There is no automatic integration between personnel, payroll, and budget data. The personnel data is verified against the approved salary budget allocations manually. The controls allow to insert all updates regarding staff employment, such as dismissal, promotion, transfer from one to another position within the government. This ensures that all changes are made and verified against the approved personnel budget allocations on a monthly basis in time for salary payment.

The payroll and personnel are updated monthly in good time for salary payment. Procedures for data entry and management of personnel records and changes are defined in and strictly complied with.

Based on the analysis and supporting evidence, the score for the present dimension is B.

23.2. Management of payroll changes

Every month prior to salary calculation, a "Salary Request" Form is submitted by all budget users to the Department for Centralized Salary Calculation. All budget users regularly update the personnel data that is maintained by the Department for Professional and Administrative Affairs, Subdivision for Human Resources. The budget users submit any change in the number and structure of employees to the Department for Centralized Salary Calculation via the "Salary Request" form no later than the first day of the month for monthly salary calculation. In parallel, the Human Resource Subdivision also submits information related to any change in the structure of employees before the start of salary calculation. In this manner, the personnel data is updated monthly in time for salary payment.

Retroactive adjustments are made every month. Corrections in salary calculation related to incorrectly submitted data or mistakes made when entering data into the salary calculation system are made in the following month, based on the written request of the budget user. Corrections in relation to the number of employees are not frequent. The percentage of salary payments subject to subsequent corrections is known to be negligible in relation to the number of employees. The evidence is not complete.

Therefore, the materiality of retroactive adjustments cannot be ascertained and the score for the present dimension is D.

23.3. Internal control of payroll

All related personnel records are under the authority of the Department for Professional and Administrative Affairs, Subdivision for Human Resources. Salaries are calculated on the basis of data in the "Salary Request" Form submitted by all budget users. It is possible to determine and trace any change in the data made in the Form that is submitted to the Department for Central Salary Calculation.

Table 23.3.D: Internal control functions in BD

Function	Yes/No	Performed by whom	Frequency (if available)
Hiring and Promotion checked against approved staff list	Yes	Department for Professional and Administrative Affairs, Subdivision for Human Resources	Monthly
Reconciliation of payroll and personnel database	Yes	Department for Central Salary Calculation	Monthly
Documentation maintained for payroll changes	Yes	Department for Central Salary Calculation	Monthly
Payroll checked and reviewed for variances from last payroll	Yes	Department for Central Salary Calculation	Monthly
Updates to personnel records and payroll.	Yes	Department for Central Salary Calculation	Monthly
Updates includes validation with approved staff list	Yes	Department for Central Salary Calculation	Monthly
Audit trail of internal controls	Yes	Department for Central Salary Calculation	Monthly
Payroll audits performed in last three years.	Yes	SAI	Annually

Source: *BD Financial Department*

There are internal controls that restrict the authority to change records and payroll. Each change requires separate verification but due to the lack of an internal financial integrity unit and an operational internal audit it cannot be verified how effective these controls are and also witness how the history of transaction changes is maintained. While internal controls are applied and they ensure sufficient level of integrity, there is no established practice of tracing weaknesses that may occur in the absence of an automatic reconciliation system between the payroll and the personnel data.

Hence, the score for the present dimension is C.

23.4. Payroll audit

There is no designated payroll audit performed by SAI. Payroll is audited as part of the annual budget execution audit. The payroll audit covers control of staff employment (irregularities in employment and remuneration, control of existence of staff or the so called 'ghost workers'), calculation and payment of salary, as well as occurrence of any personnel data irregularities. According to SAI the payroll is not considered an area of high risk. Payroll is conducted regularly every fiscal year, weaknesses identified are consistently addressed by the Treasury Department to implement the audit recommendations.

Hence, the score for the present dimension is A.

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.

Indicator/Dimension	Score	Brief justification of the score
PI-24. Procurement (M2)	NA	
24.1. Procurement monitoring	NA	Please refer to the explanation on IBIH PI-24 assessment.
24.2. Procurement methods	NA	
24.3. Public access to procurement information	NA	
24.4. Procurement complaints management	NA	

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23.

Indicator/Dimension	Score	Brief justification of the score
PI-25. Internal controls on non-salary expenditure (M2)	C	
25.1. Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities is needed as well as how the levels of controls are maintained in environment without functional financial management information system.
25.2. Effectiveness of expenditure commitment controls	B	The rules and procedures of payment enforce level of controls that limit the expenditure commitments to the approved budget allocations. The controls are manual and immaterial technical errors may occur.
25.3. Compliance with payment rules and procedures	D	All payments are reported to be compliant with regular payment procedures. The rejected payments which represent the exception to the payment rules and procedures, however, are not monitored and evidence and their volume cannot be provided

25.1. Segregation of duties

The responsibilities are organized in accordance with the employees' positions, and based on the organizational plan in which the positions and description of the employees' jobs and responsibilities are specified. The different tasks of recording, reviewing, authorizing and payment are performed by separate people at the Treasury Unit. The Finance Directorate – Treasury has established an ex-ante control over commitments and identification of responsibilities, payment and accounting data which affect accuracy and completeness. There is an efficient internal control system with new internal control procedures prescribing rigorous controls over transaction processing and recording. This control system is implemented through the Budget Control Unit of the Treasury.

The segregation duties are prescribed by the job description and the internal control rules. Nevertheless, there is still no electronic financial management information system and the controls are manual. Therefore, It is not clear how are the various levels of control of access to data protected and maintained. In the absence of internal audit function, there is no strong evidence that rules are complied with as prescribed. Hence the score is C.

25.2 Effectiveness of expenditure commitment controls

The Finance Directorate of BD has its own system of financial management and control, which is part of its overall public administration reform program. It prevents the budget organizations from making payments that would exceed the amounts of funds allocated and approved for specific spending needs.

Recently the Government introduced new internal control procedures that are developed by a technical assistance project of EUD. They enhanced and further strengthened the financial management and control in the public sector.

Controls on expenditure are established through treasury operations by entering the approved budgeted amounts for each budget unit together with the operational cash allocation plans. Thus, the payment requests of the budget units are filed each month with the Treasury manually. The entire process is coordinated by the Finance Directorate - Treasury and it is based on monitoring of liquidity in the Treasury Single Account and the commercial banks where the Government keeps funds.

There is still not electronic financial management information system, however, the practice is manual and it allows for the registration of expenditure commitments at the time they are made. All budget users within the Government of BD. apply a uniform commitment registration procedure. Commitments are registered when contracts are signed, and payments are checked and expedited only against registered and due commitments. The Law on Budget of BD prescribes that liabilities cannot be above the approved budget or the available resources. The process is clear and comprehensive but due to the fact that the control is manual and insignificant technical errors may happen, the score is B.

25.3. Compliance with payment rules and procedures

The rules and procedures for recording and processing transactions are articulated in the Law on Budget and in Instructions on movement and recording of documentation-bookkeeping documents in the Directorate of Finance-Treasury. It is governing the registration of transactions and the spending of public money. Budget organizations generally operate in accordance with the legislation in relation to financial management.

It was reported that the errors in payment of transactions and exceptions in the application of the standard rules are not recorded and monitored. There is no established practice to monitor data on payments that violated the established procedures, i.e. errors in payments made by the Treasury. The lack of such practice is indicative of a weak internal control system.

Hence the score for the present dimension is D.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit.

Indicator/Dimension	Score	Brief justification of the score
PI-26. Internal audit (M1)	D	The internal audit function is not established yet.
26.1. Coverage of internal audit	D	
26.2. Nature of audits and standards applied	NA	
26.3. Implementation of internal audits and reporting	NA	
26.4. Response to internal audits	NA	

The Central Harmonization Unit that is responsible to establish the internal audit function and to provide methodological guidance and support was established only in FY2020 and it currently has a staff of three employees. There is no Law on Internal Audit yet. The recruitment and training of auditors is now ongoing. The technical assistance project of EUD on PIFC has just finished in May 2022. It produced the internal

audit methodology which is not implemented yet. The financial control aspect of the PIFC concept is also not implemented yet awaiting for inclusion in the new version of the Budget Law of BD.

The technical assistance project funded by EUD in the area of internal control and audit contributed to deploy a PIFC software application enabling all budget users to submit to CHU their internal audit reports electronically. This PIFC application will enable audits in public sector entities through the application of an online application within each public sector entity.

26.1. Coverage of internal audit

There is no operational internal audit in Brčko District, hence score is D.

26.2. Nature of audits and standards applied

N/A

26.3. Implementation of internal audits and reporting

N/A

26.4. Response to internal audits

N/A

PILLAR SIX: Accounting and reporting

This pillar measures whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Overall performance: key strengths and weaknesses

The Treasury bank accounts and advance accounts are reconciled daily, however this does not refer to extrabudgetary units. The information protection processes in place do not support the integrity of financial data. This is mainly due to the fact that since Covid downtime, the function remained vacant. The accounting and financial reporting practices are well established, but the overall financial data integrity is not ensured (PI-27).

Another good practice is that the treasury system allows full coverage of budget execution data and comparison with the originally approved budget. The in-year budget reports provide comprehensiveness, timely and accurate information on budget execution. They are consistent with the budget plans and allow monitoring of budget performance (PI-28). There is overall good performance in accounting and reporting strengthened by the complete annual financial statements containing information on revenue and expenditure, assets and liabilities, guarantees. Constant checking and verification of the accounting records is not well ensured. National standards approximated (in progress) to international IPSAS modified cash and accrual-basis accounting standards contribute to good financial reporting practice (PI-29).

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data.

Indicator/Dimension	Score	Brief justification of the score
PI-27. Financial data integrity (M2)	C	
27.1. Bank account reconciliation	D	Reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day. This does not cover the extrabudgetary units that constitute 22% of the total budget expenditure of BD for FY2021.
27.2. Suspense accounts	NA	There are no suspense accounts.
27.3. Advance accounts	A	Advance accounts are reconciled monthly within a month.
27.4. Financial data integrity processes	D	Access and changes to records is restricted by passwords, there is no operational unit in charge of verifying financial data integrity

The Finance Directorate of BD Government receives daily statements on the balance of open bank accounts at four commercial banks (i) Nova Banka AD Banja Luka; (ii) ASA Banka Sarajevo; (iii) Addiko Bank Banja Luka; (iv) Unicredit Banka Mostar. The report on budget execution, which is prepared on a semi-annual and annual basis, provides an overview of the balance of funds in the Single Treasury Account (JRT in local language), on transaction accounts opened with commercial banks and on special purpose and donor transaction accounts.

27.1. Bank account reconciliation

All government accounts are in STA, and all sub-accounts are reconciled on a daily basis by the Finance Directorate – Treasury electronically. There are no unreconciled accounts. Bank accounts are reconciled on a daily basis and a full reconciliation is made before the annual financial statements are prepared. Evidence provided is a print out of a daily report for the months of September 2022 covering all funds in STA as well as all other collected revenue of BD Government. There are five key bank accounts as follows:

Bank account	Frequency of reconciliation	Timeline for reconciliation
1. Investment Protection Account	Daily	
2. Treasury Deposit Account (core and other)	Daily	
3. Treasury Transaction Account (core and other)	Daily	
4. Account of Central Bank of Bosna	Daily	
5. Funds in Commercial Banks	Daily	

The evidence shows that reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day. However, extrabudgetary funds are not known to be part of this arrangement. The Finance Directorate does not keep information on active account reconciliation of the EBUs. They constitute 22% of the total central government expenditure for FY2021. Based on the above, the score for this dimension is D.

27.2 Suspense accounts

The Finance Directorate- Treasury does not hold any suspense accounts to manage public money. There is no such option stipulated in the legislation. Therefore, this dimension is scored NA.

27.3. Advance accounts

The Finance Directorate keeps advance accounts for official traveling. The travel advance payments are based on official and approved travel agendas and are recorded as expenditures after the travel is completed, upon presentation of documentation of expenses. The reconciliation of advances is automatic between each commercial bank and the Finance Directorate – Treasury. At the end of each month, all available or undocumented funds are refunded to the STA. In case of advance related to public procurement contracts, it is possible to make advance payments if the contract stipulates that advance payment can be made and in what percentage. When paying an advance, usually 30% of the value of the contract, it is secured by a bank guarantee. The amount of the guarantee is equal to the amount of the paid advance and the guarantee has a validity period. Settlement of the advance paid in this way is done at least 5 days before the end of the guarantee period.

Hence, the score for the present dimension is A.

27.4. Financial data integrity processes

It is not clear if the rules, regulations or procedures for access and recording of changes to records are formalized in legal act. Access to all records is protected by a unique password required for access to the Treasury software system. It is not known if passwords are updated and changed at certain time. There is no IT support or a unit responsible for data integrity at the Finance Directorate since February 2022.

It is not clear if access to information, including read-only and the authority to create, modify and change records is traceable in the Treasury system where all budget organizations are integrated as users.

Therefore, based on the information the score for this dimension is D.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures.

Indicator/Dimension	Score	Brief justification of the score
PI-28. In-year budget reports (M1)	C+	
28.1. Coverage and comparability of reports	A	In-year reports cover data that allows comparison to the original budget, and it includes all items of budget estimate.
28.2. Timing of in-year budget reports	B	Budget execution reports are prepared quarterly, and are issued within four weeks from the end of the period
28.3. Accuracy of in-year budget reports	C	Data is useful for analysis of budget execution. Expenditures are captured only at payment stages

28.1. Coverage and comparability of reports

The 2021 in-year reports are presented at the same level of details as the approved budget. This coverage allows comparison of the original budget estimates, with the actual reported information on allocations, commitments, and expenditures. The classification of data, economic and administrative, allows direct comparison to the original budget. The information includes all items of budget estimates. The in-year budget reports cover actual expenditure of all budget entities. Currently, an improvement of the contents of the in-year reports is being discussed with view of covering explanation and analysis of discrepancies and variance.

Based on the above, the score for this dimension is A.

28.2. Timing of in-year budget reports

Article 45 of the Law on Budget stipulates that the Finance Directorate - Treasury prepares quarterly (3, 6, 9 month) budget implementation reports. The quarterly reports are issued within 30 days after the end of the quarter. The quarterly reports are not published, they are submitted to the Mayor and then to the Assembly. The law does not envisage monthly in-year budget reports. Such can be only be drawn up by request of the Mayor or the Assembly.

Based on the above, the score for this dimension is B.

28.3. Accuracy of in-year budget reports

The Rulebook on Accounting and Financial Reporting prescribes the preparation of the in-year budget report. The prescribed financial reports represent a standardized, structured and aggregated presentation of information on the state of assets, liabilities, income, receipts, expenditures, expenditures and execution of the officially adopted budget.

The in-year budget reports are based on data from the Treasury General Ledger. They include details of how reports are compiled. There is information on payments but there is no analysis of data in the reports. There are no details of how reports are compiled.

Based on the analysis and the supporting evidence, the score for the present dimension is C.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system.

Indicator/Dimension	Score	Brief justification of the score
PI-29. Annual financial reports (M1)	D+	
29.1. Completeness of annual financial reports	B	Financial reports are prepared and are comparable with the classification used in the approved budget. They contain information on revenue, expenditure, financial and tangible assets, liabilities and guarantees.
29.2. Submission of reports for external audit	B	The annual financial reports are submitted for external audit within 6 months of the end of the fiscal year.
29.3. Accounting standards	D	National standards that are approximated to international IPSAS modified cash and accrual-basis accounting standards as applied in all financial reports. The standards are not disclosed in notes.

29.1. Completeness of annual financial reports

The annual financial statements are prepared in accordance with Law on the Budget the Rulebook of Bookkeeping and Financial reporting and contain full information on revenue and expenditure, and financial assets and liabilities. Evidence provided is the consolidated annual financial report for FY2021.

The information contained in the annual financial report is complete and is presented in a unified format for all three years. The reports for all three years of assessment contain identical financial data.

Table 29.1.D: Financial reports of BCG

Financial report	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Budget Execution Report for FY2021	20 April 2022	Yes	Yes	Yes	No

The score for the present dimension is B.

29.2. Submission of reports for external audit

The Law on the Budget of BD stipulates that the financial statements prepared by the budget users are to be submitted to the Mayor. Annual financial statements are prepared by the end of February of the current year for the preceding year, and consolidated statements are submitted for external audit by the end of April at the latest of the current year for the preceding year. The evidence for submission was provided for the three years of assessment, however for the score of this dimension only the date of submission of the last report for fiscal year 2021.

Table 29.2.D: Dates of submission of financial reports for external audit for FY2019-2021

Fiscal Year	Date of submission of AFS to external audit (SAO)
FY 2019	22 April 2020
FY 2020	02 April 2021
FY 2021	20 April 2022

Source: BD Finance Directorate

Based on the information presented above and the supporting evidence (Letter of Transmission, Dopis for FY-2021), the score for this dimension is B.

29.3. Accounting standards

The accounting standards applied are defined by the 2008 Decision on Establishing Accounting Policies for Budget Users and Treasury of DB. In accordance with current regulations, the budget users in BD, apply the International Accounting Standards for the Public Sector (IPSAS), which are cash based, as a basis for the preparation and presentation of financial statements. The Government of BD is in process of approximating the accounting standards to those applied in the other governments of BiH.

The new Chart of Accounts, adopted in 2021, and the Law on Accounting qualify the practice of accounting and reporting as rather modified principles which is a mix of cash and accrual basis approach.

There are notes on the financial reports relating to the standards used in the preparation of the annual financial reports. The evidence provided covers the regulations describing the application of accounting standards, annual budget execution report for FY 2021. The majority of international standards are incorporated into the national standards but the variations between the international and national standards are not explained. The standards used are not disclosed in the reports, either.

Based on the above information, the score for the present dimension is D.

PILLAR SEVEN: External scrutiny and audit

The pillar measures whether the public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance: key strengths and weaknesses

The external audit function of BD is performed by the Office for the Audit of Public Administration and Institutions in the BD of BiH. A strong point to note is that all budget organisations of BD, government bodies, extrabudgetary funds and public companies are covered in the external audit in different periods – pre-audit in the period from September until December and audit in the period from March until June. This implies that the external audit ensures accountability and transparency in the use of public funds. Another strength is the fact that there is timely and clear follow up by the executive on audit recommendations. The audit report is prepared and submitted to the legislature within six months.

The scrutiny of audit reports on annual financial reports has been completed by the legislature within six months from receipt of the reports. In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer. A peculiar practice in legislative scrutiny is that the Assembly does not issue recommendations to the executive but only endorses those made by the Audit Office. The hearings are conducted publicly in full chamber of the legislature and made available to the public through media outlets but the Committee reports are not published. (PI-31).

PI-30. External audit

This indicator examines the characteristics of the external audit function.

Indicator/Dimension	Score	Brief justification of the score
PI-30. External audit (M1)	B+	
30.1. Audit coverage and standards	A	The Audit Office has analyzed financial reports including revenues, expenditures, assets, and liabilities of Brčko Government, the extrabudgetary funds and the public enterprises for fiscal years 2017, 2018 and 2019. ISSAIs were applied consistently. The audits have highlighted any relevant material issues and systemic and control risks.
30.2. Submission of audit reports to the legislature	B	All Annual Audit Reports were submitted to the legislature within six months from their receipt by the Supreme Audit Office for the last three completed fiscal years.
30.3. External audit follow-up	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.
30.4. Supreme Audit Institution independence	A	The Audit Office is independent from the executive in all aspects including appointment and removal of the Chief Auditor, publishing of its report, unrestricted and timely access to records, financial and managerial autonomy. The independence is assured by law.

External audit in BD is performed by the Office for the Audit of Public Administration and Institutions in the BD of BiH (the Audit Office). It was established by the Law on the Audit of Public Administration and Institutions in the BD of BiH from 2005 (Official Gazette 21/05). In accordance with this Law, SAI is independent and

is not subject to the management or control of any person or institution. It is non-political and must not support or be affiliated with any political party. The Audit Office applies audit standards approved by the Coordinating Board of Supreme Audit Institutions of BiH, in accordance with Article 48 of the Law on Audit.

The Audit Office prepares an annual audit plan for the next year until the end of current year which is submitted to the Assembly of the BD of BiH. The audit reports prepared by the Audit Office are submitted to the audited organisation, the Assembly, the Government. In case of negative opinion, the audit report is also submitted to the Prosecutor's Office of the BD of BiH in compliance with Article 17 paragraph 2 of the Law on audit of the public administration and institution in BD BiH).

Every year, the Audit Office audits the public administration, the Assembly of the BD of BiH, judicial institutions, public funds, institutes, other institutions financed from the budget of the BD of BiH, public companies (with BD ownership share of over 50%), institutions or activities that receive budget funds or donated funds from other levels of government from the country or abroad, either as loans or grants for the BD of BiH.

30.1. Audit coverage and standards

The Audit Office reports to the Assembly and is entitled to audit all financial, administrative and other activities, programs and projects managed by public institutions of BD. The scope includes financial, compliance and performance audits as well as special audits according to the Law. The law give the Audit Office the legal authority to carry out audits on all public bodies and institutions, local governments as well as on companies in which the government has a majority stake.

The Audit Office applies the audit standards approved by the Coordinating Board of Supreme Audit Institutions of BiH, in accordance with Article 48 of the Law on Audit which are the International Standards on Supreme Audit Institutions (ISSAIs). The Audit Office prepares an annual audit plan that is submitted to the Assembly of the BD of BiH. The audit reports are submitted to the audited organizations, the Assembly, the Government and the Prosecutor's Office of the BD of BiH, in case of negative opinion.

The scope of the Audit Office covers the consolidated annual financial report of the Government, the extra-budgetary unit and the public enterprises with all expenditure, revenue, assets and liabilities. The external audit reports cover material issues and the functioning of the internal control system. The audit reports produced for the fiscal years 2019-2021 are based on the International Standards on Supreme Audit Institutions and are published on the website of the external auditor (www.revizija-bd.ba). This has been verified by the most recent SIGMA Monitoring Report issued in 2021 where the Coordination Board has been emphasized as an important vehicle for the application guidelines of ISSAI. Based on the analysis and supporting evidence, the score for the present dimension is A.

30.2. Submission of audit reports to the legislature

The table below shows when the Finance Directorate submitted its financial statements to the Audit Office for the three fiscal years of assessment. It also shows when the Audit Office submitted the audit reports to the National Assembly. The Finance Directorate is to prepare the annual financial statements by the end of February. The consolidated report is to be prepared by end of April. The audit should be completed and the external audit report submitted to the legislature within three months.

Table 30.2.D: Timing of audit reports submission to the legislature

Fiscal years	Dates of receipt of the financial reports by the audit office	Dates of submission of the financial audit reports to the legislature
FY2019	22 April 2020	8 September 2020
FY2020	02 April 2021	6 August 2021
FY2021	20 April 2022	15 July 2022

Source: Supreme Audit Office of BD

Based on the information provided above, the score for the present dimension is B.

30.3. External audit follow-up

In accordance with the Law on Audit, adopted in 2018 and subsequently revised and updated in 2022, the office is obliged to inform the public, the competent authorities and institutions about the audit findings and recommendations, and to timely publish all audit reports. The audit recommendations are supported by an action plan for their implementation, and they are followed up in the next year. The Audit Office performs follow-up of the previous year's audit report monitoring the implementation of all audit recommendations. This activity is facilitated by the establishment of publicly available registers of all audit recommendations. The register is updated annually. The audit reports of the three years of assessment received a qualified audit opinion.

The degree and status of implementation of the audit recommendations from the last three audits is reported within a chapter of the audit report for the current year. This chapter contains an indication whether a recommendation is fully, partially or not implemented. It is clear that there is a formal and timely response by the audited entity on audits for which follow-up was expected, during the last three completed fiscal years. However, it is not clear how effective the follow-up audit is. Hence, the score for the present dimension is B.

30.4. Supreme Audit Institution independence

The basis of the assessment on independence is the principles set out in the International Standards on Supreme Audit Institution, as stipulated in the Mexico Declaration on SAI Independence. The table below represents the core requirements on SAI independence. The evidence used is mostly in the Law on Audit and the publications on the website of the Audit Office of BD. Audit reports are published publicly on the website of the Audit Office. It can be downloaded from the link <http://www.revizija-bd.ba/index.php/izvjestaji-bs>.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1. The SAI operates independently from the executive with respect to:		
- procedures for appointment and removal of the head of the SAI	Yes	Articles 26 and 27 stipulate that the Chief Auditor and the deputies are appointed and removed from office only by the Assembly, the mandate is seven years.
- the planning of audit engagements	Yes	Law on Audit, Article 12
- arrangements for publicizing reports	Yes	Law on Audit, Article 20
- the approval and execution of the SAI's budget.	Yes	Article 5 of the Law on Audit prescribes that the Audit Office is financed from the District budget. It prepares a draft of its annual budget and submits it to the Finance Directorate for implementation. Only the Assembly can change the budget of the Audit Office. The Audit Office is not entirely financially independent.
2. This independence is assured by law.	Yes	The independence of SAI is defined by Article 4 of the Law on the Audit of Public Administration and Institutions in BD of BiH.
3. The SAI has unrestricted and timely access to records, documentation and information for:	Yes	Access is ensured to all required information and documentation. The audit review procedure is entirely physical and paper based
- all audited entities	Yes	
- procedures for appointment and removal of the head of the SAI	Yes	Article 26 stipulates that the Chief Auditor and the deputies are appointed and removed from office only by the Assembly, the mandate is seven years.

The score for the present dimension is A.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf.

Indicator/Dimension	Score	Brief justification of the score
PI-31. Legislative scrutiny of audit reports (M2)	C+	
31.1. Timing of audit report scrutiny	B	The parliamentary Committee for Public Finances scrutinizes the audit reports within six months and debates them in plenary sessions (full chamber).
31.2. Hearings on audit findings	A	In-depth interviews were held with all budget organizations that received a qualified opinion.
31.3. Recommendations on audit by legislature	D	The Assembly do not issue recommendations on audit to be considered by the executive. They can only endorse the recommendations issued by the Audit Office.
31.4. Transparency of legislative scrutiny of audit reports	D	All hearings are conducted in public. The audit reports are debated in the full chamber of the legislature. The plenary sessions are broadcasted in the media but the Committee reports are not published on the Assembly's website.

The parliamentary Committee for Public Finances is entrusted with the task of reviewing and commenting on the budget plan as well as on the Government budget execution audit report. This usually takes place within a couple of months. The audit report is considered and debated in full chamber. The audited entity is obliged to submit to the Audit Office within 30 days from the date of receipt of the audit report a program of measures for the implementation of the audit findings specifying the actions that will be taken to overcome the omissions and irregularities identified in the audit report, with specific deadlines. This requirement is stipulated in Article 17 of the Law on the Audit of Public Administration and Institutions in BD BiH.

31.1. Timing of audit report scrutiny

Article 17 of the Law on the Audit of Public Administration and Institutions in the BD of BiH stipulates that the final audit reports shall be submitted to the institution where the audit was carried out, as well as to the Assembly and the Government of the BD of BiH. The Assembly of the BD of BiH considers the audit reports at its sessions.

The Assembly does not adopt the audit reports but only review and discuss them. The review of the reports is performed within a couple of months from their receipt. The Assembly provided a list of reports that were considered at their closed and open sessions. They were 23 in 2019, 19 in 2020 and 42 in 2021. The audit reports of the budget execution for the period 2019-21 received qualified audit opinion. The scrutiny of the audit reports of budget execution for the three years of assessment took place within two months from the receipt of the audit reports from the Audit Office.

Table 31.1.D: Timing of audit report scrutiny

Fiscal years	Dates of receipt of the financial audit reports	Dates of scrutiny by the legislature
FY2019	8 September 2020	28 January 2021 (at the 2nd regular session)
FY2020	6 August 2021	9 February 2022 (20th regular session)
FY2021	15 July 2022	21 December 2022 (at 34th regular session)

Based on supporting evidence, the score for the present dimension is B.

31.2 Hearings on audit findings

It is not clear which regulation of the Assembly defines the procedure of audit report hearings.

The Assembly should review, hear and endorse the audit report within a couple of months of from its receipts. Prior to hearings the audit report is discussed by the groups of the political parties. There is no legal provision defining who participates at the hearings on the key findings of the audit report. There are hearings of the audit report when the audit opinion is qualified or adverse. The hearings are attended by the audited body and representatives of the Audit Office in BD. In the three years of assessment the executive received qualified audit opinion. There were hearings on audit finding with all audited budget users who received audit recommendations. The hearings were evidenced in audio and video recording of all sessions where audit reports were discussed. These sessions of the Assembly are public, the minutes provided do not contain the details of the session.

Based on the analysis and supporting evidence, the score for the present dimension is A.

31.3. Recommendations on audit by legislature

The Statute of the BD of BiH - revised text does not stipulate that the competence of the Assembly is to issue and monitor audit recommendations. The Assembly is informed about the audit findings and recommendations and they can endorse them. Audit recommendations are issued only by the Audit Office. The audited entity is obliged to submit to the Audit Office within 30 days from the date of receipt of the audit report a program of measures for the elimination of observed deficiencies, with actions that will be taken to overcome the identified irregularities in the audit report. The Assembly does not issue recommendations on audit to be considered by the audited organization and while they endorse the audit recommendations issued by the Audit Office, they do not follow up on their implementation.

Based on the analysis and supporting evidence, the score for the present dimension is D.

31.4. Transparency of legislative scrutiny of audit reports

One of the permanent parliamentary commissions is the Commission for Monitoring the Work of the Government, District Institutions and Citizens' Petitions, which at its sessions, and before holding the session of the Assembly of the BD of BiH, considers submitted audit reports, but without making decisions. The discussion ends with the adoption of an "Opinion" in which it is stated that the report can proceed to further procedure. The next procedure is the consideration at the session of the District Assembly, where the deputies comment on the audit report, ask questions and finally take it into consideration. There is no publication of the Commission reports or any of their minutes related to the scrutiny of the audit report.

Based on the analysis and supporting evidence, the score for the present dimension is D.

2.D.3. Effectiveness of the internal control framework

The existing legislative basis for internal control covers only elements of the required framework. The international framework for internal control known as COSO is referred to in the Law on the Budget Law of the BD of BiH of 2019 Official Gazette No. 2/10. The Government of BD has begun to issue guidance and rulebooks on the implementation of internal control.

The establishment of CHU which was only set up in 2020 is to monitor and report on progress with implementation of internal control system. Thus, the internal control system is mostly at the stage of establishing the institutional arrangement and enhancing the legal framework.

Risk Assessment

Operation and process related risk is based on ledger system and whatever preliminary control activities exist as immediate necessity. While the internal control legislation is still in formative stage, there is no formalized risk assessment mechanism in the tax administration of BD. Thus, decisions appear to be driven by risk factors that are predicted and managed in good time. Risk assessment status at different stages of PFM system is analyzed as follows:

Pillar 1: Budget reliability: high expenditure and revenue outturn increases the credibility of the budget. Budget composition amendments creating potential for lack of short-term fiscal sustainability.

Pillar 2: Transparency of public finances: There are no inherent risks from lower government level but the material amount of off-budget revenue and expenditure, both not being reported in the annual financial statements is significant. The risk of misuse of funds and poor service delivery to the public exists due to the poor practice of publishing information and enabling public scrutiny of government policies, programs and their implementation.

Pillar 3: Management of assets and liabilities: The Budget Code does not contain requirements concerning monitoring and reporting of contingent liabilities and other fiscal risks (PI-10). There is little guarantee of value for money without well established and transparent economic analysis of investment proposals (PI-11), costing of investment and written procedures for monitoring the performance of public investments. There is a risk of poor accountability with the lack of transparency on assets disposal. (PI-12). Debt management is an area that may have a substantial impact on the government's capacity to maintain fiscal discipline (PI-13).

Pillar 4: Policy-based fiscal strategy and budgeting: Lack of medium-term perspective in budgeting expenditure and limited visibility of fiscal forecasts and sensitivity analysis in budgeting creates the risk of having budgets that are prone to amendments by various internal and external factors (PI-14). The poor practice of medium-term perspective in expenditure budgeting and budget preparation process contributes to the overall risk of having unrealistic plan in mobilizing the government resources.

Pillar 5: Predictability and control in budget execution: The revenue administration practice does not apply risk management this enlarges the risks of poor collection. The personnel database is linked to the payroll thus reducing the risk of errors and possibly of retroactive adjustment. There is segregation of duties between salary and non-salary expenditures.

Control Activities

Control activities in PFM appears to be well developed and applied even if there is no electronic treasury operated software system. Still there are process that need to be strengthened. Control of payment rules for all budget performance operations would enhance transparency and accountability.

Information and Communication

Generally, the PFM information such as the approved budgets, the in-year budget execution reports, and the annual budget execution report are well available to the public. There is public participation with regard to budget formulation. There is clear and comprehensive information on revenue collection and administration with regard to the right of obligation of the public (PI-19).

Monitoring

Monitoring in Committee of Sponsoring Organizations (COSO) terms means the process of assessing the quality of internal control performance over time. Performance monitoring in the PFM system is not well developed, yet (PI-11). The main tools of monitoring PFM ensure that the in-year quarterly reports and the budget execution reports are consistently prepared. The internal control framework of the PFM system is

still not sufficiently described and comprehensive and reliable control activities are yet to be in place and be efficient in order to ensure against key irregularities and errors.

The internal control environment is still in process of being established with the deployment of the internal audit function.

2.D.4. Impact of PFM performance on budgetary and fiscal outcomes

Aggregate fiscal discipline

Aggregate fiscal discipline aims to align the levels of revenue and expenditures without creating significant fiscal deficits which could jeopardize fiscal sustainability and manage spending within the available fiscal space.

The reliability of expenditure and revenue at aggregate level contributes positively for aggregate fiscal discipline, however, the unreliability of expenditure and revenue at composition level has a negative impact on the budget credibility. The consistently low contingency reserve is a factor of budget stability. The classification on the budget only appears to be GFS 2014 compliant while in reality it is still in process of implementation. The BD government is not in a position to obtain a complete picture of revenue and expenditures across every category, while there is unreported expenditure of about 30%. Clear rules exist for in-year budget amendments by the executive and are adhered to. Strong control exists on revenue arrears and the authorities have been able to keep them at low levels.

The recording and reporting of debt is complete, updated and reconciled on a monthly basis and the existing and projected debt is monitored in a debt management strategy. The fiscal discipline is at stake with no fully established function of fiscal risk monitoring and reporting. Financial reports of public corporations are prepared and submitted for external review, however that process is detached from budget preparation and execution. Fiscal discipline is further challenged by the lack of safeguards of a proper public investment management framework such as clear and transparent criteria for prioritization and selection and centralized monitoring of public investment implementation. Government maintains records of financial and non-financial assets but the failure to publish information on their transfer or disposal in financial reports additionally undermines fiscal discipline.

Macro-fiscal forecasting is performed but it is not well integrated with the budget process while MTEF is not part of the budget documentation. These circumstances do not contribute to effective fiscal management.

Strategic allocation of resources

Allocating resources in line with strategic priorities contributes to maximizing the impact of public spending for an efficient public sector and economic growth.

The strategic allocation of resources is negatively affected by the significant level of budget reallocations at expenditure and revenue level. Frequent budget reallocations override government original policy intentions, leading to poor resource allocation which affects efficient service delivery, going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original policy intent.

Budget preparation process is structured to allow for efficient resource allocation while in-year budget execution reports provide enough reliable information to assess its effectiveness. Budgets are scrutinized appropriately by legislation, although with significant delays. However, strategic documents of BD institutions are only partially translated to the budget as there is a weak link between goals and objectives formulated and consequent expenditure breakdown. This is also a consequence of the early stage of development of the program budget framework and lack of performance measurement of government programs, projects and activities. Selection of major investment projects is not based on predetermined standard criteria, thus leading to inefficient allocation of resources.

Finally, revenue administration and accounting is supported with efficient administration and accurate recording of tax collections and daily accounting of collected revenue which provide sound contribution to predictable allocation of resources.

Efficient service delivery

The manner in which the funds for service delivery are prioritized, budgeted, spent and evaluated, is a key success factor for efficiency of the public services which the government provides to citizens and society.

The continuous reallocation of approved budget both at economic levels defeats the purpose of original government policy. This means that planned service delivery activities will no longer receive the necessary funding, thereby impacting negatively on the quality of primary service delivery. Cash forecasting and monitoring is done at the level of the Treasury only as required by the legislation. Public access to fiscal information and transparency of public finances is found to be good. Most of the fiscal information is made available to the public, however performance information for service delivery is not prepared as the framework for it is in very early stages of development.

Finally, the internal control of non-salary expenditures is found to be subject to poorly articulated levels of control as there are no monitoring of payment errors. The internal audit function in BD is still not established. At the same time, the Audit Office responsible for the external audit of BD Government is found to be strong, well established and sufficiently independent to act professionally and to keep the government accountable for allocating public funds in accordance with the approved budget.

3. Overall analysis of PFM systems

The chapter offers a comparative perspective with respect to key changes in performance registered since the 2014 PEFA Assessment. Moreover, it aims to synthesize key findings of the assessments which are largely relevant for all four levels of government and give a comprehensive overview of key issues identified including main strengths and weaknesses of the PFM system of Bosnia and Herzegovina. The analysis focuses on key elements which impact performance across the seven pillars and, as a result, assesses the extent to which the PFM system, as a whole, constitutes an enabling factor for achieving the planned economic development outcomes for BiH society.

3.1. Comparative analysis of PFM strengths and weaknesses across government levels, consolidated

Key Strengths

In spite of the high level of complexity and interdependence which are the most pronounced characteristics of BiH PFM system the country has been able to sustain a remarkable level of stability with orderly management of budgets, low levels of public deficits, relatively manageable public debt (albeit with pronounced risks in the near to medium term) and strong external scrutiny of budgets as evidenced by high scores assigned for related indicators (i.e PI-1, PI-5, PI-13, PI-17, PI-25 and PI-30)²¹³.

1. Expenditure management

Expenditure management, from both upstream and downstream perspective, is performing well and could be considered as the main strong point of the country's PFM system. The upstream expenditure management is primarily based on relatively strong macro-economic and fiscal forecasting functions which are provided by Directorate for Economic Planning and the Macroeconomic Analysis Unit of the Indirect Tax Authority. Moreover, the system exhibits a solid level of fiscal discipline which is manifest across all four levels of government as confirmed by relatively small deviations between the executed and the approved budgets (i.e. less than 10% across all 4 levels of government), make sure that spending appropriations are strictly aligned with budgeted limits. The meticulous payment controls (see relevant discussion under PI-25.2 and 25.3) function very well even in the times of crises, as could be seen by the relatively solid performance of the Ministries of finance across the board during period of Covid pandemic.

Budgeting processes in BiH across government levels function by and large according to relevant regulatory prerequisites and institutional arrangements. For example, budget preparation calendar is embedded in the relevant legislation for each level of government in BiH and is largely complied with except for the central level of government where political stalemate has resulted in delays in budget adoption in recent years. There is space for improvement, which require only certain amount of regulatory fine-tuning and capacity development, depending on the particular issue in question. For example, budget documentation is relatively comprehensive though it lacks information on the achieved and planned results of the government spending policies and its impact on BiH society. Hence, budgets across all entities in BiH need a stronger performance-based anchoring to be able to offer adequate control and adjustment mechanisms based on objective measures of effectiveness. There is some prospect that this aspect will be improved starting with 2025 budget cycle given the recent changes in the relevant regulatory framework. This week point is further discussed in the text below and will hopefully be addressed by the envisaged phased implementation of program budgeting (due to be initiated in towards the end of 2024).

2. External audit

All levels of government exhibit strong external audit functions, with the only difference being the fact that external audit follow up by the executive is more pronounced at the level of Brčko District and RS as

213 BiH Institutions have scored D on PI-17 however this is only due to the political stalemate which existed throughout the assessment period.

compared to the level of FBiH and BiH Institutions. One notable trait about the external audit function in BiH is the fact that it has benefited from a direct bilateral program of technical assistance which has been provided external audit departments across the level of government on a continuous basis over the span of more than 20 years.

3. Debt management

Legislated debt service limits prevent rampant debt financing and have a further effect of strengthening overall fiscal discipline, albeit with inherent systemic weaknesses as discussed below. Debt servicing forecasts are regarded as mostly reliable and are well integrated in the budget planning process. Moreover, debt management strategies are comprehensive and credible documents in the sense that they encompass all the essential elements including assessment of broader macroeconomic context, cost and risks associated with the implementation of debt management strategy, all of which are needed to ensure that both the level and rate of growth in public debt are sustainable and can be serviced under a variety of circumstances.

On the other hand, there are inherent inefficiencies which at the moment increase the debt servicing costs as a result of existing strategic planning, public investment management and procurement practices all of which are discussed in the next section.

Key Weaknesses

There are a number of key weaknesses which undermine the ability of BiH Government to plan and manage development outcomes. Some of these weaknesses are deep-rooted problems which have partly been pointed out in the context of the previous PEFA assessment and which relevant government institutions have not effectively addressed as yet. On the other hand, some other weaknesses point to the relatively deficient nature of relationship with country's creditors (i.e. bilateral and multilateral IFI-s) which could be made more effective than is currently the case.

1. Continued lack of strategic targeting of public budgets

This was a noted issue in the context of previous assessment and 10 years on it continues to be the most notable negative trait of BiH PFM system, namely the fact that budgets largely reflect planned legal obligations within the available budget envelope rather than serving as a tool to strategically direct resources towards the achievement of social and economic and development objectives (which partly is corroborated by the relatively low score for PI-2). In spite of its great importance an effective strategic planning and prioritization system has not been fully established in Bosnia and Herzegovina. Some progress has been made with the adoption of regulatory changes, especially in FBiH, however declarations made in adopted strategic documents have yet to find their way into actual implementation. In the case of the Federation, The Law on Development Planning and Development Management in FBiH was adopted for the first time in 2017, but its implementation is still not ensured, because the application of the relevant by-laws adopted on the basis of the Law has been postponed²¹⁴. Other governance levels have lagged behind FBiH in designing and adopting adequate strategic planning framework. As a result, governments across levels continue with their habitual practice of adopting strategies without due regard for their cost implications.

2. Continued lack of result based/performance driven allocation of public funds

This is another key issue which the government has failed to find a way to address effectively since the last PEFA assessment as evidenced by negative scores across indicators such as PI-8 (Performance information for service delivery) and PI-11 (Public Investment Management) for example. Namely, government interventions across different levels and sectors in Bosnia and Herzegovina are designed,

214 See for example 2021 Performance Audit Report for FBiH: Establishing Effective Strategic Development Planning System. Available at:

https://www.vrifbih.ba/wp-content/uploads/2021/09/RU_2020-2021_Uspostavljanje-efikasnog-sustava-planiranja-i-donosjenja-strategija-lzvjesce_20210908.pdf

planned, funded and delivered without due regard for adequacy and impact of such interventions. Performance information is not used prior to (i.e. baselines), during and following the implementation of interventions therefore increasing the likelihood of waste and mismanagement of scarce budget funds²¹⁵. This remains to be the case both at the highest level of executive and within individual line ministries and other spending agencies.

The first steps in this direction however are expected to be taken within the 2025 budget planning cycle and it remains to be seen whether the new processes will lead to performance information becoming the key basis for budget resource allocation decisions.

3. Weak scrutiny of budgets by Parliaments

Moreover, as in the case of previous assessment Parliaments continue to exhibit weak involvement in the budget preparation process which is primarily due to a still remaining weak capacity for systematic budget analysis and also due to delayed submissions of budget proposals by the government.

For example, relevant Committees of FBiH Parliament were not given enough time to properly scrutinize government budget proposals in any of the last four years as budget was proposed, considered and adopted following a “fast track” procedure, which limits the scope for parliamentary scrutiny and public discussion. Although there are technical services within the Parliaments in BiH that provide support to Committees, the capacity for independent research and provision of information is relatively weak. Within the State Parliament, a small specialized research division (Parliamentary Research Centre) has been established, initially based on donor assistance, to provide services for all Committees of both Houses however with weak capacity to provide the BiH Parliamentary Assembly with adequate analytical support in the domain of economic, financial and budget matters. A donor support provided by the USAID to establish a budget analysis unit within the FBiH Parliament in 2014 resulted in failure as such unit was never established and made operational. In RS, relatively independent analytical support is provided in the context of the work of RS Fiscal Council, a three-member body appointed by the RS National Assembly which is tasked to oversee the implementation of the The Law on Fiscal Responsibility in the RS including adherence to established fiscal rules, public spending limits as well as to strengthen responsibility for the efficient and effective use of budget funds.

4. Questionable effectiveness of Internal control system – Lack of managerial accountability

Discussion about the effectiveness of internal control system is thoroughly covered under section 2.3 however it is worth reiterating here briefly especially as it pertains to one particular aspect, namely that of the managerial accountability. There is not a particular indicator or dimension under PEFA assessment which captures the aspect of managerial accountability adequately, however it is an essential component of a functioning PIFC system. Government authorities in BiH have failed to successfully imbue the public administration structures with the concept of managerial accountability to date and it thus remains a prominent characteristic of not only BiH public administration but also other traditional centralized public administration systems in the Western Balkans region.²¹⁶ The reform designs in the past have not emphasized this concept sufficiently and adequately²¹⁷, and is something that requires closer attention in the near term. It should be noted however that the issue has been highlighted as an important one in the

215 See for example: 2020 Monitoring the Implementation of the Recommendations from the Performance Audit Report: "Budget Planning of the Federation of Bosnia and Herzegovina"

https://www.vrifbih.ba/wp-content/uploads/arhiva/javni-izvj/ucinak/Pracenje_realizacije_preporuka_iz_izvj_revizije_ucinka_Planiranje_Budzeta_FBiH_2019.pdf

216 See for example: Managerial Accountability in the Western Balkans: A comparative analysis of the barriers and opportunities faced by senior managers in delivering policy objectives, SIGMA Paper No. 58. The report is available at:

<https://www.sigmaweb.org/publications/Managerial-accountability-in-the-Western-Balkans-SIGMA-Paper-58-November-2018.pdf>

217 The international community has in the past prioritised limiting political interference over putting an emphasis on managerial accountability within the context of past Civil Service Reform programs. It is also likely that the issue has been further exacerbated by the practices of the IFIs which have created parallel management structures in order to safeguard funds (through, for example, the establishment of Project Implementation Units (PIUs)) and in doing so sidelining and potentially undermining the existing governance systems.

context of strategies for the Development of the System of Public Internal Financial Controls (PIFC) in the public sector for each of the respective levels of government in BiH and it remains to be seen whether the existing reform designs in this regard will manage to establish a sufficient foothold in the coming period.

5. Significant risk of 'State Capture' through public procurement

In spite of receiving a high score in the context of this and previous PEFA assessment, public procurement still remains an ineffective tool for implementation of public policy decisions in Bosnia and Herzegovina as public procurement procedures are often characterized by slow and at times wrong decisions which are successfully challenged through subsequent court proceedings which come after a significant delay and can and do lead to significant project implementation delays and stalemates.

6. Failure to invest in public sector capacity to manage essential PFM functions

What is notable trait across almost all of the above-mentioned weaknesses is either a limited or in some cases non-existent legal, institutional and technical capacity to perform those key functions.

While there is a general talk that public sector is over-staffed closer scrutiny reveals that key functions with respect to strategic planning, public investment management and budgeting remain understaffed almost to the point of neglect. For example, FBiH is currently undergoing through the largest public investment cycle ever, yet the relevant unit in the Ministry of Finance responsible for administering public investment proposals and for coordination of the implementation process employs only two staff. Even worse is the situation in the District Brčko which has not even established a PIM Unit while the limited staffs in relevant departments at the level of the Institutions of BiH and Republika Srpska largely focus on PIM record keeping functions.

Similar situation is observed with Government Secretariats across levels which are not only understaffed relative to their integral 'Centre-of-Government functions' in the sense of their capacity to effectively coordinate government's actions, conduct strategic planning of the government programs and monitor and assess performance against plans and finally feedback information to the decision-makers. Instead, Government Secretariats are often silent on substance and quality with respect to the formally adopted strategic course of action.

3.2. Comparative overview of performance changes since the previous assessment, consolidated

PFM reforms conducted since 2014 PEFA Assessment have, on balance, resulted in relatively modest improvements in both upstream and downstream PFM Practices across all four levels of government in BiH as presented in the table below which offers overview of change in scores between 2014 and 2023 PEFA assessments (using the 2011 PEFA Framework as the basis for comparison).

Table 3.1: Comprehensive overview of performance change

Indicator	BiH Institutions		FBiH		RS		BD	
	Score previous assessment	Score current assessment	Score previous assessment	Score current assessment	Score previous assessment	Score current assessment	Score previous assessment	Score current assessment
A. PFM-OUT-TURNS: Credibility of the Budget								
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	B	A	B	A	B	C	B
PI-2 Composition of expenditure out-turn compared to original approved budget	B+	B+	B+	D+	A	B+	C+	C+
PI-3 Aggregate revenue out-turn compared to original approved budget	A	A	A	B	A	A	B	B
PI-4 Stock and monitoring of expenditure payment arrears	A	A	NR	A	A	B+	D	C+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency								
PI-5 Classification of the budget	C	C	C	D	C	B	B	B
PI-6 Comprehensiveness of information included in budget documentation	B	B	C	C	B	B	B	B
PI-7 Extent of unreported government operations	C+	A	D+	NR	D+	C+	A	D+
PI-8 Transparency of inter-governmental fiscal relations	NA	NA	D	D+	B	A	NA	NA
PI-9 Oversight of aggregate fiscal risk from other public sector entities	A	NR	D	D	C+	C+	C	C
PI-10 Public access to key fiscal information	A	B	B	B	A	B	B	A
C. BUDGET CYCLE								
<i>C(i) Policy-Based Budgeting</i>								
PI-11 Orderliness and participation in the annual budget process	C	D+	B	B	A	A	C+	C+
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C+	D+	D+	D+	C+	D+	C+

C(ii) Predictability and Control in Budget Execution								
PI-13 Transparency of taxpayer obligations and liabilities	B	B	C	C+	C	A	C	A
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	B	B	B	B	B	B	B
PI-15 Effectiveness in collection of tax payments	C+	D+	NR	C+	D+	D+	D+	D+
PI-16 Predictability in the availability of funds for commitment of expenditures	A	C+	C+	NR	A	B+	B+	C+
PI-17 Recording and management of cash balances, debt and guarantees	B+	B+	B	B	B+	A	B+	A
PI-18 Effectiveness of payroll controls	C+	C+	D+	NR	D+	B+	D+	C+
PI-19 Competition, value for money and controls in procurement	C+	C+	NA	NA	NA	NA	NA	NA
PI-20 Effectiveness of internal controls for non-salary expenditure	C+	B+	D+	C+	D+	D+	D+	D+
PI-21 Effectiveness of internal audit	C	C+	C+	C+	D+	B+	D	D
C(iii) Accounting, Recording and Reporting								
PI-22 Timeliness and regularity of accounts reconciliation	A	A	A	A	A	A	B+	B+
PI-23 Availability of information on resources received by service delivery units	NA	A	B	C	B	A	B	A
PI-24 Quality and timeliness of in-year budget reports	A	D+	C+	C+	A	A	C+	C+
PI-25 Quality and timeliness of annual financial statements	C+	D+	C+	D+	C+	A	C+	B+
C(iv) External Scrutiny and Audit								
PI-26 Scope, nature and follow-up of external audit	B+	B+	C+	C+	C+	B+	C+	B+
PI-27 Legislative scrutiny of the annual budget law	D+	D+	D+	D+	D+	D+	C+	B
PI-28 Legislative scrutiny of external audit reports	C+	C+	D+	D+	C+	D+	D+	D+

Key points with respect to changes in performance are as follows:

A. PFM-OUT-TURNS: Credibility of the Budget

- Performance with respect to aggregate expenditure out-turns has been maintained at the level of IBiH. Improvement has been registered at the level of BD while both FBiH and RS have seen a deterioration in the score.
- Aggregate revenues have remained strong across levels. In the case of FBiH the score is lower due to FBiH having fully relied on ITA projections of indirect tax revenues during the COVID period, which turned out to be overly conservative.
- Stock and monitoring of expenditure payment arrears have received high score in FBiH and RS, with only a relatively marginal deterioration in the case of the RS, and a solid improvement in the case of BD.

B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency

- With respect to comprehensiveness and transparency of public finances performance has on balance been maintained. At the same time except for the level of IBiH there has been a deterioration in the extent of unreported government operations.
- Public access to key fiscal information has seen a deterioration in the case of IBiH and RS while improvement has been registered in the case of BD. Moreover, oversight of aggregate fiscal risk from other public sector entities have remained as weak as it was during 2014 PEFA assessment, hence it continues to be a prominent issue of concern from the aspect of sustainability public finances in the near to medium term, especially in the case of FBiH.

C. BUDGET CYCLE

C(i) Policy-Based Budgeting

- Budget calendar is generally adhered to while there is a deterioration in the score at the level of BiH Institutions due to political disagreements and the fact that in the last five years, the parliamentary committees for budget and policy analysis did not have adequate time to undertake detailed analysis/budget hearings due to imposition of the fast-track budget adoption procedure. In Brčko District slight improvement is registered in better adherence to prescribed budget calendar.
- Multi-year perspective in fiscal planning, expenditure policy and budgeting has registered improvement across all levels primarily due to more frequent practice of debt sustainability analysis. On the other hand all government levels continue to show disregard for multi-year expenditure estimates when preparing public investment plans.

C(ii) Predictability and Control in Budget Execution

- One notable improvement relates to the performance of ITA with respect to Taxpayers having access to comprehensive, user-friendly, and up-to-date information on tax liabilities and the fact that there are administrative procedures for major taxes, including taxpayer education campaigns (the rating for specific dimension increased from B to A). On the other hand, tax appeal mechanism remains weak across all levels.
- Low scores across the board with respect to the effectiveness of tax collections are affected by low debt collection ratios and significant tax arrears. For example, in FBiH tax arrears on average represented 38% of total annual tax collections during the assessment period.
- While the overall score for Public Procurement has been maintained, there is a notable deterioration with respect to the existence of an independent administrative procurement complaints system.
- Internal controls (PI-21) have registered a solid improvement at the level of BiH Institutions and FBiH. RS has also seen a notable improvement in expenditure commitment controls due to improved procedural framework and subsequent practices which limit commitments to actual cash availability and approved budget allocations. However, due to the fact that errors in recording transactions are not monitored and evidence on their volume cannot be provided, the score has remained the same.

- There has been an increase in the coverage and quality of the internal audit function (as reflected by performance improvements for dimensions 1 and 2) across the board except for District Brčko which has failed to establish the internal audit function thus maintaining score D. However, at the levels of BiH Institutions and FBiH the situation is characterized by significant managerial delays in responding to internal audit findings, hence the unchanged level of performance at the level of indicator.

C(iii) Accounting, Recording and Reporting

- With respect availability of information on resources received by service delivery unit, all levels have registered top performance.
- Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, and long-term obligations, and are supported by a reconciled cash flow statement. Moreover, financial reports for budgetary central government are submitted for external audit within 3 months of the end of the fiscal year. Whereas in the RS International IPSAS accrual-basis accounting standards are applied in all financial reports, in FBiH the deterioration in the score is primarily affected by the fact that IPSAS accounting standards are not adopted for the public sector and also by the fact that accounting standards are not disclosed (this applies both to BiH Institutions and FBiH).

C(iv) External Scrutiny and Audit

- Performance with respect to external scrutiny and audit have remained the same on balance. The RS has registered an improvement with respect to better managerial response and follow up to external audit recommendations (PI-26) on the one hand while legislative scrutiny of audit reports has deteriorated (PI 28). In FBiH the score is largely affected by the fact that only 30% of the recommendations by the external audit are fully implemented. In RS there is timely and comprehensive follow up to audit recommendation.
- Legislative scrutiny of annual budget law remains equally weak across all levels except for District Brčko which has raised its score by a notch due to a change in scope and practice of the legislative scrutiny, namely legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. Moreover, BD holds at least one public discussion on the Budget Proposal, which is a practice that is not implemented on other levels.

Annex 1: Performance indicator summary

This annex provides a summary table of the performance at indicator and dimension level. Given that the previous assessment applied Framework 2011, only the 'Current assessment' columns were completed.

Since the previous assessment was based on an earlier version of the PEFA Framework (PEFA 2011), a comparison using Annex I is not possible. Instead, a comparison with the previous assessment is provided in Annex IV, which is designed for comparisons with assessments based on earlier versions of the framework.

Annex 1A: Performance indicator summary, BIH

Bosnia and Herzegovina Institutions of BiH:		Current assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	While the budget for 2021 was an outlier, the deviation between the adopted budget and the execution of the budget was less than 10%, 91.3% and 99.3% in 2019 and 2020, respectively.
	PI-2	Expenditure composition outturn	C+	
		(i) Expenditure composition outturn by function	B	Variance in expenditure composition by administrative classification was less than 10% in at least two of the last three years, 7.7% and 7.3% in 2019 and 2020, respectively.
		(ii) Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years, 8.7% and 13% in 2019 and 2020, respectively.
		(iii) Expenditure from contingency reserves	A	In 2019, the expenditure charged to a contingency vote was 0.04% of the total expenditures, while in 2020 and 2021 there was no spending from the contingency.
	PI-3	Revenue outturn	B+	
		(i) Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years, 105% and 102% in 2019 and 2020, respectively.
		(ii) Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years, 8.4% and 5.4% in 2019 and 2020, respectively.
Transparency of Public Finances	PI-4	Budget Classification	B	While Budget and Outturn are based on administrative and economic classification, only the total spending of each budget user (head) is assigned to functional classification in line with COFOG. At BiH Institutions level of Government, GFS 2014 has been in use since 2019. MoFT has implemented the system that allows a consistent linkage of the CoA with GFS 2014 classification.
	PI-5	Budget Documentation	C	6 of the 12 applicable elements are met.
	PI-6	Central government operations outside financial reports	A	
		(i) Expenditure outside financial reports	A	All expenditures are included in the financial reports.
		(ii) Revenue outside financial reports	A	All revenues are included in the financial reports.

Transparency of Public Finances		(iii) Financial reports of extra-budgetary units	N/A	
	PI-7	Transfers to subnational governments	N/A	
		(i) System for allocating transfers	N/A	
		(ii) Timeliness of information on transfers	N/A	
	PI-8	Performance information for service delivery	C	
		(i) Performance plans for service delivery	C	Information is published annually on the activities to be performed under the policies or programs for the majority of ministries.
		(ii) Performance achieved for service delivery	D	Information is published annually on the quantity of outputs produced and outcomes achieved for less than 50% of the assessed sample.
		(iii) Resources received by service delivery units	A	Information on resources received by frontline service delivery units is collected and recorded for all budget users, as shown through their individual reports on budget execution and consolidated budget execution report for Institutions BiH. Two largest ministries in terms of service delivery are selected as an example (Ministry of Justice BiH and Ministry of Civil Affairs BiH).
		(iv) Performance evaluation for service delivery	D	Performance audits are carried out by the SAI BiH. However, performance audits are focused on specific functions or policies rather than institutions as such.
	PI-9	Public access to information	D	Although all documents are available to the public, most of them are not available within the expected time frame.
Management of assets and liabilities	PI-10	Fiscal risk reporting	C+	
		(i) Monitoring of public corporations	D	No evidence of performance above score D requirements.
		(ii) Monitoring of sub-national government (SNG)	N/A	BiH level does not have direct fiscal relations with subnational governments.
		(iii) Contingent liabilities and other fiscal risks	A	All significant contingent liabilities are reported in financial reports.
	PI-11	Public investment management	D+	
		(i) Economic analysis of investment proposals	D	There are no formal guidelines on how the economic analysis of proposed projects is to be conducted. Moreover, the opinions which Ministry of Finance and Treasury issues prior to the formal approval of each multiannual project by the Council of Ministers are only partly based on the economic evaluation of the respective project under consideration. The PIP for the period of 2022-2024 was not officially adopted by the Council of Ministers.
(ii) Investment project selection		D	There is no evidence that relevant project selection criteria are actually applied in practice, especially in light of the fact that the Commission ⁴² that is supposed to undertake the task of investment project appraisal and prioritization has never been established.	

Management of assets and liabilities		(iii) Investment project costing	C	Total capital cost is presented only for the forthcoming year in the budget documentation.
		(iv) Investment project monitoring	D	Full physical and financial monitoring of the project is supposed to be conducted once a year as prescribed by the Article 15 of the relevant bylaws. ⁴³ However this decree was published in the Official Gazette only at the end of 2021 and will be applied for the fiscal year 2022.
	PI-12	Public asset management	C	
		(i) Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets through a balance sheet which is prepared on a quarterly basis. Information on income from interest and exchange rate differences is also separately presented in the Consolidated budget execution report.
		(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and land, including information on their usage and age, which is published annually. However, the status of state property is still unresolved.
		(iii) Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of non-financial assets are established. Partial information on transfers and disposals is included in budget documents and financial reports.
	PI-13	Debt management	B+	
		(i) Recording and reporting of debt and guarantees	B	Data on external debt of Institutions of BiH are updated in the information system on a daily basis and directly reconciled with creditors on a quarterly basis, while reports on external and domestic public debt stock and servicing are published on the website of the BiH MoFT on a quarterly, semi-annual, and annual basis. Data on external and domestic debt of Institutions BiH is complete and accurate.
		(ii) Approval of debt and guarantees	A	The Sector for relations with financial institutions within the MoFT BiH is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity.
		(iii) Debt management strategy	B	Debt management strategy covering existing and projected debt BiH (including debt of Institution BiH which is separately elaborated) with a horizon of four years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. The report on the implementation of DMS is an integral part of it. Institutions BiH do not have an annual plan of borrowing.
	PI-14	Macroeconomic and fiscal forecasting	D+	
		(i) Macroeconomic forecasts	D	Available forecasts of key macroeconomic indicators for the budget year and the two following fiscal years with underlying assumptions; updated at least once a year and reviewed by the Fiscal Council; not sent to the legislature. No timely adoption of the BiH GFF and BiH MTEF for three periods.

Policy-based fiscal strategy and		(ii) Fiscal forecasts	D	Available forecasts of revenue, expenditure, and the budget balance for the budget year and the two following fiscal years with underlying assumptions; also an available explanation of the main differences from the forecast made in the previous years' budget; not sent to the legislature. No timely adoption of the BiH GFF and BiH MTEF for three periods.
		(iii) Macro-fiscal sensitivity analysis	C	There are available alternative scenarios with qualitative assessment.
	PI-15	Fiscal strategy	D+	
		(i) Fiscal impact of policy proposals	D*	No sufficient information to assess.
		(ii) Fiscal strategy adoption	C	The Council of Ministers adopts and publishes the fiscal strategy, but does not send it to the legislature.
		(iii) Reporting on fiscal outcomes	D	Neither the BiH Council of Ministers nor the BiH MoFT prepares reports on fiscal outcomes, and the BiH MoFT does not prepare the report on achieved fiscal goals from the MTEF and ERP BiH for its own needs.
	PI-16	Medium term perspective in expenditure budgeting	D+	
		(i) Medium-term expenditure estimates	B	BiH Institutions MTEF for 2022-2024 presents an annual budget and two following fiscal years allocated by administrative and economic classification.
		(ii) Medium-term expenditure ceilings	D	No link between the first budget circular and aggregate expenditure ceilings for the budget year and the two following years.
		(iii) Alignment of strategic plans and medium-term budgets	D	At BiH Institutions government level, budget requests are not systematically linked to relevant development/strategic plans and sector strategies. As strategies are not costed is not possible to establish a materiality threshold as required for score C.
		(iv) Consistency of budgets with previous year estimates	D	Due to the budget non-adoption for 2021.
	PI-17	Budget preparation process	D+	
		(i) Budget calendar	D	In the last few years, at the level of BiH Institutions, the budget calendar is not adhered to, mainly due to political disagreements.
		(ii) Guidance on budget preparation	C	The annual budget reflects budget users' ceilings approved by the government after MoFT completed discussions with Budget Users on previously submitted final draft budgets.
		(iii) Budget submission to the legislature	D	In the assessed timeframe, BiH Institutions did not adhere to the approved budget calendar.
	PI-18	Legislative scrutiny of budgets	D+	
		(i) Scope of budget scrutiny	D	At the BiH Parliament, very limited legislative budget scrutiny is taking place.
		(ii) Legislative procedures for budget scrutiny	D	The legislative's role and power over the budget process is very limited

	(iii) Timing of budget approval	D	In the last four-five years, both Committees at BiH Parliament were not able to undertake detailed analysis/ budget hearings due to the fast budget adoption procedure that was taking place.
	(iv) Rules for budget adjustments by the executive	B	Clear rules are set up for in-year budget adjustments by the executive government.
Predictability and control in budget execution	PI-19 Revenue administration	B	
	(i) Rights and obligations for revenue measures	A	Up-to-date information on obligations and rights is available to the public through various channels.
	(ii) Revenue risk management	A	BiH ITA has a risk management process presented at three levels: strategic, tactical, and operational. Strategy on Compliance Improvements on Indirect Taxation for Period from 2022 to 2024; covers all categories of revenues (VAT, excises, and customs) and taxpayers .
	(iii) Revenue audit and investigation	C	ITA as an entity that collects most of its revenue undertakes audits and fraud investigations using a compliance improvement plan and completes the majority of audits and investigations.
	(iv) Revenue arrears monitoring	D	Age of the stock arrears year-on-year is not available.
	PI-20 Accounting for revenues	A	
	(i) Information on revenue collections	A	Revenues, that are under the authority of the BiH level, are collected through the TSA; Indirect taxes are distributed to BiH on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data.
	(ii) Transfer of revenue collections	A	Revenues are either paid directly to TSA or transferred on a daily basis.
	(iii) Revenue accounts reconciliation	A	Reconciliation is made at least monthly.
	PI-21 Predictability of in-year resource allocation	B+	
	(i) Consolidation of cash balances	B	All bank and cash balances are consolidated on a weekly basis
	(ii) Cash forecasting and monitoring	A	Cash flow planned on a quarterly and monthly level based on actual cash inflows and outflows
	(iii) Information on commitment ceilings	C	Commitment ceilings are available one month in advance
	(iv) Significance of in-year budget adjustments	A	Adjustments to budget allocations took place once and are done in a transparent and predictable way
	PI-22 Expenditure arrears	A	
	(i) Stock of expenditure arrears	A	No outstanding liabilities are reported in the financial statements.
	(ii) Expenditure arrears monitoring	A	Considering overall soundness of commitment controls (PI-25.2 is A) and payments (PI-25.3 is A), the arrears monitoring meets the A score requirements.
PI-23 Payroll controls	C+		
(i) Integration of payroll and personnel records	B	Reconciliation of the payroll with personnel records takes place automatically, at least monthly. All changes are made based on the decision of the Council of Ministers. New employment and promotions are checked against the approved budget and a list of approved staff positions.	

Predictability and control in budget execution		(ii) Management of payroll changes	A	Personnel records and payroll are updated at least monthly and retroactive adjustments are under 1 percent.	
		(iii) Internal control of payroll	C	Sufficient control exists to ensure the integrity of the payroll data. However, the procedure itself is nonexistent.	
		(iv) Payroll audit	A	Financial and compliance audits cover payroll for all budgetary units every year.	
	PI-24	Procurement	C+		
		(i) Procurement monitoring	A	The stipulated information was accurately prepared and published through E-Public Procurement Portal for all contracts.	
		(ii) Procurement methods	C	The percentage of awarded contracts through competitive methods in the 2021 fiscal year was 64.56%.	
		(iii) Public access to procurement information	C	The requirements are met for 3 elements out of possible 6 the score for the present dimension is C.	
		(iv) Procurement complaints management	C	The requirements are met in 3 out of 6 required instances hence the score for this dimension is C.	
	PI-25	Internal controls on nonsalary expenditure	A		
		(i) Segregation of duties	A	Clear segregation of duties throughout the expenditure process has been established.	
		(ii) Effectiveness of expenditure commitment controls	A	Controls on the expenditure side are systematically established through the ISFU system.	
		(iii) Compliance with payment rules and procedures	A	The procedure that exists in practice is respected in all payments. All exceptions have proper authorization and reasonable justification.	
	PI-26	Internal audit effectiveness	C+		
		(i) Coverage of internal audit	B	Internal audit is operational for central government entities representing 80% of the total budget expenditure and 83% of total budget revenues.	
		(ii) Nature of audits and standards applied	B	Internal auditors in all internal audit units respect and adhere to the prescribed work methodology, Code of Ethics, and Internal Audit Standards, which are focused on evaluations of the adequacy and effectiveness of internal controls.	
		(iii) Implementation of internal audits and reporting	A	Annual audit programs exist. 130 regular and follow-up audits out of 142 planned audits in 2021 were realized, or the percentage realization is 92%.	
		(iv) Response to internal audits	C	Budget users are required by the law to prepare an annual financial report and submit it to the MoFT no later than March 1st of the current year for the past year, together with information on the implementation of the system of internal controls during the year and the activities undertaken to implement the audit recommendations from the previous year. Up to 57% of the recommendations are implemented in 2019, 2020, and 2021.	
	Accounting and Reporting	PI-27	Financial data integrity	A	
			(i) Bank account reconciliation	A	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.

Accounting and Reporting		(ii) Suspense accounts	N/A	There are no suspense accounts in use.
		(iii) Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared in a timely way.
		(iv) Financial data integrity processes	B	Access and changes to records are restricted and recorded and results in an audit trail.
	PI-28	In-year budget reports	D+	
		(i) Coverage and comparability of reports	A	The in-year reports include a budget execution report, which includes revenues and expenditures, information on debt servicing, and debt stock, as well as the balance sheet. The data in the report is prepared in the same format as the annual budget - that is, by economic and administrative classifications. Coverage and classification of data allow direct comparison to the original budget. Information includes all items of budget estimates. There are no de-concentrated units at the level of Institutions BiH.
		(ii) Timing of in-year budget reports	D	Budget execution reports are prepared quarterly within 60 days after the end of the quarter but published several months after (for 1st, 2nd, 3rd, and 4th quarter of 2021, reports were published in June 2021, July 2022, July 2022, and August 2022, respectively).
		(iii) Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. The report issued for the end of the second quarter contains the analysis of trends and issues and it is useful for analysis of budget execution. Information on expenditure is covered at the commitment stage.
	PI-29	Annual financial reports	D+	
		(i) Completeness of annual financial reports	A	Financial reports for the budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement.
		(ii) Submission of reports for external audit	C	Financial reports for the budgetary central government for 2021 were submitted for external audit within 9 months of the end of the fiscal year, on August 17th, 2022.
	(iii) Accounting standards	D	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports, however, are not disclosed.	
External scrutiny and audit	PI-30	External audit	C+	
		(i) Audit coverage and standards	A	Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAIs during 2019, 2020, and 2021. The audits have highlighted relevant material issues and systemic and control risks.
		(ii) Submission of audit reports to the legislature	A	Audit reports were submitted to the legislature within three months from receipt of the financial reports by the Supreme Audit Institution for 2019, 2020 and 2021.

External scrutiny and audit		(iii) External audit follow-up	C	A formal response was made by the executive or the audited entity on audits for which follow-up was expected, during 2019, 2020, and 2021. Most of the given recommendations have been repeated over the assessed period (2019-2021), and are the result of the lack of management responsibility of the institutions for their non-implementation, the absence of systemic solutions, the lack of appropriate law and by-law procedures; and additional restrictions due to non-adoption or delays in the adoption of the budget of BiH institutions.
		(iv) Supreme Audit Institution (SAI) independence	A	The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation, and information.
	PI-31	Legislative scrutiny of audit reports	C+	
		(i) Timing of audit report scrutiny	C	Scrutiny of audit reports on annual financial reports for 2019, 2020, and 2021 has been completed by the legislature within two, eleven, and four months from receipt of the reports, respectively.
		(ii) Hearings on audit findings	A	In-depth hearings on key findings of audit reports that received qualified or adverse opinion take place regularly, with the SAI representatives and representatives of the subjects of the audit.
		(iii) Recommendations on audit by the legislature	C	The legislature issues recommendations on actions to be implemented by the executive. Budget users are required to report to Parliament on the actions they take to implement the recommendations. Feedback indicates, however, that the degree of recommendations implementation is limited.
		(iv) Transparency of legislative scrutiny of audit reports	C	The Committee sessions are attended by the Auditor General, the Deputy Auditor General, the audit team leaders, representatives of the institutions, and media representatives. The meeting minutes and reports of the Committee are available on the website of the Parliament of BiH.

Annex 1B: Performance indicator summary, FBiH

Bosnia and Herzegovina Federation of BiH		Current assessment			
Pillar	Indicator/Dimension	Score	Description of requirements met		
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Total expenditures were 93.5% and 104.6% of the originally approved budget in 2019 and 2020, respectively, which means the total expenditure outturn did not deviate by more than 10% in at least two of the three observed years.	
	PI-2	Expenditure composition outturn	C+		
		(i)	Expenditure composition outturn by function	C	Variance in expenditure composition by administrative classification was less than 15% in at least two of the last three years, 9.1% and 14% in 2019 and 2021, respectively.
		(ii)	Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years, 6.8% and 8.5% in 2019 and 2020, respectively.
		(iii)	Expenditure from contingency reserves	A	Expenditure from the contingency reserve was 1% in 2019, 2.7% in 2020, and 0.1% in 2021, therefore the average amount of expenditure from the contingency reserve for the assessed period 2019-2021 was 1.26%.
	PI-3	Revenue outturn	B+		
		(i)	Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years, 100% and 111% in 2019 and 2021, respectively.
		(ii)	Revenue composition outturn	A	Variance in revenue composition was 4% in 2019 and 2021.
Transparency of Public Finances	PI-4	Budget Classification	D	Functional classification (COFOG) is recognized and required by reporting rules at Federation BiH, but in practice, only budget execution (outturn) is presented in functional classification.	
	PI-5	Budget Documentation	C	6 of the 12 applicable elements are met.	
	PI-6	Central government operations outside financial reports	D		
		(i)	Expenditure outside financial reports	D*	No sufficient information to assess.
		(ii)	Revenue outside financial reports	D	Revenue outside government financial reports is at least 13%.
		(iii)	Financial reports of extra-budgetary units	D*	No sufficient information to assess.
	PI-7	Transfers to subnational governments	C		
		(i)	System for allocating transfers	B	All current and capital transfers are allocated by a transparent rule-based system, while the most are budgeted in a transparent and rule-based system.
(ii)		Timeliness of information on transfers	D	Subnational governments receive information about transfers during the current year, and not when preparing their own budgets.	

Transparency of Public Finances	PI-8	Performance information for service delivery	D+	
		(i) Performance plans for service delivery	C	Information is published annually on the activities to be performed under the programs for the majority of ministries in the evaluated sample.
		(ii) Performance achieved for service delivery	D	Information on service delivery performance is not published for most of the ministries.
		(iii) Resources received by service delivery units	C	At least two large ministries – the Ministry of Labor and Social Policy and the Ministry of Veterans and Disabled People, have information on all resources received by its service delivery units. There is no evidence of the annual report compiling the information.
		(iv) Performance evaluation for service delivery	D	The Supreme Audit Office of the FBiH is the only institution which conducts performance audits in Federation BiH. Examination of these reports indicates that they are focused on specific functions or policies rather than institutions as such. The number and institutional coverage of performance audits is less than required for a C score.
	PI-9	Public access to information	D	No sufficient information to assess.
Management of assets and liabilities	PI-10	Fiscal risk reporting	D+	
		(i) Monitoring of public corporations	D*	No arrangements for consolidated review of the financial position of public companies including to whom and when they report.
		(ii) Monitoring of sub-national government (SNG)	C	There are published financial reports for the majority of subnational governments within nine months of the end of the fiscal year.
		(iii) Contingent liabilities and other fiscal risks	D	Contingent liabilities are not reported in the financial reports.
	PI-11	Public investment management	D+	
		(i) Economic analysis of investment proposals	C	Economic analysis is conducted as part of feasibility studies for at least 50% of major investments. However, no formal guidelines on how economic analysis is conducted exist at the level of FBiH.
		(ii) Investment project selection	C	Each investment project application with a value of BAM 1 million or more is reviewed by the Public Investment Commission and scored against standard criteria which are published. Project application review findings of the Public Investment Commission are not published except for average scores assigned by the Commission for each project application. These scores are included in a Draft Public Investment Program covering a period of 3 years. Some of those projects appraised by the FBiH PIP Commission may or may not be prioritized by the FBiH Government. Explanations and justifications for such FBiH Government decisions are not published and included in the adopted PIP. In fact the list of projects appraised by the Commission serves as a basis for the Government for negotiations with IFIs which in turn identify and select projects to fund on the basis of their own respective mandate and or preference.
	(iii) Investment project costing	D	A sufficient cost overview of the public investment projects is not included in the budget documentation.	

Management of assets and liabilities		(iv) Investment project monitoring	D	Financial and fiscal monitoring is conducted by an implementing agency and is reported annually. This information is not publicly available.
	PI-12	Public asset management	D+	
		(i) Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets. There is no information on the performance of the portfolio of financial assets on an annual basis, apart from what can be concluded from the balance sheet and Consolidated Budget Execution Report.
		(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets through the fixed assets module in the ISFU system and collects partial information on their usage and age.
		(iii) Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of non-financial assets are established. However, asset disposal is not transparent.
	PI-13	Debt management	B+	
		(i) Recording and reporting of debt and guarantees	B	Domestic and foreign debt and guaranteed debt records of FBiH are complete, accurate, and updated quarterly. Most information is reconciled quarterly with the BiH MFoT which is in charge of the reconciliation of debt information with creditors. Comprehensive management and statistical reports covering debt service, stock, and operations are produced annually.
		(ii) Approval of debt and guarantees	A	The Sector for Debt within the FBiH Ministry of Finance is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. The procedure prescribed by the Law is followed in the practices and FBiH Government approves annual borrowing plans.
		(iii) Debt management strategy	B	A current medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. The last available report on the implementation of DMS is from 2020. The draft version of the report for 2019 was prepared, but it was neither adopted nor published. The report for 2021 was not prepared. The annual borrowing plans for 2019, 2020, and 2021 were aligned with FBiH DMS.
	Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	C
		(i) Macroeconomic forecasts	C	Available forecasts of key macroeconomic indicators for the budget year and the two following fiscal years with underlying assumptions; updated at least once a year and reviewed by the Fiscal Council; although the FBiH MTEF for 2020-2022 is not adopted, macroeconomic forecasts are available in the BiH GFF for 2020-2022 but not sent to the legislature.

Policy-based fiscal strategy and budgeting		(ii) Fiscal forecasts	C	Available forecasts of revenue, expenditure, and the budget balance for the budget year and the two following fiscal years with underlying assumptions; also an available explanation of the main differences from the forecast made in the previous years' budget; although the FBiH MTEF for 2020-2022 is not adopted, macro-fiscal forecasts are available in the BiH GFF for 2020-2022 but not sent to the legislature.
		(iii) Macro-fiscal sensitivity analysis	C	Available alternative scenarios with qualitative assessment.
	PI-15	Fiscal strategy	D+	
		(i) Fiscal impact of policy proposals	D*	No sufficient information to assess.
		(ii) Fiscal strategy adoption	B	The FBiH Government submits the fiscal strategy to the legislature (MTEF) that includes qualitative and quantitative fiscal objectives.
		(iii) Reporting on fiscal outcomes	D	Neither the FBiH Government nor the FBiH MoF prepares reports on fiscal outcomes, and the FBiH MoF does not prepare the report on achieved fiscal goals from the MTEF and ERP for its own need.
	PI-16	Medium term perspective in expenditure budgeting	C+	
		(i) Medium-term expenditure estimates	A	Federation BiH MTEF for 2022 - 2024 presents an annual budget and two following fiscal years allocated by administrative, economic and functional classification.
		(ii) Medium-term expenditure ceilings	A	Federation BiH Government had adopted MTEF 2022-2024 including aggregate and budget heads expenditure ceilings for the 2022-budget year and two following fiscal years before the first (2022) budget circular was issued
		(iii) Alignment of strategic plans and medium-term budgets	D	FBiH government institutions are preparing their three-year work programs that, in some cases, are linked directly to budget heads' budget programs. but, as strategies are not costed, it's not possible to establish a materiality threshold as required,
		(iv) Consistency of budgets with previous year estimates	D	Budget documents provide an explanation between the last two macro-fiscal and expenditure projection periods but with no specific data.
	PI-17	Budget preparation process	B	
		(i) Budget calendar	B	At the level of FBiH, a clear budget calendar exists and is largely adhered to.
		(ii) Guidance on budget preparation	A	Comprehensive and clear first annual budget is issued with budget ceilings approved by FBiH Government prior to distribution of Budget Instructions No.2.
		(iii) Budget submission to the legislature	D	FBiH Government submitted annual budget proposals to the FBiH Parliament one month before the start of the fiscal year in for the 2019 for the and 2020 budget year.
	PI-18	Legislative scrutiny of budgets	C+	
		(i) Scope of budget scrutiny	C	FBiH Parliament reviews details of expenditure and revenue but with limited legislative scrutiny.

Predictability and control in budget execution		(ii) Legislative procedures for budget scrutiny	D	In Federation BiH, the legislature's role and power over the budget process is very limited.
		(iii) Timing of budget approval	C	In Federation BiH, in the last two years, the legislature was not able to approve the annual budgets within one month of the start of the fiscal year.
		(iv) Rules for budget adjustments by the executive	B	In Federation BiH, clear rules are set up for in-year budget adjustments.
	PI-19	Revenue administration	D+	
		(i) Rights and obligations for revenue measures	B	FBiH Tax Administration as an entity administering the majority of revenues collected at this level (74.3%). It provides taxpayers with access to comprehensive and up-to-date information on obligations and rights.
		(ii) Revenue risk management	D*	No sufficient information for assessment.
		(iii) Revenue audit and investigation	D*	No sufficient information for assessment.
		(iv) Revenue arrears monitoring	D*	No sufficient information for assessment.
	PI-20	Accounting for revenues	C+	
		(i) Information on revenue collections	A	FBiH budgetary revenues, which are under the authority of the FBiH level, are collected through the Treasury Single Account by type of revenues and can be put into a report on a daily basis. Information on revenues that are not part of TSA, but also on revenues that are part of TSA, are available in RAS files by revenue type and can be put into report on a daily basis. Indirect taxes are distributed to the FBiH on a daily basis which provides information on revenues daily, but also the Indirect Tax Authority prepares the monthly reports with reconciled data.
		(ii) Transfer of revenue collections	A	The FBiH budgetary revenues, which are under the authority of the FBiH level, are paid to the Treasury Single Account through banks, and funds are made available immediately. EBU's revenues are not transferred to TSA, but EBU's own revenues are. In some cases, revenues from TSA are transferred to EBU's. Revenues from indirect taxes are transferred on a daily basis.
		(iii) Revenue accounts reconciliation	C	Treasury is not cross-checking the data with and not receiving reconciled data (including assessments and arrears) from the FBiH Tax Administration.
	PI-21	Predictability of in-year resource allocation	B+	
		(i) Consolidation of cash balances	A	All bank and cash balances are consolidated on a daily basis
		(ii) Cash forecasting and monitoring	B	Cash flow planned quarterly, expressed by month, based on actual cash inflows and outflows
	(iii) Information on commitment ceilings	C	Commitment ceilings available one month in advance	
	(iv) Significance of in-year budget adjustments	A	In-year budget adjustments are rules-based and transparent, carried out in limited number of instances across the year.	

Predictability and control in budget execution	PI-22	Expenditure arrears	A	
		(i) Stock of expenditure arrears	A	The share of stock of expenditure arrears is 1% and 0.8% for 2020 and 2021, respectively.
		(ii) Expenditure arrears monitoring	A	Data on the stock, age to a certain extent and to some extent the composition of expenditure arrears for BCG are generated quarterly within four weeks of the end of each quarter. Although the age is reported as +90 days and reports by responsible entities are generated on demand, everything is available in the system.
	PI-23	Payroll controls	D+	
		(i) Integration of payroll and personnel records	D*	Insufficient information to assess CG practices. BCG practices would merit score B.
		(ii) Management of payroll changes	D*	Insufficient information to assess CG practices. BCG practices would merit score B.
		(iii) Internal control of payroll	D*	Insufficient information to assess CG practices. BCG practices would merit score B.
		(iv) Payroll audit	B	Financial audits are partly directed to payroll audits for budgetary units (and occasionally for EBUs) so payroll audit is considered to have taken place in stages.
	PI-24	Procurement	NA	-
		(i) Procurement monitoring	NA	-
		(ii) Procurement methods	NA	-
		(iii) Public access to procurement information	NA	-
		(iv) Procurement complaints management	NA	-
	PI-25	Internal controls on nonsalary expenditure	B	
		(i) Segregation of duties	B	Segregation of duties throughout the expenditure process has been established. Scheme of steps may need further details in some areas.
		(ii) Effectiveness of expenditure commitment controls	C	Controls on the expenditure side are systematically established through the ISFU system for BCG. For CG institutional units practices are not standardized Limited arrears still exist.
		(iii) Compliance with payment rules and procedures	B	The procedure that exists in practice is respected in all payments. The Rulebook and Instruction are explained under Segregation of duties and may need some further details.
	PI-26	Internal audit effectiveness	C+	
		(i) Coverage of internal audit	B	Internal audit is operational for central government entities representing 90% of the total budgeted expenditures and for central government entities collecting 75% of the budgeted government revenue.
		(ii) Nature of audits and standards applied	B	Internal audit is focused on monitoring and evaluating the system of internal controls that includes all financial and non-financial processes in the organization, its adequacy, functionality, and effectiveness.

		(iii) Implementation of internal audits and reporting	B	Annual audit programs exist. Most programmed audits are completed (more than 80%), as evidenced by the distribution of their reports to the appropriate parties.
		(iv) Response to internal audits	C	Management provides a partial response to audit recommendations for majority of entities audited within twelve months of the report being produced. Up to one-third of given recommendations is implemented.
Accounting and Reporting	PI-27	Financial data integrity	A	
		(i) Bank account reconciliation	A	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.
		(ii) Suspense accounts	N/A	There are no suspense accounts.
		(iii) Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way.
		(iv) Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.
	PI-28	In-year budget reports	C+	
		(i) Coverage and comparability of reports	A	The FBiH Ministry of Finance prepares official reports during the year in the same format as the original annual budget – that is, by economic and administrative classification – and they represent spending in both the commitment phase and the disbursement phase. These reports are directly comparable to the original budget. Information includes all items of budget estimates.
		(ii) Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter.
		(iii) Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for the analysis of budget execution. Information on expenditure is covered at both commitment and payment stages.
	PI-29	Annual financial reports	D+	
		(i) Completeness of annual financial reports	A	Financial reports for the budgetary central government for 2021 are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement.
		(ii) Submission of reports for external audit	A	Financial reports for the budgetary central government for 2021 were submitted for external audit within 3 months of the end of the fiscal year, on 16th March 2022.
		(iii) Accounting standards	D	The standards used in preparing annual financial reports are not disclosed. The IPSAS standards are not yet adopted.
	External scrutiny and audit	PI-30	External audit	C+
		(i) Audit coverage and standards	A	Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAIs during the last three completed fiscal years (2019, 2020, and 2021). The audits have highlighted any relevant material issues and systemic and control risks with a special focus on managing funds during the Covid-19 pandemic.

External scrutiny and audit		(ii) Submission of audit reports to the legislature	C	Audit reports were submitted to the legislature within six months from receipt of the financial reports by the Supreme Audit Institution for 2020 and 2021, while for audit report from 2019 it took slightly more than 6 months (6 months and 13 days).
		(iii) External audit follow-up	C	Subjects of the audit are obliged to submit a response on the actions taken to the SAI within 60 days of receiving the final report, in order to overcome the weaknesses, irregularities, and violations identified in the audit report. In 2019, two audit subjects did not submit a response on the actions taken after the conducted audits, in 2020, ten audit subjects did not submit a response on the actions taken. In 2021, five audit subjects did not submit a response on the actions taken. Around one-third of recommendations is implemented each year.
		(iv) Supreme Audit Institution (SAI) independence	A	The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information.
	PI-31	Legislative scrutiny of audit reports	D+	
		(i) Timing of audit report scrutiny	D	Legislative scrutiny of Audit Report of FBiH Budget Execution Report for 2019, 2020 and 2021 has not been completed by the legislature in the assessed period. Legislative scrutiny of 25 audit reports from 2019, 43 audit reports from 2020, and 14 audit reports from 2021 was conducted within 3, 6, and 3 months, respectively.
		(ii) Hearings on audit findings	C	In-depth hearings on key findings of most audit reports that received qualified or adverse opinions take place regularly, with the SAI representatives and representatives of the subjects of the audit.
		(iii) Recommendations on audit by the legislature	D	The Parliamentary Committee in their Report for 2019 and 2020 particularly points out that a significant number of recommendations have not been implemented or have been partially implemented, which means that previously addressed failures and irregularities have not been eliminated. The Parliamentary Committee did not provide any information regarding recommendations implementation by the subjects of audit for 2021.
		(iv) Transparency of legislative scrutiny of audit reports	C	The Committee sessions are attended by the auditor general, the deputy auditor general, the audit team leaders, representatives of the institutions, and media representatives. Committee reports are published on the official website of the FBiH Parliament.

Annex 1C: Performance indicator summary, RS

Bosnia and Herzegovina Republika Srpska		Current assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Total budget outturns within 100.8% and 106.3%
	PI-2	Expenditure composition outturn	C+	
		(i) Expenditure composition outturn by function	C	Expenditures under estimated by 13%
		(ii) Expenditure composition outturn by economic type	B	The variance in expenditure composition by economic classification was 2.5% in 2019, 13.4% in 2020 and 7.3% in 2021.
		(iii) Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote 0.36%, for all three years.
	PI-3	Revenue outturn	B	
		(i) Aggregate revenue outturn	B	Revenue deviated from the original approved budget to the actual budget mostly in 2020 and 2021 due to COVID-19 crisis.
	(ii) Revenue composition outturn	B	The variance in revenue composition shows how COVID-19 crisis had an impact on revenue outturn forecast especially in the social contribution and VAT tax.	
Transparency of Public Finances	PI-4	Budget Classification	B	Periodical Statement about Transaction, and Harmonized Reporting Template in accordance with GFS and functional classification by COFOG.
	PI-5	Budget Documentation	A	The budget documentation is comprehensive, it included all basic elements and the 6 additional elements.
	PI-6	Central government operations outside financial reports	C	
		(i) Expenditure outside financial reports	D	Expenditure outside government financial reports is 37% of total BCG expenditure.
		(ii) Revenue outside financial reports	D	Revenue outside government financial reports is 39% of total BCG revenue.
		(iii) Financial reports of extra-budgetary units	A	Detailed financial reports of extrabudgetary units are submitted timely.
	PI-7	Transfers to subnational governments	A	
		(i) System for allocating transfers	A	There are clear formulas that LSUs can use when planning their revenue.
		(ii) Timeliness of information on transfers	A	The MoF delivers the MTEF to the LSUs by the 1st of July. LSUs have enough time to prepare and adopt their budgets (more than six weeks).
PI-8	Performance information for service delivery	D+		
	(i) Performance plans for service delivery	D	The RS Budget is still not prepared and adopted in program format.	

Transparency of Public Finances		(ii) Performance achieved for service delivery	D	RS Budget is not prepared in program format, so budget users are not publishing information on provided services and achieved outcomes.
		(iii) Resources received by service delivery units	A	The MoF was in regular possession of up-to-date information on funds received by all budget users through the BPMIS
		(iv) Performance evaluation for service delivery	D	The RS Budget is still not prepared and adopted in program format.
	PI-9	Public access to information	B	The Government makes available to the public six elements: four basic and two additional.
Management of assets and liabilities	PI-10	Fiscal risk reporting	D+	
		(i) Monitoring of public corporations	D	The financial statements of the public corporations are not included in the consolidated budget execution report.
		(ii) Monitoring of sub-national government (SNG)	C	All municipalities channel their funds through the TSA thus facilitating the financial reporting.
		(iii) Contingent liabilities and other fiscal risks	D	Contingent liabilities are not included in the annual budget execution report.
	PI-11	Public investment management	D	
		(i) Economic analysis of investment proposals	C	The budget central government maintains a record of its holdings in all categories of financial assets, which are recognized at fair value.
		(ii) Investment project selection	D	No criteria for prioritization of projects.
		(iii) Investment project costing	D	Budget does not contain information on total and recurring cost of major investment projects.
		(iv) Investment project monitoring	D	Monitoring of investments implementation does not include collection of physical progress related information.
	PI-12	Public asset management	D+	
		(i) Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets. There is no information on the performance of the portfolio of financial assets on an annual basis, apart from what can be concluded from the balance sheet and Consolidated Budget Execution Report.
		(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects information on their usage and age which is updated and published annually.
		(iii) Transparency of asset disposal	D	Information on transfers and disposals is NOT included in budget documents, financial reports, or other reports.
	PI-13	Debt management	A	
		(i) Recording and reporting of debt and guarantees	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly.
		(ii) Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees.
	(iii) Debt management strategy	A	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years, is publicly reported.	

Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	B+	
		(i) Macroeconomic forecasts	A	MoF prepares macroeconomic forecasts for the current fiscal year and the next three years.
		(ii) Fiscal forecasts	A	MoF prepares fiscal forecasts for the current fiscal year and the next three years .
		(iii) Macro-fiscal sensitivity analysis	C	There are only qualitative assessment of the impact of alternative macroeconomic assumptions.
	PI-15	Fiscal strategy	C+	
		(i) Fiscal impact of policy proposals	C	Budget does not contain information on total and recurring cost of major investment projects.
		(ii) Fiscal strategy adoption	A	Government adopts the MTEF by the end of June, but does not send it to the National Assembly
		(iii) Reporting on fiscal outcomes	D	There is no prescribed obligation to draft separate report on progress made during the implementation of fiscal outcomes included in the MTEF and ERP.
	PI-16	Medium term perspective in expenditure budgeting	C	
		(i) Medium-term expenditure estimates	C	The ERP, adopted by National Assembly, defines medium-term expenditure framework with the addition of expenditure assessment for the next and following two fiscal years.
		(ii) Medium-term expenditure ceilings	A	Government adopts the MTEF after which budgetary instruction number 2 is forwarded to budget users and approves budget ceilings to expenditures for individual budget users for the next budget year and following two years.
		(iii) Alignment of strategic plans and medium-term budgets	D	There is no link between strategic plans and projections of expenditures included in the MTEF and ERP.
		(iv) Consistency of budgets with previous year estimates	D	MTEF and ERP do not explain any changes to expenditure estimates between the last.
	PI-17	Budget preparation process	B	
		(i) Budget calendar	A	There is prescribed and clear annual budget calendar, which is generally adhered by budget users.
		(ii) Guidance on budget preparation	A	There is a comprehensive and clear budget circular
		(iii) Budget submission to the legislature	D	In the last three completed fiscal years were submitted to the National Assembly only two and three weeks before the start of the fiscal year.
	PI-18	Legislative scrutiny of budgets	B+	
		(i) Scope of budget scrutiny	A	The National Assembly adopts ERP which covers fiscal policies, medium-term fiscal forecasts and medium-term priorities as well as details of expenditure and revenue.
		(ii) Legislative procedures for budget scrutiny	B	In the last three years budget is adopted by urgent procedure, with no public discussions held.

	(iii) Timing of budget approval	A	In the last three completed fiscal years the National Assembly approved the annual budget before the start of the respective fiscal year.
	(iv) Rules for budget adjustments by the executive	A	There are clear legal and administrative rules that prescribe in-year amendments to the budget.
Predictability and control in budget execution	PI-19 Revenue administration	B	
	(i) Rights and obligations for revenue measures	A	RSTA provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the RSTA website.
	(ii) Revenue risk management	C	The Risk Management Department has been established and made independent from 2020, but still there is no comprehensive, structural and systematic approach in determining and prioritizing risks in public revenue collection.
	(iii) Revenue audit and investigation	A	The RSTA in 2021 completed all planned comprehensive audits and investigations.
	(iv) Revenue arrears monitoring	D	The stock of revenue arrears at the end of 2021 is 45,9% of the total revenue collection for the year and the revenue arrears older than 12 months are 92,3% of total revenue arrears for the year.
	PI-20 Accounting for revenues	B+	
	(i) Information on revenue collections	A	Data on collected public revenue is available daily to both the Ministry of Finance and Tax Administration.
	(ii) Transfer of revenue collections	A	All tax revenue is collected into bank accounts controlled by RSTA and transferred daily to Treasury.
	(iii) Revenue accounts reconciliation	B	Reconciliation of assessments, collections, arrears, and transfers to Treasury is done semi-annually.
	PI-21 Predictability of in-year resource allocation	A	
	(i) Consolidation of cash balances	A	All cash balances are consolidated on a daily basis
	(ii) Cash forecasting and monitoring	A	A cash flow plan is prepared by each budget user for the fiscal year and is updated monthly
	(iii) Information on commitment ceilings	B	Information on commitment ceilings is provided for the preparation of the operational financial plans.
	(iv) Significance of in-year budget adjustments	A	There were no significant in-year adjustments in FY 2021
	PI-22 Expenditure arrears	C+	
	(i) Stock of expenditure arrears	A	The stock of expenditure arrears is less than 2% of total expenditure.
	(ii) Expenditure arrears monitoring	C	The data on the stock and composition of expenditure arrears is generated annually at the end of each fiscal year.
	PI-23 Payroll controls	B+	
	(i) Integration of payroll and personnel records	B	Data is updated manually on monthly basis and is checked against the previous month's payroll data.
	(ii) Management of payroll changes	A	Retroactive adjustments are insignificant in the volume of 0.04% for the first half year of 2022.

Predictability and control in budget execution		(iii) Internal control of payroll	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.
		(iv) Payroll audit	A	Payroll is conducted regularly every fiscal year, weaknesses identified are consistently addressed by the Treasury.
	PI-24	Procurement	NA	-
		(i) Procurement monitoring	NA	-
		(ii) Procurement methods	NA	-
		(iii) Public access to procurement information	NA	-
		(iv) Procurement complaints management	NA	-
	PI-25	Internal controls on nonsalary expenditure	B	
		(i) Segregation of duties	A	There is appropriate segregation of duties prescribed in the rules and procedures for expenditure payment, there are clear responsibilities.
		(ii) Effectiveness of expenditure commitment controls	B	The rules and procedures of payment enforce level of controls that limit the expenditure commitments to the approved budget allocations
		(iii) Compliance with payment rules and procedures	D	The exception to the payment rules and procedures, however, are not monitored and evidence on their volume cannot be provided
	PI-26	Internal audit effectiveness	C+	
		(i) Coverage of internal audit	A	The internal audit is operational in 91% of the total budget
		(ii) Nature of audits and standards applied	B	International internal audit standards are applied. Quasi - Quality assurance exists.
	(iii) Implementation of internal audits and reporting	B	Most of the plans are completed, as evidenced by data provided by the CHU.	
	(iv) Response to internal audits	C	There is documentary evidence of management response to internal audit recommendations	
Accounting and Reporting	PI-27	Financial data integrity	A	
		(i) Bank account reconciliation	A	Due to the STA system, reconciliation of all active bank accounts takes place daily.
		(ii) Suspense accounts	NA	There are no suspense accounts.
		(iii) Advance accounts	A	Advance accounts are reconciled monthly within a month.
		(iv) Financial data integrity processes	B	Access and changes to records is restricted by passwords, they are recorded and they result in audit trail.
	PI-28	In-year budget reports	A	
		(i) Coverage and comparability of reports	A	In-year reports cover data that allows comparison to the original budget, and it includes all items of budget estimate.
		(ii) Timing of in-year budget reports	B	Budget execution reports are prepared monthly quarterly, six-months and annually and are issued within four weeks , from the end of the period

Accounting and Reporting		(iii) Accuracy of in-year budget reports	A	There are no issues regarding data accuracy, issues are highlighted in the report and the data is useful for analysis of budget execution.
	PI-29	Annual financial reports	B+	
		(i) Completeness of annual financial reports	A	Financial reports are prepared and are comparable with the classification used in the approved budget.
		(ii) Submission of reports for external audit	B	The annual financial reports are submitted for external audit within 4 months of the end of the fiscal year.
		(iii) Accounting standards	A	International IPSAS accrual-basis accounting standards as applied in all financial reports showing notes.
External scrutiny and audit	PI-30	External audit	B+	
		(i) Audit coverage and standards	A	The Supreme Audit Office has analyzed financial reports including revenues, expenditures, assets, and liabilities of all central government entities for fiscal years 2019, 2020 and 2021.
		(ii) Submission of audit reports to the legislature	B	All Annual Audit Reports were submitted to the legislature within six months of their receipt.
		(iii) External audit follow-up	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive.
		(iv) Supreme Audit Institution (SAI) independence	A	SAO is independent from the executive in all aspects.
	PI-31	Legislative scrutiny of audit reports	D+	
		(i) Timing of audit report scrutiny	B	The audit reports have been scrutinized by the National Assembly within three months of receipt from SAO
		(ii) Hearings on audit findings	D	There is no evidence of hearings of audit findings
		(iii) Recommendations on audit by the legislature	D	The National Assembly does not issue recommendations.
		(iv) Transparency of legislative scrutiny of audit reports	D	The Audit Committee does not issue reports on legislative scrutiny.

Annex 1D: Performance indicator summary, BD BiH

Bosnia and Herzegovina Republika Srpska		Current assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Actual expenditure outturns deviated from the originally approved budget in the range between 89,9% and 91,6%.
	PI-2	Expenditure composition outturn	D+	
		(i) Expenditure composition outturn by function	C	Deviation from originally approved budget to actual revenues varied up to 23.2%.
		(ii) Expenditure composition outturn by economic type	D	The variance was over 20% during all three years of the assessed period.
		(iii) Expenditure from contingency reserves	A	Contingency vote was very low from the original budget (under 1%) for all three years of assessed period.
	PI-3	Revenue outturn	B	
		(i) Aggregate revenue outturn	A	The aggregate revenue was close from original approved budget to the actual budget in 2019 and 2021.
		(ii) Revenue composition outturn	C	The variance in revenue composition shows moderate to high increase.
Transparency of Public Finances	PI-4	Budget Classification	B	Economic and functional classification is in accordance with GFS/COGOF standards whilst administrative/organizational classification is not
	PI-5	Budget Documentation	B	The budget documentation requirements meet each of the basic elements, and only 3 of 8 additional elements.
	PI-6	Central government operations outside financial reports	D+	
		(i) Expenditure outside financial reports	D	Expenditure outside government financial report is 23.6% of total BCG expenditure.
		(ii) Revenue outside financial reports	D	Revenue outside government financial report is 28.1% of total BCG revenue.
		(iii) Financial reports of extra-budgetary units	C	Financial reports of all extrabudgetary units are submitted to the government timely but not all reports submitted are detailed and comprehensive as required.
	PI-7	Transfers to subnational governments	NA	
		(i) System for allocating transfers	NA	
		(ii) Timeliness of information on transfers	NA	
	PI-8	Performance information for service delivery	D+	
	(i) Performance plans for service delivery	D	The BD Budget is still not prepared and adopted in program format.	

		(ii) Performance achieved for service delivery	D	The BD Budget is not prepared in program format.
		(iii) Resources received by service delivery units	A	Up-to-date information on funds is received by all budget users in the last three completed fiscal years.
		(iv) Performance evaluation for service delivery	D	Even if Office for the Audit of Public Administration and Institutions in the BD of BiH conducts performance audits, completed performance audit reports indicates that they are focused on specific functions or policies rather than institutions as such.
	PI-9	Public access to information	D	The Government makes available to the public four elements: three basic and one additional.
Management of assets and liabilities	PI-10	Fiscal risk reporting	D+	
		(i) Monitoring of public corporations	C	The public corporation of BD submit their financial statements to the SAI and the Assembly but they are not published for FY 2021.
		(ii) Monitoring of sub-national government (SNG)	NA	There are no lower level governments in BD.
		(iii) Contingent liabilities and other fiscal risks	D	The contingent liabilities are not included in the annual budget execution report of the Government.
	PI-11	Public investment management	D	
		(i) Economic analysis of investment proposals	D	There are no guidelines for the economic analysis.
		(ii) Investment project selection	D	Project selection is not done by criteria which is transparent and embedded in legislature.
		(iii) Investment project costing	C	Project costing includes submission of total cost and expenditure to be incurred in the forthcoming period.
		(iv) Investment project monitoring	D	Implementation monitoring is not centralized.
	PI-12	Public asset management	D+	
		(i) Financial asset monitoring	C	The government maintains a record of its holdings in all categories of financial assets, which are recognized at acquisition cost.
		(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects information on their usage..
		(iii) Transparency of asset disposal	D	Information on transfers and disposals is not included in budget documents, financial reports, or other reports.
	PI-13	Debt management	B+	
		(i) Recording and reporting of debt and guarantees	A	Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly.
		(ii) Approval of debt and guarantees	A	Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the BD FD.
		(iii) Debt management strategy	B	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years, is publicly reported.

Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	D+	
		(i) Macroeconomic forecasts	C	FDBD prepares macroeconomic forecasts for the current fiscal year and the next three years for MTEF, but that are not adopted by BD Assembly.
		(ii) Fiscal forecasts	C	FDBD prepares fiscal forecasts for the current fiscal year and the next three years for MTEF, but that are not adopted by the Assembly.
		(iii) Macro-fiscal sensitivity analysis	D	There are no macro fiscal sensitivities analysis and alternative fiscal forecasts.
	PI-15	Fiscal strategy	D+	
		(i) Fiscal impact of policy proposals	C	Budget does not contain information on total and recurring cost of major investment projects.
		(ii) Fiscal strategy adoption	C	MTEF is not adopted by the Assembly.
		(iii) Reporting on fiscal outcomes	D	There is no prescribed obligation to draft separate report on progress made during the implementation of fiscal outcomes included in the MTEF.
	PI-16	Medium term perspective in expenditure budgeting	D+	
		(i) Medium-term expenditure estimates	D	MTEF it is not part of the budget documentation.
		(ii) Medium-term expenditure ceilings	A	Government adopts the MTEF after which budgetary instruction number 2 is forwarded to budget users and approves budget ceilings to expenditures for individual budget users for the next budget year and following two years.
		(iii) Alignment of strategic plans and medium-term budgets	D	Some of strategic plans have a link with projections of expenditures included in the MTEF.
		(iv) Consistency of budgets with previous year estimates	D	MTEF and ERP do not explain any changes to expenditure estimates between the last.
	PI-17	Budget preparation process	C	
		(i) Budget calendar	C+	There is prescribed and clear annual budget calendar, but it is adhered to by only some of budget users.
		(ii) Guidance on budget preparation	A	There is a comprehensive and clear budget circular.
		(iii) Budget submission to the legislature	D	In the last three completed fiscal years were submitted to the National Assembly at the beginning of the fiscal year to which it applies.
	PI-18	Legislative scrutiny of budgets	D+	
		(i) Scope of budget scrutiny	B	The Assembly adopts Budget which covers details of expenditure and revenue and fiscal policies.
		(ii) Legislative procedures for budget scrutiny	A	After the Budget Proposal is submitted to the Assembly, it holds at least one public discussion on the Budget Proposal.

		(iii) Timing of budget approval	D	In the last three completed fiscal years the BD Assembly approved the annual budget after the start of the respective fiscal year.
		(iv) Rules for budget adjustments by the executive	A	There are clear legal and administrative rules that prescribe in-year amendments to the budget by the executive power without prior approval by the legislative body.
Predictability and control in budget execution	PI-19	Revenue administration	B	
		(i) Rights and obligations for revenue measures	A	TABD provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the TABD website and it helps taxpayers in exercising their rights.
		(ii) Revenue risk management	C	The Taxation Risk Management Office has been established, but still there is no comprehensive, structural and systematic approach in determining and prioritizing risks in public revenue collection.
		(iii) Revenue audit and investigation	A	The TABD in 2021 completed all planned comprehensive audits and investigations.
		(iv) Revenue arrears monitoring	D	The stock of revenue arrears at the end of 2021 is 64,2% of the total revenue collection for the year and the revenue arrears older than 12 months are 77,7% of total revenue arrears for the year.
	PI-20	Accounting for revenues	C+	
		(i) Information on revenue collections	A	Data on collected public revenue is available daily to both the FDBD and Tax Administration.
		(ii) Transfer of revenue collections	A	The most of tax revenue is collected into bank accounts controlled by TABD and transferred daily to Treasury.
		(iii) Revenue accounts reconciliation	C	There is no reconciliation of assessments and arrears. There is reconciliation of collections and transfers to Treasury on a monthly basis.
	PI-21	Predictability of in-year resource allocation	C+	
		(i) Consolidation of cash balances	D	Only 38% of cash balances are consolidated on a daily basis, the remaining part are consolidated monthly. .
		(ii) Cash forecasting and monitoring	A	A cash flow plan is prepared by each budget user for the fiscal year and is updated monthly considering all actual inflows and outflows
		(iii) Information on commitment ceilings	C	Information on commitment ceilings is provided for the preparation of the operational financial plans, which are adopted quarterly in BD.
		(iv) Significance of in-year budget adjustments	C	There were three significant (17%) in-year adjustments in FY 2021.
	PI-22	Expenditure arrears	C+	
		(i) Stock of expenditure arrears	A	There is no incurred stock of arrears for the last three years.
		(ii) Expenditure arrears monitoring	C	Due date of invoice payment is monitored by the Financial Department of BD and this information is generated at the end of the fiscal year.
	PI-23	Payroll controls	D+	
		(i) Integration of payroll and personnel records	B	There is full documentation supporting all changes made in the payroll and the personnel records each month.

Predictability and control in budget execution	(ii) Management of payroll changes	D	Payment corrections data is not maintained.
	(iii) Internal control of payroll	C	it cannot be ascertained how effective these controls are with the lack of financial integrity function.
	(iv) Payroll audit	A	Payroll is conducted regularly every fiscal year.
	PI-24 Procurement	NA	-
	(i) Procurement monitoring	NA	-
	(ii) Procurement methods	NA	-
	(iii) Public access to procurement information	NA	-
	(iv) Procurement complaints management	NA	-
	PI-25 Internal controls on nonsalary expenditure	C	
	(i) Segregation of duties	C	Controls are maintained in environment without functional financial management information system.
	(ii) Effectiveness of expenditure commitment controls	B	The controls are manual and immaterial technical errors occur.
	(iii) Compliance with payment rules and procedures	D	Payment rules and procedures are not monitored and evidence on their volume cannot be provided.
	PI-26 Internal audit effectiveness	D	
	(i) Coverage of internal audit	D	The internal audit function is not established yet.
	(ii) Nature of audits and standards applied	NA	-
	(iii) Implementation of internal audits and reporting	NA	-
(iv) Response to internal audits	NA	-	
Accounting and Reporting	PI-27 Financial data integrity	C	
	(i) Bank account reconciliation	D	Reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day. This does not cover the extrabudgetary units that constitute 22% of the total budget expenditure of BD for FY2021.
	(ii) Suspense accounts	NA	There are no suspense accounts.
	(iii) Advance accounts	A	Advance accounts are reconciled monthly within a month.
	(iv) Financial data integrity processes	D	Access and changes to records is restricted by passwords, there is no operational unit in charge of verifying financial data integrity
	PI-28 In-year budget reports	C+	
(i) Coverage and comparability of reports	A	In-year reports cover data that allows comparison to the original budget.	

		(ii) Timing of in-year budget reports	B	Budget execution reports are prepared quarterly, and are issued within four weeks from the end of the period
		(iii) Accuracy of in-year budget reports	C	Data is useful for analysis of budget execution. Expenditures are captured only at payment stages
	PI-29	Annual financial reports	D+	
		(i) Completeness of annual financial reports	B	Financial reports are prepared and are comparable with the classification used in the approved budget.
		(ii) Submission of reports for external audit	B	The annual financial reports are submitted for external audit within 6 months of the end of the fiscal year.
		(iii) Accounting standards	D	The standards are not disclosed in notes.
	PI-30	External audit	B+	
		(i) Audit coverage and standards	A	The Audit Office has analyzed financial reports including revenues, expenditures, assets, and liabilities of Brčko Government, the extrabudgetary funds and the public enterprises for fiscal years 2017, 2018 and 2019. and control risks.
		(ii) Submission of audit reports to the legislature	B	All Annual Audit Reports were submitted to the legislature within six months from their receipt.
		(iii) External audit follow-up	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits.
	(iv) Supreme Audit Institution (SAI) independence	A	The Audit Office is independent from the executive in all aspects.	
External scrutiny and audit	PI-31	Legislative scrutiny of audit reports	C+	
		(i) Timing of audit report scrutiny	B	The parliamentary Committee for Public Finances scrutinizes the audit reports within six months and debates them in plenary sessions (full chamber).
		(ii) Hearings on audit findings	A	In-depth interviews were held with all budget organizations that received a qualified opinion.
		(iii) Recommendations on audit by the legislature	D	The Assembly do not issue recommendations.
		(iv) Transparency of legislative scrutiny of audit reports	D	The plenary sessions are broadcasted in the media but the Committee reports are not published on the Assembly's website.

Annex 2: Summary of observations on the internal control framework

Annex 2A: Summary of observations on the internal control framework, IBiH

Internal control components and elements	Summary of observations
1. Control environment	
1.1. The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	According to the data from the self-assessment survey of the institutions of Bosnia and Herzegovina, 65.94% of the answers are positive to questions in the field of ethics and integrity. The tasks of supervising the implementation of the code of conduct are delegated to a specific organizational unit or employee at 31 institutions of Bosnia and Herzegovina. 40 institutions have clearly defined rules (internal acts) regarding potential conflicts of interest and how to proceed.
1.2. Commitment to competence	A framework for the competencies of civil servants was introduced, which should ensure that employees possess the knowledge and skills necessary to fulfill work tasks. Although the framework is used in the recruitment process, its elements have not been elaborated through the rulebooks on the internal organization of BiH institutions, which determine the criteria for individual jobs. Competencies are not subject to the annual assessment, so it is not possible to confirm how well the civil servants satisfied the work tasks in terms of possessing and implementing the required competencies. In addition, the annual assessment does not include the issues of delegation of responsibility and the degree or quality of the fulfillment of delegated tasks.
1.3. The "tone at the top" (i.e. management's philosophy and operating style)	About 2/3 of the institutions gave affirmative answers to the questions regarding the active participation of managers in the preparation of planning documents, reporting on the realization of goals from planning documents, and the like. The procedures that govern the key processes of public finance management at the level of individual institutions do not contain clear instructions on the essential controls that managers are obliged to implement for the purpose of better management of resources and results. In practice, most controls in public finance management processes are carried out by financial departments. However, these controls are not and cannot be sufficient, nor can they compensate for the non-implementation of essential management controls.
1.4. Organizational structure	Sixty-seven institutions have established the tasks of the person/working group appointed for financial management and control by an internal act, and of these, in 63 institutions, the appointed persons have been assigned the responsibility of regularly reporting to the head of the institution on the situation in the field of financial management. Implementation of financial management and control systems was initiated in 50 institutions and 31 institutions completed this process.
1.5. Human resource policies and practices	CHU MFoT BiH adopted the Training Program in the field of financial management and control in BiH institutions for 2021. Professional development plans for employees are prepared by 59 institutions of Bosnia and Herzegovina, and records of attendance at trainings are kept by 57 institutions. All institutions still do not refer their employees to training in areas that are crucial for the improvement of internal controls.

2. Risk assessment	
2.1. Risk identification	A countrywide management information system for risk management, internal control, and monitoring and reporting of the financial management and control activities is in place (PIFC application) and needs to be used for risk assessment, risk mitigation, and internal audit. Risk registers are established in most state-level public institutions. 30.98% of institutions in Bosnia and Herzegovina have not established a risk management process.
2.2. Risk assessment (significance and likelihood)	Risk management data has been increasingly recorded in the risk register of the PIFC application. However, risk management is not yet seen as a management activity and remains not incorporated in the decision-making cycle. The majority of institutions consider that the measures taken are an adequate response to the risk so that the residual risk is very low. Measures, i.e. a risk management plan, were adopted in 48 institutions and were implemented in only 39 institutions.
2.3. Risk evaluation	One of the recommendations of the Consolidated FMC Report for 2021 is that is necessary to perform an analysis of the causes of the risk and an assessment of the risk according to the probability of occurrence and impact.
2.4. Risk appetite assessment	The potential of the internal audit function is not sufficiently used to provide information on high risks and recommendations for mitigating them. This is one of the reasons why the internal audit is not focused on analyzing the system and complete business processes and giving recommendations for preventive measures that can affect the overall operations of the institution.
2.5. Responses to risk (transfer, tolerance, treatment, or termination)	Recommendations of CHU MoFT BiH, SAI BiH, and the conclusions of the BiH Council of Ministers are numerous and are not fully and timely implemented by the BiH institutions.
3. Control activities	
3.1. Authorization and approval procedure	According to the data from the annual reports on the FMC system for 2021, 63 institutions believe that their internal procedures have clearly defined authorities, responsibilities, deadlines, and control mechanisms for each activity. During 2021, only 44 institutions updated their internal procedures as a result of response/measures to some of the identified risks. Mechanisms for monitoring the application of internal procedures have been established at 57 institutions in BiH.
3.2. Segregation of duties (authorizing, processing, recording, reviewing)	Even though the principle of segregation of duties is applied in 68 institutions, it has not yet been established and is not applied in accordance with the requirements of the Standards of Internal Control in the Institutions of BiH. Application of the principle of segregation of duties is not ensured even through internal procedures. Segregation of duties in IT systems is only ensured at 29 institutions.
3.3. Controls over access to resources and records	Key processes in public finance management are supported by a large number of separate information systems, which are not mutually integrated, and this imposes the need for manual data transfer and processing, increasing the possibility of errors and delays in the preparation of reports. Records and databases do not guarantee the completeness of the information.

3.4. Verifications	The integrity of financial data is ensured by restricting access to the ISFU system and only persons with assigned access data can enter data and make changes, where the trace of those changes is visible and linked directly to the person making the changes. There is no team that monitors data entry and changes. There are documented procedures that regulate access to the ISFU system and data entry and changes.
3.5. Reconciliations	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week. Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way.
3.6. Reviews of operating performance	The missing links between the existing IT systems for budget preparation and execution do not allow for monitoring of program execution. Budget requests are still largely cost-oriented by input elements, rather than focusing on the results of strategic goals and policies.
3.7. Reviews of operations, processes, and activities	Efficiency, economy and effectiveness of the operations, processes and activities are audited by the SAI. Performance audit coverage remains limited, up to six audits per year.
3.8. Supervision (assigning, reviewing and approving, guidance and training)	No information on the topic was collected in the course of the assessment.
4. Information and communication	Business processes were listed in 71 institutions, and a map of business processes was formed in 69 institutions. More than 50% of institutions believe that the existing information systems (ISFU, PIMS, BPMS, COIP) meet their reporting needs, although the same data is often manually entered into different information systems. This takes a lot of time and increases the possibility of error. Information systems such as PIMIS, BPMIS, ISFU, and COIP operate completely independently of each other even though the business processes they support are interconnected.
5. Monitoring	
5.1. Ongoing monitoring	Continuous monitoring is a continuous process carried out by all employees of the institution, performing the activities and processes for which they are in charge. Another type of monitoring is self-assessment, which is carried out through the preparation of annual reports on the FMC system and their submission to the CHU MoFT BiH. The third type of monitoring is an internal audit. Within the framework of the monitoring of the FMC system, an important place is occupied by the external audit, which plays an important role in the assessment of the internal control system in the institutions of Bosnia and Herzegovina.
5.2. Evaluations	Most public entities have strategic plans with objectives and performance indicators, but checks on performance are missing. While delegation of authority within public service is defined in the legislation on internal control, such remains only understood as a financial one and has not yet been properly implemented. According to data from the annual reports on the FMC system for 2021, internal audits were carried out in 41 institutions, recommendations were implemented in 46 institutions of BiH. The recommendations of the SAI BiH for the improvement of the internal control system are implemented in 59 institutions.

5.3. Management responses	Looking at the tabular overview of the implementation of measures from the Operational Annual Action Plan, it is evident that a significant number of measures have not been implemented or have only been partially implemented. The reason for this may be the fact that the implementation of some measures requires more time, as well as the fact that more than one institution participates in the implementation of some measures, which makes their implementation even more difficult.
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Annex 2B: Summary of observations on the internal control framework, FBiH

Internal control components and elements	Summary of observations
1. Control environment	
1.1. The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	92.58% of users have ethical codes. Over 75% of users supervise the implementation of the code of ethics and have additional internal instructions regarding the employee’s conduct, however, in case of non-compliance, measures are taken by 61.48% of users.
1.2. Commitment to competence	No information on the topic was collected in the course of the assessment.
1.3. The “tone at the top” (i.e. management’s philosophy and operating style)	Over 70% of users regularly hold meetings and discuss strategic goals, implementation of programs/projects, achieved results, key risks in business, and execution of the budget/financial plan. Over 85% of users have a mission and vision, and although 79.51% of users set strategic goals, only 44.17% publish them, so they are not available to the public. Still, less than half of the users include all organizational units in the development of the strategic plan and have responsible units/persons who coordinate that process, and only about 30% of users state that they have special regulations governing strategic planning and include second-level users in the development of their strategic plan.
1.4. Organizational structure	85.51% of users have an appointed coordinator for FMC. However, in less than half of the users, the manager still delegates tasks related to the development of the internal control system to employees, and mutual cooperation between the first and second level of users is insufficiently regulated through internal acts, and it is necessary to undertake further improvement measures on these issues.
1.5. Human resource policies and practices	About 60% of the analyzed users prepare training plans, keep employee records and refer their employees to training in the field of FMC. On the other hand, when it comes to evaluating the performance of employees, only half of the users evaluate the performance of their employees and implement incentive/ corrective measures in case of exceptional/poor performance.
2. Risk assessment	
2.1. Risk identification	Only a third of users have updated risk registers and established system of risk reporting and only about 20% of the organizations that submitted the report have persons in charge who coordinate and collect data on risks. The key weaknesses are: a large number of users do not determine and assess risks in key processes, identified risks are not documented in risk registers, risk registers are not regularly updated and there is no reporting system for the most significant risks.
2.2. Risk assessment (significance and likelihood)	There is a lack of information about the causes and possible consequences of risks, without which it is not possible to identify key control mechanisms for their prevention or to take corrective action in the event that the risk materializes. Less than half of the users assess the significance and likelihood of risks.
2.3. Risk evaluation	Only a third of the users regularly update risk registers and have an established reporting system, and only about 20% of the organizations that submitted the report have people in charge who coordinate and collect data on risks.

2.4. Risk appetite assessment	About half of the users (49.29%) have established procedures for the prevention and detection of irregularities and frauds.
2.5. Responses to risk (transfer, tolerance, treatment, or termination)	There is no reporting system for the most significant risks, therefore it is difficult to undertake an adequate response to risks.
3. Control activities	
3.1. Authorization and approval procedure	Most users have procedures related to procurement and contracting (86.40% of users), and about 70% of users have developed procedures related to the process of creating and executing the budget/financial plan, records of business events and transactions, and asset management. However, only 60% of users regularly update their procedures. Also, about half of the users have procedures that regulate the collection of their own income and the process of returning unduly spent or wrongly paid public funds.
3.2. Segregation of duties (authorizing, processing, recording, reviewing)	About 70% of users apply the principle of segregation of duties when it comes to planning, procurement and contracting, accounting records, payments, and control and has an established system of delegation of authority. Only 39.45% of users apply the segregation of duties principle when it comes to the use of IT systems. 72.97% of users claim that there is a system of delegation of authority in their organization.
3.3. Controls over access to resources and records	The integrity of financial data is ensured by restricting access to the ISFU system and only persons with assigned access can enter data and make changes, where the trace of those changes is visible and linked directly to the person making the changes.
3.4. Verifications	There is no team that monitors data entry and changes. If there is a need for verification and control, the Budget Inspection is responsible. (PI-27)
3.5. Reconciliations	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week. Reconciliation of advance accounts takes place at least monthly, within a month of the end of each month. All advance accounts are cleared in a timely way. (PI-27)
3.6. Reviews of operating performance	About 40% of users in the strategic plan define performance indicators and supervise the implementation of the strategic work plan. In contrast to strategic planning, over 90% of users have adopted annual work plans. Half of the users state that they document business processes, and about 40% of users have created maps of business processes, which represents a certain progress compared to the previous reporting year, 2020.
3.7. Reviews of operations, processes, and activities	Efficiency, economy, and effectiveness of the operations, processes and activities are audited by the SAI. Performance audit coverage remains limited, up to six audits per year.
3.8. Supervision (assigning, reviewing and approving, guidance and training)	No information on the topic was collected in the course of the assessment.
4. Information and communication	The data showed that a third of users have IT security policies, procedures, or instructions, 40% of the users believe that the business systems in the organization are sufficiently supported by the IT system. However, information systems are not mutually integrated, and this imposes the need for manual data transfer and processing, increasing the possibility of errors and delays in the preparation of reports.

5. Monitoring	
5.1. Ongoing monitoring	56.18% of user users have an established system reporting on the functioning of the FMC system in the organization. 44.52% of users have established follow-up controls in the organization. Follow-up controls are performed regularly by 40.11% of users, and 37.99% of users stated that follow-up controls are also performed on an extraordinary basis by order of the manager, depending on the case. For 30.92% of users, in 2021, certain activities were undertaken on the basis of extraordinary controls.
5.2. Evaluations	In 2021, the internal audit was performed only for 22% of users. External audit in 2021 was carried out for 31% of users, and 50.49% of recommendations were implemented.
5.3. Management responses	There is still a low level of implementation of internal audit recommendations.

Annex 2C: Summary of observations on the internal control framework, RS

Internal control components and elements	Summary of observations
1. Control environment	
1.1. The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	There is a strong regulatory framework in the government that is stipulated in the key acts: Budget System Law, Tax Code; Law on Accounting and Auditing of RS and other internal procedures, methodologies and guidelines. The audit reports are submitted to Parliament for discussion and approval.
1.2. Commitment to competence	No information is available from the PEFA assessment. However, the general understanding of the assessment team is that staff possess the necessary academic qualifications and experience.
1.3. The “tone at the top” (i.e. management’s philosophy and operating style)	The overall legal framework provides for the management to ensure proper management and control and accounting for the finances of the government in order to promote efficient and effective use of the budgetary resources. The tone at the top is hierarchical and is rigorously adhered to judging from the strict control procedures and the prompt response to orders made. The internal audit is operational and covers more than 90% of the government budget organisations, applies international standards, checks systemic issues but response to audit recommendations is still low. Thus the internal audit is generally indicative of the condition of the internal control system.
1.4. Organizational structure	No information is available from the PEFA assessment.
1.5. Human resource policies and practices	The issues related to personal and professional integrity and ethical values are covered in the internal rules of the budget organizations.
2. Risk assessment	
2.1. Risk identification	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no information on formalized risk assessment mechanism in the area of revenue collection. Risk of investment is not well covered.
2.2. Risk assessment (significance and likelihood)	Several PIs are related to risk assessment:
2.3. Risk evaluation	Economic analysis of investment proposals: There is established system of economic analysis for only some of the investment proposals but there are no standard guidelines for project selection; Revenue risk management: there is no compliance improvement plan.
2.4. Risk appetite assessment	No information is available from the PEFA assessment.
2.5. Responses to risk (transfer, tolerance, treatment, or termination)	No information is available from the PEFA assessment.
3. Control activities	
3.1. Authorization and approval procedure	The Budget System Law is the key document authorizing the accounting systems of authorization, policies, standards, and accounting procedures and reports.
3.2. Segregation of duties (authorizing, processing, recording, reviewing)	Regulations ensure that different individuals authorize commitments, approve contracts and execute payments.
3.3. Controls over access to resources and records	Compliance with payment rules and procedures ensures close control through the Treasury system where operations can be reviewed, and access can be traced.

3.4. Verifications	Financial data integrity processes related to recording and processing budget data are handled at RS Treasury, but it is not supported by a specialized unit on data integrity.
3.5. Reconciliations	There is monthly reconciliation between tax collection and Treasury system.
3.6. Reviews of operating performance	Mainly performed by the Treasury controls, processes and activities on operational level. The system is annually monitored and reported on by the internal audit function operational on nearly all budget organisations.
3.7. Reviews of operations, processes, and activities	
3.8. Supervision (assigning, reviewing and approving, guidance and training)	No information is available from the PEFA assessment.
4. Information and communication	The government is required to report quarterly and annually to the National Assembly. Communication to the public is realized through various channels such as the websites of the key PFM institutions, there is a citizen`s budget bringing forth budget information to the public in simple and understandable form. Public participation in relation to the budget formulation is ascertained. Clear and comprehensive information on revenue collection and administration exists.
5. Monitoring	
5.1. Ongoing monitoring	There are no tools for monitoring performance related to service delivery with subsequent planning, and decision-making. However, the MoF receives information on resources utilised by the frontline service delivery ministries.
5.2. Evaluations	There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation.
5.3. Management responses	The internal control framework of the PFM system is well structured and operational with regular planned internal audit checks verifying comprehensive, extensive and reliable activities, ensuring against key irregularities and errors. However the management response is still low with less than 50% of the audit recommendations being implemented.

Annex 2D: Summary of observations on the internal control framework, BD BiH

Internal control components and elements	Summary of observations
1. Control environment	
1.1. The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	There is a strong regulatory framework in the government that is stipulated in the key acts: Budget Code; Tax Code; Law on Public Procurement and many procedures on accounting and reporting. There are numerous and various resolutions and Cabinet of Ministers' decrees and ordinances issued to ensure compliance with the laws. The audit reports are submitted to Parliament for discussion and approval. There is, however, no obvious public participation at hearings.
1.2. Commitment to competence	No information is available from the PEFA assessment. However, the general understanding of the assessment team is that staff possess the necessary academic qualifications and experience.
1.3. The "tone at the top" (i.e. management's philosophy and operating style)	The overall legal framework provides for the management to ensure proper management and control and accounting for the finances of the government in order to promote efficient and effective use of the budgetary resources. The tone at the top is hierarchical and is rigorously adhered to judging from the strict control procedures and the prompt response to orders made. The internal audit is still in the early stage of its development in order to be indicative of the condition of the internal control system.
1.4. Organizational structure	No information is available from the PEFA assessment.
1.5. Human resource policies and practices	The issues related to personal and professional integrity and ethical values are covered in the internal rules of the budget organizations.
2. Risk assessment	
2.1. Risk identification	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no information on formalized risk assessment mechanism in the area of revenue collection. Risk of investment are not well covered.
2.2. Risk assessment (significance and likelihood)	Several PIs are related to risk assessment:
2.3. Risk evaluation	Economic analysis of investment proposals: There is no established and transparent system of economic analysis; Budget adjustments are well prescribed; Revenue risk management: there is no compliance improvement plan
2.4. Risk appetite assessment	No information available from the PEFA assessment.
2.5. Responses to risk (transfer, tolerance, treatment, or termination)	No information available from the PEFA assessment.
3. Control activities	
3.1. Authorization and approval procedure	The Budget System Law is the key document authorizing the accounting systems of authorization, policies, standards, and accounting procedures and reports.
3.2. Segregation of duties (authorizing, processing, recording, reviewing)	Regulations ensure that different individuals authorize commitments, approve contracts and execute payments.
3.3. Controls over access to resources and records	Compliance with payment rules and procedures ensures close control through the Treasury system where operations can be reviewed, and access can be traced.

3.4. Verifications	Financial data integrity processes related to recording and processing budget data are handled at BD Treasury, but it is not supported by a specialized unit on data integrity. is used to record and process budget data.
3.5. Reconciliations	There is monthly reconciliations between tax collection and Treasury system.
3.6. Reviews of operating performance	Mainly the Treasury controls, processes and activities on operational level. There is no established internal audit function, yet.
3.7. Reviews of operations, processes, and activities	
3.8. Supervision (assigning, reviewing and approving, guidance and training)	No information is available from the PEFA assessment.
4. Information and communication	The government is required to report quarterly and annually to the National Assembly. Communication to the public is realized through various channels such as the websites of the key PFM institutions, there is a citizen`s budget bringing forth budget information to the public in simple and understandable form. Public participation in relation to the budget formulation is ascertained. Clear and comprehensive information on revenue collection and administration exists.
5. Monitoring	
5.1. Ongoing monitoring	There are no tools for monitoring performance, subsequent planning, and decision-making.
5.2. Evaluations	Performance monitoring in the PFM system is not well developed. There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation.
5.3. Management responses	The internal control framework of the PFM system is still at formative stage and there is still no internal audit to apply comprehensive, extensive and reliable activities to ensure against key irregularities and errors.

Annex 3: Sources of information, IBiH

The annex lists every document from which information for the assessment has been used, such as legislation, government policy papers, budget documents, reports and statistics, as well as recent surveys and analytical work at national, regional or international level. This annex has three components:

- Annex 3.1. – is used for related surveys and analytical work.
- Annex 3.2. – lists the persons who have been interviewed and provided information for the PFM Performance Report, indicating the institutions they represent and their respective positions
- Annex 3.3. – contains a table explaining the sources of information used to extract evidence for scoring each indicator.

Annex 3.1: List of related surveys and analytical work

Number	Institution	Document title	Date	Link
1	World Bank	PEFA BiH	May, 2014	https://www.pefa.org/country/bosnia-and-herzegovina
2	OECD, EU	SIGMA Profesionalna ocjena rada (peer-review) vrhovnih revizijskih institucija	November, 2020	https://www.revizija.gov.ba/Content/DownloadAttachment?Id=ae344743-e8f0-480b-8b76-5b716344ea51&langTag=bs
3	OECD, EU	SIGMA Monitoring Report - The Principles of Public Administration Bosnia and Herzegovina	May, 2022	https://www.sigmaweb.org/publications/Monitoring-Report-Bosnia-and-Herzegovina-May-2022.pdf
4	FBIH Government	PFM Reform Strategy FBIH 2021-2025	March, 2021	https://parlamentfbih.gov.ba/v2/userfiles/file/Materijali%20u%20proceduri_2021/Strategija%20upravljanja%20%20javnim%20finansijama%20u%20FBIH%20B.pdf
5	BiH Council of Ministers	Strategy for improving the management of public finances of the institutions of Bosnia and Herzegovina 2021 - 2025.	June, 2022	https://www.mft.gov.ba/Content/OpenAttachment?id=b78e395b-0891-4c32-a022-30e34f9ed228&lang=hr

Annex 3.2.: List of people interviewed

Annex 3.2.A List of people interviewed, IBiH

No	Institution	Department	Person	Position
1	Ministry of Finance and Treasury	Treasury Sector	Sandra Savić	Senior expert associate for assets management
2	Ministry of Finance and Treasury	Budget Sector	Amela Hasanbegović	Head of Department for Budget Execution Control and Reporting
3	Ministry of Finance and Treasury	Central Harmonization Unit	Abida Čatić	Assistant director in the Department for the Development of Financial Management and Control in BiH Institutions
4	Ministry of Finance and Treasury	Treasury Sector	Sehija Mujkanović	Assistant Minister
5	Ministry of Finance and Treasury		Vera Letica	Assistant Minister
6	Ministry of Finance and Treasury	Treasury Sector	Biljana Mijović	
7	Ministry of Finance and Treasury	Debt Sector	Mersud Lugavić	Expert Advisor for the Foreign Debt Plan and Analysis
8	Ministry of Finance and Treasury		Sanja Jokić	
9	Indirect Tax Authority	Department for Communication		
10	House of Representatives of the BiH Parliament	Committee for Economic and Financial Policy	Željko Kosmajac	Secretary
11	House of Peoples of the BiH Parliament	Finance and Budget Committee	Marijana Galić	Secretary
12	BiH Supreme Audit Institution	Department for International and Public Relations	Ivona Krištić	Head of Department for International and Public Relations

Annex 3.2.B List of people interviewed, FBiH

No	Institution	Department	Person	Position
1	Ministry of Finance	Budget and Public Expenditures Sector	Elvis Bebaković	Senior Analyst
2	Ministry of Finance	Treasury Sector	Amina Hadžimehanović	Senior Associate for accounting methodology
3	Ministry of Finance	Budget and Public Expenditures Sector	Alija Aljović	Assistant Minister
4	Ministry of Finance	Treasury Sector	Mario Glibić	Assistant Minister
5	Ministry of Finance	Debt Management Sector	Tonka Kozarić	Head of Department for Analysis and Reporting
6	Ministry of Finance	Budget Sector	Slavica Buntić	Head of Division for Budget Consolidation and Financial Reporting, Budget Department
7	Ministry of Finance	Budget Sector	Irena Glibić	Head of Macroeconomic Department
8	Ministry of Finance	Central Harmonization Unit	Belma Islamović	Head of Department for Development of Financial Management and Control
9	Ministry of Finance	Internal Audit Unit	Danijela Vuleta Trnčić	
10	Ministry of Finance	Treasury Sector	Đenita Šabanija	
11	Ministry of Finance	Treasury Sector	Almedina Madžak	
12	Ministry of Finance	Treasury Sector	Almira Ibišević	
13	Ministry of Finance	Treasury Sector	Selmir Habibija	
14	FBiH Tax Administration	Department for Planning, Analyses, Reporting and Fiscalization	Armira Oručević	Senior Expert Advisor for the Fiscal System User Support
15	FBiH Tax Administration	Department for Planning, Analyses, Reporting and Fiscalization	Jasmina Hurić Bjelan	Assistant Director
16	House of Representatives of the FBiH Parliament	Committee for Economic and Financial Policy	Almedina Bulić	Secretary
17	FBiH Supreme Audit Institution	Office of General Auditor	Lamija Efendić	Expert Associate for Expert and Administrative Affairs
18	IMF		Bobana Čegar	Economist

Annex 3.2.C List of people interviewed, RS

No	Institution	Department	Person	Position
1	Ministry of finance	Treasury department	Sandra Savić	Senior expert associate for assets management
2	Ministry of finance	Treasury department	Dragana Martić	Head of department for assets management and payment
3	Ministry of finance	Treasury department	Nena Crnić	Head of the department for allocation of public revenues
4	Ministry of finance	Treasury department	Maja Škrbić	Head of the department for accounting
5	Ministry of finance	Department for accounting and auditing	Dušica Tomić	Head of department for consolidation financial reports
6	Ministry of finance	Debt management department	Bojana Vasiljević - Poljašević	Assistant of Minister
7	Ministry of finance	Debt management department	Marija Čendić	Head of department
8	Ministry of finance	Debt management department	Andrea Voutsas	Senior expert associate
9	Ministry of finance	Sector for macroeconomics analysis and policy	Jelena Popović	Assistant of Minister
10	Ministry of finance	Sector for macroeconomics analysis and policy	Sanja Tomaš	Head of department
11	Ministry of finance	Sector for macroeconomics analysis and policy	Sanja Nježić-Mišić	Head of department
12	Ministry of finance	IT sector	Gordana Bajić - Kljajić	Head of department
13	Ministry of finance	Department for fiscal system	Žarko Kukić	Head of department
14	Ministry of finance	CHU	Jelena Ljuboja	Head of department
15	Ministry of finance	Central unit for internal auditing	Siniša Kaurin	Head of unit
16	Ministry of finance	Budget department	Svjetlana Radovanović	Assistant of Minister
17	Ministry of finance	Budget department	Nada Grbić	Head of department
18	Ministry of finance	Budget department	Jasmina Tešanović	Head of department
19	Tax administration	Department for risk management	Danijela Tešić	Head of department
20	Tax administration	Department for professionals affairs of management	Radmila Klincov	Senior expert associate
21	Tax administration	Tax collection management sector	Danijela Đurđević	Head of department
22	Tax administration	Department for professionals affairs of management	Slavica Popović	Senior expert associate

No	Institution	Department	Person	Position
23	Taxadministration	Department for central processing of tax documents	Biljana Mandić	Senior expert associate
24	SupremeAudit Office oftheRepublicof Srpska publicsector	Office of the Auditor General	Jovo Radukić	Deputy Chief Auditor
25	SupremeAudit Office oftheRepublicof Srpska publicsector	Sector for financial audit	Ljiljana Forca	Head od sector
26	SupremeAudit Office oftheRepublicof Srpska publicsector	Sector for legal, financial, and general affairs	Zoran Pajčin	Expert advisor for administrative affairs
27	Chamber of Commerce of RS	Remote interview in writing with the Chairperson		
28	GEA NGO	https://www.gea.ba/en/	Marco Martić	Executive Director

Annex 3.2.D List of people interviewed, Brčko District

No	Institution	Department	Person	Position
1	Finance Directorate	Intern control	Tunjo Pavlović	Internal controller
2	Finance Directorate	Budget Department	Velida Mrkaljević	Head of department
3	Finance Directorate	Treasury - Budget Execution	Anela Ilić	Head of department
4	Finance Directorate	Accounting and reporting	Amela Jasenčić	Senior expert associate for financial reporting
5	Finance Directorate	Accounting and reporting	Vera Ristanić	Head of department
6	Finance Directorate	Department for managing the single account and public debt	Muhamed Imamović	Head of department
7	Finance Directorate	Internal audit	Jasmin Karibašić	Coordinator of the development of internal audit and FMC
8	Finance Directorate	CHU	Sandra Ružičić	Head of department
9	Office for the Audit of Public Administration and Institutions in the Brčko District of Bosnia and Herzegovina	External audit	Savo Grujić	Deputy chief auditor
10	Finance Directorate	Tax administration	Mile Milić	Senior expert associate for forced collection
11	Finance Directorate	Tax administration	Mihajlović Lidija	Senior expert associate for determining and collecting taxes
12	Finance Directorate	Tax administration	Milica Stojanović	Senior expert associate for collecting taxes
13	Finance Directorate	Tax administration	Alma Vehabović	Senior expert associate for determining real estate tax
14	Finance Directorate	Tax administration	Boriša Dragičević	Chief inspector for the control of large taxpayers
15	Finance Directorate	Tax administration	Esad Ribić	Chief inspector for the control of small and medium taxpayers

Annex 3.3.: Sources of information used to extract evidence for scoring each indicator

Annex 3.3.A Sources of information by indicator, IBiH

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
1.1. Aggregate expenditure outturn	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs Law on a budget of Institutions of BiH and International Obligations of BiH for 2020: http://www.sluzbenilist.ba/page/akt/nfhgztz5k76kjin45hS6Y1ohz4nh78h77wc= Law on a Budget of Institutions of BiH and International Obligations of BiH for 2019: http://www.sluzbenilist.ba/page/akt/SeQt7DSUohz4nh78h77Zo= Website of MFoT BiH - Sector for Budget: https://mft.gov.ba/Content/Read/usvojeni-budzet
PI-2. Expenditure composition outturn	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
2.1. Expenditure composition outturn by function	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs
2.2. Expenditure composition outturn by economic type	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs
2.3. Expenditure from contingency reserves	Law on a Budget of Institutions of BiH and International Obligations of BiH for 2020: http://www.sluzbenilist.ba/page/akt/nfhgztz5k76kjin45hS6Y1ohz4nh78h77wc= Law on a Budget of Institutions of BiH and International Obligations of BiH for 2019: http://www.sluzbenilist.ba/page/akt/SeQt7DSUohz4nh78h77Zo= Website of MFoT BiH - Sector for Budget: https://mft.gov.ba/Content/Read/usvojeni-budzet
PI-3. Revenue outturn	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
3.1. Aggregate revenue outturn	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs
3.2. Revenue composition outturn	Law on the Budget of Institutions of BiH and International Obligations of BiH for 2020: http://www.sluzbenilist.ba/page/akt/nfhgztz5k76kjin45hS6Y1ohz4nh78h77wc= Law on the Budget of Institutions of BiH and International Obligations of BiH for 2019: http://www.sluzbenilist.ba/page/akt/SeQt7DSUohz4nh78h77Zo= Website of MFoT BiH - Sector for Budget: https://mft.gov.ba/Content/Read/usvojeni-budzet

Transparency of public finances	
PI-4. Budget classification	Rulebook on Accounting and Accounting Policies and Procedures for users of the Institutions of Bosnia and Herzegovina, https://mft.gov.ba/Content/OpenAttachment?id=d351b079-9989-4ed2-8f30-7dec0aa99eaf&lang=hr BiH Institution's Strategy for Improving Public Finance Management, 2021-2025; Instructions on the application of classifications of government functions in the Institutions of Bosnia and Herzegovina (COFOG), 2015; Rulebook on financial reporting of institutions of Bosnia and Herzegovina, ("Official Gazette of Bosnia and Herzegovina", no. 61/04, 49/09, 42/12, 87/12 and 32/13); Law on Financing Institutions of Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina", no. 61/04, 49/09, 42/12, 87/12 and 32/13); Law on Budget Execution and international obligations of Institutions of Bosnia and Herzegovina for 2019; Law on Budget Execution and international obligations of Institutions of Bosnia and Herzegovina for 2020; Table: Bosnia and Herzegovina: GFSM 2014-Compliant Harmonized Reporting Template; Manual for GFS 2014 mapping accounts with BiH Institutions' General Ledger Accounts
PI-5. Budget documentation	Law on Budget of the Institutions of Bosnia and Herzegovina and International Obligations of Bosnia and Herzegovina for 2022; http://www.sluzbenilist.ba/page/akt/oruyMxUqogtz5k76kin45ho= Budget Framework Document of the Institutions of Bosnia and Herzegovina for 2022-2024; https://mft.gov.ba/Content/OpenAttachment?id=eb790f67-585e-49cf-bd84-2bf9b7f9707f&lang=hr
PI-6. Central government operations outside financial reports	Report on the Budget Execution for 2020: https://www.mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=hr
6.1. Expenditure outside financial reports	Information from the Ministry of Finance and Treasury
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
PI-7. Transfers to subnational governments	NA
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	
PI-8. Performance information for service delivery	Annual Plan of Activities for 2022: Ministry of Defense (http://www.mod.gov.ba/afoto2016/310521prednactprogramarada.pdf), Ministry of Security (http://www.msb.gov.ba/PDF/120920227.PDF), Ministry of Justice (http://www.mpr.gov.ba/ministarstvo/interno/default.aspx?id=12288&langTag=bs-BA), State Investigation and Protection Agency (http://sipa.gov.ba/assets/files/izvjestaji/PROGRAM2022BO.pdf), Ministry for Human Rights and Refugees of BiH (http://www.mhrr.gov.ba/ministarstvo/Programi_rada/default.aspx?id=10410&langTag=bs-BA),
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	

	<p>Ministry of Foreign Trade and Economic Relations of BiH (http://www.mvteo.gov.ba/attachments/bs_Home/O_ministarstvu/Programi_i_izvje%C5%A1taji/Program_rada_Ministarstva_vanjske_trgovine_i_ekonomskih_odnosa_BiH_za_2022_godinu.pdf), Ministry of Civil Affairs of BiH (http://www.mcp.gov.ba/Content/Read/vazni-dokumenti).</p> <p>Performance reports for 2021: Ministry of Defense (http://www.mod.gov.ba/afoto2016/5722%20Izvestaj%20o%20radu%20za%202021.pdf), Ministry of Security (http://www.msb.gov.ba/PDF/130920225.PDF), Ministry of Justice (http://www.mpr.gov.ba/ministarstvo/interno/default.aspx?id=12287&langTag=bs-BA), State Investigation and Protection Agency (http://sipa.gov.ba/assets/files/izvjestaji/IZVJESTAJ2021BS.pdf), Ministry for Human Rights and Refugees of BiH (http://www.mhrr.gov.ba/ministarstvo/Godisnji_finansijski_izvjestaji/Izvestaj2021.pdf), Ministry of Civil Affairs of BiH (http://www.mcp.gov.ba/Content/Read/vazni-dokumenti).</p> <p>Performance audits: http://www.revizija.gov.ba/?lang=en</p> <p>BiH Institution's Strategy for Improving Public Finance Management, 2021-2025: https://www.vijeceministara.gov.ba/akti/prijedlozi_zakona/default.aspx?id=35040&langTag=bs-BA</p>
PI- 9. Public access to fiscal information	The agenda of the 23rd session of the BiH Parliamentary Assembly: https://www.parlament.ba/session/OSessionDetails?id=2218&ConvernerId=1
9.1. Public access to fiscal information	<p>The adopted budget proposal for 2021 by the House of representatives: https://www.parlament.ba/session/OSessionDetails?id=2261&ConvernerId=1</p> <p>Adopted budget for 2022: http://www.sluzbenilist.ba/page/akt/oruyMxUqogztz5k76kjn45ho=</p> <p>Published budget for 2022 on the web site of the Ministry of Finance and Treasury: https://www.mft.gov.ba/Content/Read/usvojeni-budzet</p> <p>In-year and annual budget execution reports: https://www.mft.gov.ba/Content/Read/izvrsenje-izvjestaji</p> <p>Global framework of fiscal balance and policies: https://www.mft.gov.ba/Content/Read/globalni-fiskalni-okvir</p> <p>Medium term expenditure framework: https://www.mft.gov.ba/Content/Read/dokumenti-okvirnog-budzeta</p> <p>Published audit report on the website of the Supreme Audit Institution: http://www.revizija.gov.ba/Post/Read/izvjesce-o-reviziji-izvrenja-proracuna-institucija-bosne-i-hercegovine-za-2021-godinu</p> <p>Law on Audit: http://www.revizija.gov.ba/Content/Read/zakoni-o-reviziji</p> <p>Statement on performance audit and reports: http://www.revizija.gov.ba/Post/Read/izvjestaj-revizije-ucinka-pracenje-realizacije-preporuka</p> <p>http://www.revizija.gov.ba/Post/Read/izvjestaj-revizije-ucinka-osnovne-pretpostavke-za-efikasno-upravljanje-taksama-i-naknada</p>

	<p>http://www.revizija.gov.ba/Post/Read/izvjestaj-revizije-ucinka-elektronsko-upravljanje-dokumentima-u-institucijama-bih</p> <p>http://www.revizija.gov.ba/Post/Read/izvjestaj-revizije-ucinka-osnovne-pretpostavke-za-inspekcijski-nadzor-u-institucijama-bih</p> <p>http://www.revizija.gov.ba/Post/Read/izvjestaj-revizije-ucinka-problemi-i-nedostaci-institucija-bih-u-sistemu-javnih-nabavki</p> <p>Citizens' budget: https://www.mft.gov.ba/Content/OpenAttachment?id=145e50e2-a6ca-47d2-b60c-085e8dd01675&lang=bs</p> <p>Information from the Supreme Audit Institution</p>
Management of assets and liabilities	
PI-10. Fiscal risk reporting	BHRT financial report for 2021: https://www.parlament.ba/session/OSessionDetails?id=2283
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	FBiH FIA
10.3. Contingent liabilities and other fiscal risks	<p>Information on the state of public indebtedness of Bosnia and Herzegovina in 2021: https://www.mft.gov.ba/Content/OpenAttachment?id=c56e4f18-9189-42d4-b0d0-4e9e9a72b67e&lang=hr</p> <p>Amount of bank deposits: https://www.klix.ba/biznis/finansije/gradjani-bih-u-bankama-cuvaju-vise-od-14-milijardi-km-prvi-put-vise-u-km-nego-u-stranim-valutama/221028118</p> <p>In-year and annual budget execution reports: https://www.mft.gov.ba/Content/Read/izvršenje-izvjestaji</p> <p>Information from Elektroprenos</p>
PI- 11. Public investment management	https://www.mft.gov.ba/Content/OpenAttachment?id=0de70072-cbb9-4183-85f8-faf80cb90e17&lang=bs
11.1. Economic analysis of investment proposals	Decision on Method and Criteria for Preparation, Development, and Oversight of Implementation of Program of Public Investments/Development-Investment Program of the Institutions of Bosnia and Herzegovina (Official Gazette 48/18) – BiH PIM Order.
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
PI-12. Public asset management	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
12.1. Financial asset monitoring	<p>Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs</p> <p>Rulebook on Accounting and Accounting Policies and Procedures of the Institutions of Bosnia and Herzegovina: https://mft.gov.ba/Content/OpenAttachment?id=d351b079-9989-4ed2-8f30-7dec0aa99eaf&lang=hr</p> <p>BiH Institution's Strategy for Improving Public Finance Management, 2021-2025: https://www.vijeceministara.gov.ba/akti/prijedlozi_zakona/default.aspx?id=35040&langTag=bs-BA</p> <p>Audit Report of Consolidated Budget Execution Report of IBiH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=79ed15ac-bec3-4880-a154-4f3f4d92a784&langTag=bs</p>
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	

PI-13. Debt management	Website Sector for Public Debt of MFoT BiH: https://mft.gov.ba/Content/Read/strategije-i-analize
13.1. Recording and reporting of debt and guarantees	Debt Management Strategy 2021-2024: https://mft.gov.ba/Content/OpenAttachment?id=994a9148-3dbf-42f5-8106-24cb4a05a8dc&lang=bs
13.2. Approval of debt and guarantees	Debt Management Strategy 2020-2023: https://mft.gov.ba/Content/OpenAttachment?id=4882eef9-fab2-4c8c-8fec-9b78fe3e9815&lang=bs
13.3. Debt management strategy	<p>Debt Management Strategy 2019-2022: https://mft.gov.ba/Content/OpenAttachment?id=e33c3908-08a3-4ebf-b09c-209100d02c18&lang=bs</p> <p>Public Debt Sustainability Analysis 2021-2024: https://mft.gov.ba/Content/OpenAttachment?id=73d0dbf7-c5b1-4f22-9264-3b1d5f5a1581&lang=bs</p> <p>Public Debt Sustainability Analysis 2020-2023: https://mft.gov.ba/Content/OpenAttachment?id=60fe341f-3640-4195-94b4-6102b0d411f8&lang=bs</p> <p>Public Debt Sustainability Analysis 2019-2023: https://mft.gov.ba/Content/OpenAttachment?id=d52f73b9-8e4a-4704-984f-87a04a0ae765&lang=bs</p> <p>Quarterly reports on public debt and semiannual reports on Information on public debt of IBiH: https://mft.gov.ba/Content/Read/informacije-o-javnom-dugu?lang=en</p> <p>BiH Institution's Strategy for Improving Public Finance Management, 2021-2025: https://www.vijeceministara.gov.ba/akti/prijedlozi_zakona/default.aspx?id=35040&langTag=bs-BA</p> <p>Instructions on data collection and keeping records on government debt, government guarantees, and debt and guarantees of the entities and Brčko District of Bosnia and Herzegovina (BiH Official Gazette 14/09 and 8/16)</p> <p>The legal framework that regulates the area of the public debt of Bosnia and Herzegovina is established through:</p> <ul style="list-style-type: none"> • Law on Borrowing, Debt, and Guarantees of BiH ("Official Gazette of BiH" no. 52/05 and 103/09, 90/16) • Law on Settlement of Obligations Based on Old Foreign Currency Savings Accounts ("Official Gazette of BiH" No. 28/06, 76/06, 72/07, 97/11, and 100/13) • Instructions on collecting data and keeping records on public debt and guarantees of BiH, FBiH, RS, and Brčko District ("Official Gazette of BiH", number: 14/09, 8/16) <p>Securing funds for debt servicing, signing international/financial agreements, reporting, activity holders for the debt ceiling proposals, etc., are also defined in the provisions of the Law:</p> <ul style="list-style-type: none"> • Law on the budget of BiH institutions and international obligations of BiH, for each calendar year • Law on the procedure for concluding and executing international agreements • Law on Financing of BiH Institutions • Law on the Fiscal Council

	<ul style="list-style-type: none"> • Law on the system of indirect taxation in Bosnia and Herzegovina • Law on the Administration for Indirect Taxation • Law on Payments to the Single Account and Income Distribution <p>And bylaws:</p> <ul style="list-style-type: none"> • Rulebook on financial reporting of institutions of Bosnia and Herzegovina "Official Gazette of Bosnia and Herzegovina", number 33/07 and 16/10. • Internal procedures for the preparation and issuance of payment orders for foreign debt servicing, number 07 02-3-9998-1/14 dated 12/25/2014. • Internal procedures on the method and deadlines for carrying out part of the foreign debt servicing activities in the Public Debt Sector 07-16-13-2514-1/17 from 08.03.2017. <p>Foreign debt servicing is also regulated by:</p> <ul style="list-style-type: none"> • Agreement on foreign debt servicing concluded between the Central Bank of Bosnia and Herzegovina and the Ministry of Finance and Treasury of Bosnia and Herzegovina, dated October 24, 2013. • Memorandum of Understanding, concluded between the Central Bank of BiH, the Ministry of Finance and Treasury of BiH, the Federal Ministry of Finance/Finance, the Ministry of Finance of the Republika Srpska, and the Administration for Indirect Taxation dated April 17, 2013. year, related to the servicing of foreign debt obligations to the IMF.
Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	Global framework of fiscal balance and policies 2020-2022:
14.1. Macroeconomic forecasts	https://www.mft.gov.ba/Content/OpenAttachment?id=d819a6dd-5577-48bd-bdbf-448777e94517&lang=hr
14.2. Fiscal forecasts	Global framework of fiscal balance and policies 2021-2023:
14.3. Macro-fiscal sensitivity analysis	https://www.mft.gov.ba/Content/OpenAttachment?id=d8188a89-b37d-4efc-b9e3-bacb60601a6b&lang=hr Global framework of fiscal balance and policies 2022-2024: https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=bs Medium term expenditure framework 2021-2023: https://www.mft.gov.ba/Content/OpenAttachment?id=889fc207-a8ef-4be0-88ee-bcc07aa4ce00&lang=hr Medium term expenditure framework 2022-2024: https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=bs Budget document submitted to the legislature: https://www.parlament.ba/session/OSessionDetails?id=2218&ConvernerId=1 Economic Reform Program: http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US Information from the Ministry of Finance and Treasury

PI-15. Fiscal strategy	Economic Reform Program:
15.1. Fiscal impact of policy proposals	http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US
15.2. Fiscal strategy adoption	Law on Financing of the BiH Institutions:
15.3. Reporting on fiscal outcomes	https://www.mft.gov.ba/Content/Read/zakoni-i-podzakonski-akti Information from the Ministry of Finance and Treasury
PI-16. Medium-term perspective in expenditure budgeting	Global Framework of the Fiscal Balance and Politics in Bosnia and Herzegovina for 2022-2024;
16.1. Medium-term expenditure estimates	https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=hr
16.2. Medium-term expenditure ceilings	The 2022-2024 Budget Instruction No.1 for the Institutions of Bosnia and Herzegovina;
16.3. Alignment of strategic plans and medium-term budgets	Budget Instruction No. 1, prepared by MOFT;
16.4 Consistency of budgets with previous year's estimates	https://www.mft.gov.ba/Content/OpenAttachment?id=95a71445-182d-495c-a2c1-cd0e1b1eade1&lang=hr Development Strategy of Bosnia and Herzegovina, 2010; http://www.dep.gov.ba/razvojni_dokumenti/razvojna_strategija/Archive.aspx?langTag=bs-BA&template_id=140&pageIndex=1 Medium-term Work Program for 2022-2024, Council of Ministers, Bosnia and Herzegovina; http://www.dep.gov.ba/sredprograda/sprvm2022/SPRVM_20-22_final.pdf Instructions for the preparation of requests for the allocation of funds from the Budget for 2022 (Instruction number 2), prepared by MOFT Overview of budget user requirements by programs for 2022-2024, Institutions of Bosnia and Herzegovina, MoFT, 2021
PI-17. Budget preparation process	Medium-term budget planning and preparation Manual prepared to provide guidance to the Ministry of Finance and Treasury (MoFT) and Budget Users at the level of the Institutions of BiH; developed by the DFID funded SPEM Project 2011;
17.1. Budget calendar	
17.2. Guidance on budget preparation	
17.3. Budget submission to the legislature	Strategy for Improving Public Finance Management in Institutions of BiH 2021 - 2025;
PI-18. Legislative scrutiny of budgets	Official website of Parliamentary Assembly of Bosnia and Herzegovina;
18.1. Scope of budget scrutiny	https://www.parlament.ba/Content/Read/24?title=Op%20ipodaci&lang=en
18.2. Legislative procedures for budget scrutiny	Information on the Finance Committees available at official website: https://www.parlament.ba/committee/read/18 and https://www.parlament.ba/committee/read/17
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	Various source of website information on official adoption of Law on Budget of Bosnia and Herzegovina and institutional obligations covering the period from 2019 to 2022 as follows: https://www.aa.com.tr/ba/politika/predstavni%C4%8Dki-dom-ps-bih-usvojio-prijedlog-o-bud%C5%BEetu-za-2019-u-prvom-%C4%8Ditanju/1677344#:~:text=Predstavni%C4%8Dki%20dom%20Parlamentarne%20skup%C5%A1tine%20Bosne%20i%20Hercegovine%20%28PS.milijardi%20konvertibilnih%20maraka%20%28KM%29%2C%20javlja%20Anadolu%20Agency%20%28AA%29 .

	<p>https://www.faktor.ba/vijest/dom-naroda-usvojio-budzet-institucija-bih-za-2019-godinu/63333</p> <p>https://ba.n1info.com/vijesti/a448176-predstavnicki-dom-psbih-usvojio-budzet-za-2020-godinu/</p> <p>https://balkans.aljazeera.net/news/balkan/2020/7/29/usvojen-budzet-bih-za-2020</p> <p>https://www.slobodnaevropa.org/a/predsjedni%C5%A1tvo-bih-usvojilo-bud%C5%BEet-za-2021-godinu/31324730.html</p> <p>https://www.akta.ba/vijesti/bih/147751/predstavnicki-dom-psbih-usvojen-prijedlog-budzeta-institucija-bih-za-2021</p> <p>https://mft.gov.ba/Content/OpenAttachment?id=93982e17-20c1-4f59-8236-04109879aa50&lang=hr</p> <p>Minutes from the 13th session of the Finance and Budget Committee of the House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina, held on 15 July 2020;</p> <p>Minutes from the 14th session of the Finance and Budget Committee of the House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina, held on 15 July 2020;</p> <p>2020 Progress Report of the Finance and Budget Committee, House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina;</p> <p>2021 Work Program of the Finance and Budget Committee, House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina;</p>
Predictability and control in budget execution	
PI-19. Revenue administration	Communication Strategy of the Indirect Tax Authority: https://www.uino.gov.ba/portal/wp-content/uploads/3-O-NAMA/6-STRATEGIJE-strateski-dokumenti/Strategija-komunikacije-UIO-2020-2023-15-07-20.pdf
19.1. Rights and obligations for revenue measures	
19.2. Revenue risk management	Web page of the Indirect Tax Authority: https://www.uino.gov.ba/
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	<p>Youtube channel of the Indirect Tax Authority: https://www.youtube.com/@uinobih7229</p> <p>E-portal application of the Indirect Tax Authority: https://www.uino.gov.ba/portal/bs/e-usluge/e-portal/</p> <p>Law on Indirect Taxation Procedure: https://www.uino.gov.ba/portal/wp-content/uploads/PROPISI/1_UIO/3_Zakon_o_postupku_indirektnog_oporeivanja/1_Zakon/B/B-1-Zakon-o-postupku-indirektnog-oporezivanja-Sluzbeni-glasnik-BiH-broj-8905.pdf</p> <p>Charter of Rights and Obligations of Taxpayers: https://www.uino.gov.ba/portal/wp-content/uploads/99-ZAHTJEVI-I-UVJERENJA-ostali-dokumenti/Prava-i-obaveze-obveznika/BOS-Povelja-o-pravima-i-obavezama.pdf</p> <p>Statement on regional service center: https://www.uino.gov.ba/portal/bs/novosti/otvoren-prvi-servis-centar-uio-u-sarajevu/</p> <p>https://business-magazine.ba/2022/03/25/otvoren-prvi-servis-centar-uio-bih-sarajevu/</p>

	<p>Strategy on Compliance Improvements on Indirect Taxation Legislation for Period from 2022 to 2024: https://www.uino.gov.ba/portal/wp-content/uploads/3-0-NAMA/6-STRATEGIJE-strateski-dokumenti/3-Strategija-postivanje-propisa-2022-2024-vanjska-FINAL-p-18-03-22.pdf</p> <p>Rulebook on Registration and Entry into the Unified Register of Indirect Tax Payers: https://www.uino.gov.ba/portal/bs/propisi/porezi/</p> <p>Instructions on the manner of dealing with value added tax and excise declarations and the determination/calculation of value added tax: https://feb.ba/uputstvo-o-nacinu-postupanja-sa-prijavama-za-porez-na-dodanu-vrijednost-i-prijavama-akcize-i-rezrezom-poreza-po-sluzbenoj-duznosti/</p> <p>Instructions on the procedure for refunds and approving tax credit based on the filed value added tax declaration: https://feb.ba/uputstvo-o-postupku-povrata-i-odobravanju-poreznog-kredita-po-osnovu-podnosenja-prijave-za-porez-na-dodanu-vrijednost/</p> <p>Indirect Tax Authority Report: https://www.uino.gov.ba/portal/wp-content/uploads/3-0-NAMA/2-Plan-rada/1-lzvjestaj_o_radu/lzvjestaj-o-radu-UINO-2021.pdf</p> <p>Information from the Indirect Tax Authority</p>
PI-20.Accounting for revenues	Law on Payments to Single Account and Revenue Distribution: https://www.paragraf.ba/propisi/bih/zakon-o-uplatama-na-jedinstveni-racun-i-raspodjeli-prihoda.html
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	
20.3.Revenue accounts reconciliation	Law on Financing of BiH Institutions: https://www.parlament.ba/law/LawDetails?lawId=1116 Information from the Ministry of Finance and Treasury
PI-21.Predictability of in-year resource allocation	Decision of the BiH Council of Ministers no. 170/21 on the redistribution of funds from the Budget of the BiH Ministry of Justice to the Budget of the BiH Institute for execution of criminal sanctions and other measures Information from the Ministry of Finance and Treasury
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22.Expenditure arrears	Law on Financing of BiH Institutions: https://www.parlament.ba/law/LawDetails?lawId=1116
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	Rulebook on Accounting with Accounting Policies and Procedures for Budgetary Units of BiH Institutions: https://www.mft.gov.ba/Content/OpenAttachment?id=67fdf496-3128-4c78-a7e4-e1eb7d49e9d7&lang=bs Information from the Ministry of Finance and Treasury
PI-23.Payroll controls	Information from the Ministry of Finance and Treasury
23.1. Integration of payroll and personnel records	Supreme Audit Institution reports
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	

PI-24. Procurement	http://www.psa.gov.ba/Popisi_i_dokumenti/Propisi/Zakoni/Zakon%20o%20javnim%20nabavkama%20BiH.pdf
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
PI-25. Internal controls on non-salary expenditure	Law on the Budget of BiH Institutions for 2022: http://www.sluzbenilist.ba/page/akt/oruyMxUqogztz5k76kjn45ho=
25.1. Segregation of duties	
25.2. Effectiveness of expenditure commitment controls	Rulebook on Accounting with Accounting Policies and Procedures for Budgetary Units of BiH Institutions: https://www.mft.gov.ba/Content/OpenAttachment?id=67fdf496-3128-4c78-a7e4-e1eb7d49e9d7&lang=bs
25.3. Compliance with payment rules and procedures	Internal instruction on the allocation of officials and the payment procedure through transaction accounts with commercial banks and the BiH Central Bank Information from the Ministry of Finance and Treasury
PI-26. Internal audit	Law on Internal Audit for IBiH and Amendments to the Law: https://chj.mft.gov.ba/Content/OpenAttachment?id=63e947b3-dddc-408f-9ed3-f33d29fb9ae3&lang=bs
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	https://chj.mft.gov.ba/Content/OpenAttachment?id=a5e3b858-ed87-492e-93f6-8e38c551ae26&lang=bs
26.3. Implementation of internal audits and reporting	Rulebook on the Employment of Internal Auditors in the Institutions of Bosnia and Herzegovina: http://www.sluzbenilist.ba/page/akt/Ofgztz5k76kjn45hi0FK2neE=
26.4. Response to internal audits	Rulebook on the implementation of assurance and improvement of the quality of internal audit in BiH institutions: https://chj.mft.gov.ba/Content/OpenAttachment?id=91a34f48-3c16-4f4f-addb-64b2e15018dd&lang=bs Code of Ethics for Internal Auditors in IBiH: https://chj.mft.gov.ba/Content/OpenAttachment?id=75a181f1-9f38-4b4b-be33-723cf8de5f57&lang=bs Internal Audit Charter: https://chj.mft.gov.ba/Content/OpenAttachment?id=4ee3b202-8fec-40fe-b2fa-8f0fe8cdc38c&lang=bs Standards of Internal Audit: https://mft.gov.ba/Content/OpenAttachment?id=16E229E2-23A5-4DCB-A9AC-C7E5CFC48AF5&lang=bs Decision on Criteria for Establishing Internal Audit Units in IBiH: https://chj.mft.gov.ba/Content/OpenAttachment?id=069ae3c3-450f-45ac-ac70-977b667d7c39&lang=bs Internal Audit Manual: https://chj.mft.gov.ba/Content/OpenAttachment?id=072ec7cd-5ab9-4e8e-9b0e-3f8cb73187df&lang=bs Consolidated Annual Report on Internal Audit in IBiH for 2021: https://chj.mft.gov.ba/Content/OpenAttachment?id=1cbc7aae-1021-439d-8fcf-d4d2a30da881&lang=bs Consolidated Annual Report on Internal Audit in IBiH for 2020: https://chj.mft.gov.ba/Content/OpenAttachment?id=2b426073-d7a6-4883-8132-0d69d96a728d&lang=bs Consolidated Annual Report on Internal Audit in IBiH for 2019: https://chj.mft.gov.ba/Content/OpenAttachment?id=4d92a2b7-6e51-424e-9320-e11c9cfd931e&lang=bs

	Audit Report of Consolidated Budget Execution Report of IBiH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=79ed15ac-bec3-4880-a154-4f3f4d92a784&langTag=bs
Accounting and reporting	
PI-27. Financial data integrity	Decision on the amount of per diems for official travel in the institutions of BiH: Official Gazette of BiH, number 32/07,
27.1. Bank account reconciliation	
27.2. Suspense accounts	Email correspondence with Ministry of Finance - Sector for Treasury
27.3. Advance accounts	
27.4. Financial data integrity processes	Interview with Finance Directorate – Accounting Department
PI-28. In-year budget reports	Consolidated Budget Execution Report for 2021: https://mft.gov.ba/Content/OpenAttachment?id=7f2b0624-5cf8-48ab-93f5-f81926075fe6&lang=bs
28.1. Coverage and comparability of reports	
28.2. Timing of in-year budget reports	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
28.3. Accuracy of in-year budget reports	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs Audit Report of Consolidated Budget Execution Report of IBiH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=79ed15ac-bec3-4880-a154-4f3f4d92a784&langTag=bs https://www.mft.gov.ba/Content/Read/izvršenje-izvještaji
PI-29. Annual financial reports	Consolidated Budget Execution Report for 2021: https://mft.gov.ba/Content/OpenAttachment?id=7f2b0624-5cf8-48ab-93f5-f81926075fe6&lang=bs
29.1. Completeness of annual financial reports	
29.2. Submission of the reports for external audit	Consolidated Budget Execution Report for 2020: https://mft.gov.ba/Content/OpenAttachment?id=1d75493c-9af9-4095-b1ae-742ef93e17d1&lang=bs
29.3. Accounting standards	Consolidated Budget Execution Report for 2019: https://mft.gov.ba/Content/OpenAttachment?id=4ed064db-286a-474f-8fc4-9a1f7e1bbb27&lang=bs Audit Report of Consolidated Budget Execution Report of IBiH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=79ed15ac-bec3-4880-a154-4f3f4d92a784&langTag=bs
External scrutiny and audit	
PI-30. External audit	Audit Report of Consolidated Budget Execution Report of IBiH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=79ed15ac-bec3-4880-a154-4f3f4d92a784&langTag=bs
30.1. Audit coverage and standards	
30.2. Submission of audit reports to the legislature	INTOSAI Framework, Standards and Guidelines: http://www.revizija.gov.ba/data/Datoteke/Migrirane%20datoteke/IFPP%20okvir/Odluka_IFPP_BOS.pdf
30.3. External audit follow up	Website of SAI BiH: http://www.revizija.gov.ba/Search/Reports Law on Audit: http://www.revizija.gov.ba/Content/Read/zakoni-o-reviziji
30.4. Supreme Audit Institution independence	SIGMA Report on SAI BiH: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=ae344743-e8f0-480b-8b76-5b716344ea51&langTag=bs

	<p>Annual Report on the Main Findings and Recommendations for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=ef2100d4-0785-4443-bcc8-10d5cd5f9a9d&langTag=bs</p> <p>Annual Report on the Main Findings and Recommendations for 2020: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=5b3fdc80-694b-4c8a-a7f5-15dfe57c1e77&langTag=bs</p> <p>Annual Report on the Main Findings and Recommendations for 2019: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=067213f7-8f76-4ede-9d84-46a4bd103889&langTag=bs</p> <p>Summary Report on Audit of IBIH for 2021: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=8b4d8256-ba35-4596-a29c-122fe4944697&langTag=bs</p> <p>Summary Report on Audit of IBIH for 2020: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=0f94fb7b-eb42-4a04-89a5-0754597c425d&langTag=bs</p> <p>Summary Report on Audit of IBIH for 2019: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=04aa6f5b-7a8c-4524-8cf1-afb2241c55bd&langTag=bs</p>
PI-31. Legislative scrutiny of audit reports	<p>Law on Audit: http://www.revizija.gov.ba/Content/Read/zakoni-o-reviziji</p>
31.1. Timing of audit report scrutiny	
31.2. Hearings on audit findings	<p>Sessions of Finance and Budget Committee of House of Representatives: https://www.parlament.ba/committee/read/18?mandateld=10&committeeMandate=287</p>
31.3. Recommendations on audit by the legislature	
31.4. Transparency of legislative scrutiny of audit reports	<p>Sessions of Finance and Budget Committee of House of Peoples: https://www.parlament.ba/committee/read/17?committeeMandate=294</p> <p>Sessions of House of Representatives: https://www.parlament.ba/session/Read?ConvernerId=1&Mandateld=10</p> <p>Sessions of House of Peoples: https://www.parlament.ba/session/Read?ConvernerId=1&Mandateld=10</p>

Annex 3.3.B Sources of information by indicator, FBiH

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn	Website of FBiH Ministry of Finance - Law on Budget and Budget Execution Reports for 2019, 2020, 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
1.1. Aggregate expenditure outturn	
PI-2. Expenditure composition outturn	Website of FBiH Ministry of Finance - Law on Budget and Budget Execution Reports for 2019, 2020, 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	Website of FBiH Ministry of Finance - Law on Budget and Budget Execution Reports for 2019, 2020, 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
3.1. Aggregate revenue outturn	
3.2. Revenue composition outturn	
Transparency of public finances	
PI-4. Budget classification	Adopted 2022 Budget, Federation BiH; http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
4.1 Budget classification	
PI-5. Budget documentation	Adopted 2022 Budget, Federation BiH; http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15 Federation BiH Chart of Accounts with amendments; Budget Instructions No.1 and No. 2 for 2021-2023; http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
5.1 Budget documentation	
PI-6. Central government operations outside financial reports	Consolidated information on revenue collection: http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf Rulebook on financial reporting and annual budget calculation in FBiH: 69/14, 14/15, 4/16, 19/18 and 3/21 Supreme Audit reports Information from the Ministry of Finance
6.1. Expenditure outside financial reports	
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
PI-7. Transfers to subnational governments	Decision on determining the criteria, methods and procedures for the allocation of funds in 2021; Decision on the distribution of funds in 2021; Information from the Ministry of Finance
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	
PI-8. Performance information for service delivery	Law on Budgets in FBiH: https://www.sfsa.unsa.ba/web/wp-content/uploads/2021/03/zakon-o-budzetima-preciscen-tekst.pdf Amendments to the Law on Budgets in FBiH: https://parlamentfbih.gov.ba/v2/userfiles/file/Usvojeni%20materijali_2022/Zakon-izm-dop-zakon-budzeti-bos.pdf Annual Plans of Activities for 2022 (or in a few cases, three-year plans of activities 2022-2024): Ministry of Labor and Social Policy: https://fmrsp.gov.ba/download/godisnji-plan-rada-federalnog-ministarstva-za-rad-i-socijalnu-politiku-za-2022-godinu/?wpdmdl=6942&refresh=645913f65dbe31683559414
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	

	<p>Ministry for Veterans and Disabled People: https://fmbi.gov.ba/wp-content/uploads/2022/03/trogodisnji-2022-2024.pdf</p> <p>Ministry of Agriculture, Water Management and Forestry: https://fmpvs.gov.ba/wp-content/uploads/2021/12/02-Plan%20rada%20FMPVS%202022-FINAL.pdf</p> <p>Ministry of Transport and Communications: https://fmpik.gov.ba/bh/dokumenti/ostali-dokumenti.html?task=ocument.viewdoc&id=1774</p> <p>Ministry of Energy, Mining and Industry: https://fmeri.gov.ba/media/2240/trogodi%C5%A1nji-plan-rada-2022-2024.pdf</p> <p>Ministry of Internal Affairs: http://www.fmup.gov.ba/v2/stranica.php?idstranica=51</p> <p>Ministry of Culture and Sport: https://www.fmks.gov.ba/images/2022/TROGODI%C5%A0NJI-PLAN-RADA-FMKS-ZA-PERIODE-2022-2024.pdf</p> <p>Administration for Inspection Affairs: https://fuzip.gov.ba/wp-content/uploads/2023/01/1643796549PLAN_RADA_FUZIP_2022.pdf</p> <p>Ministry of Spatial Planning: https://fmpu.gov.ba/wp-content/uploads/2022/11/Plan-rada-2022-final.pdf</p> <p>Performance Reports for 2021: Ministry of Agriculture, Water Management and Forestry: https://fmpvs.gov.ba/wp-content/uploads/2022/11/02-Godisnji-izvjestaj-21.pdf</p> <p>Ministry of Internal Affairs: http://www.fmup.gov.ba/v2/stranica.php?idstranica=51</p> <p>Administration for Inspection Affairs: https://fuzip.gov.ba/wp-content/uploads/2022/09/Godisnji-izvjestaj-o-radu-federalne-uprave-za-inspekcijske-poslove-za-2021-godinu.pdf</p> <p>Performance audits: https://www.vrifbih.ba/?lang=en#1609925924728-a3f24050-489e</p>
<p>PI- 9. Public access to fiscal information</p> <p>9.1. Public access to fiscal information</p>	<p>Web site of the Ministry of Finance: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15</p> <p>Budget 2021 adopted by the House of Representatives: https://predstavnickidom-pfbih.gov.ba/files/Zapisnici%20sa%20sjednica/17.%20redovna%20BOS.docx.pdf</p> <p>Budget 2021 adopted by the House of Peoples: https://www.paragraf.ba/dnevne-vijesti/12012021/12012021-vijest1.html</p> <p>Unadopted annual budget execution report 2020: https://parlamentfbih.gov.ba/v2/bs/propis.php?id=661</p> <p>Audited annual financial report 2020 https://www.vrifbih.ba/finansijska-revizija/?lang=hr</p> <p>Law on Audit: https://www.vrifbih.ba/zakon-o-reviziji/?lang=hr</p> <p>Performance audit: https://www.vrifbih.ba/?lang=hr#1609925924728-a3f24050-489e</p>

	<p>Citizens' budget 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15</p> <p>Global Fiscal Framework 2021-2023: https://www.mft.gov.ba/Content/OpenAttachment?id=d8188a89-b37d-4efc-b9e3-bacb60601a6b&lang=bs</p> <p>Global Fiscal Framework 2022-2024: https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=bs</p> <p>Information from the Ministry of Finance</p>
Management of assets and liabilities	
PI-10. Fiscal risk reporting	<p>Rulebook on Financial Reporting and annual budget calculation in the FBiH: FBiH Official Gazette: 69/14, 14/15, 4/16, 19/18 and 3/21</p> <p>Supreme Audit Institution web site: https://www.vrifbih.ba/</p> <p>Web sites of Sarajevo Canton municipalities Information on the state of public indebtedness of BiH in 2021: https://www.mft.gov.ba/Content/OpenAttachment?id=c56e4f18-9189-42d4-b0d0-4e9e9a72b67e&lang=hr</p> <p>Information from the Ministry of Finance FIA</p>
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	
10.3. Contingent liabilities and other fiscal risks	
PI- 11. Public investment management	
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
PI-12. Public asset management	<p>Website of FBiH Ministry of Finance: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15</p> <p>Balance sheet for 2021</p> <p>Rulebook on Financial Reporting and Annual Budget Calculation in the FBiH: FBiH Official Gazette: 69/14, 14/15, 4/16, 19/18 and 3/21</p> <p>Audit Report of Budget Execution Report for 2021: https://www.vrifbih.ba/wp-content/uploads/2022/09/FR_2021_Budzet-FBiH.pdf</p>
12.1. Financial asset monitoring	
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	
PI-13. Debt management	<p>FBiH Law on Debt, Borrowing, and Guarantees: https://www.sogfbih.ba/sites/default/files/javni_dokument/2020-08/Zakon%20o%20dugu%2C%20zaduz.%20i%20garanc.%20u%20FBiH%20i%20izmjene%20i%20dop.%20zakona.pdf</p> <p>Quarterly Reports on the Public Debt and Annual Information on the Public Debt in FBiH: http://www.fmf.gov.ba/v2/stranica.php?idstranica=161&idmeni=17</p> <p>Debt Management Strategy: http://www.fmf.gov.ba/v2/stranica.php?idstranica=161&idmeni=17</p> <p>Reports on the Implementation of DMS: http://www.fmf.gov.ba/v2/stranica.php?idstranica=161&idmeni=17</p> <p>Annual Borrowing Plans: http://www.fmf.gov.ba/v2/stranica.php?idstranica=161&idmeni=17</p>
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	

Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	Global Framework of Fiscal Balance and Policies 2020-2022: https://www.mft.gov.ba/Content/OpenAttachment?id=d819a6dd-5577-48bd-bdbf-448777e94517&lang=hr
14.1. Macroeconomic forecasts	
14.2. Fiscal forecasts	
14.3. Macro-fiscal sensitivity analysis	Global Framework of Fiscal Balance and Policies 2021-2023: https://www.mft.gov.ba/Content/OpenAttachment?id=d8188a89-b37d-4efc-b9e3-bacb60601a6b&lang=hr Global Framework of Fiscal Balance and Policies 2022-2024: https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=bs Medium term expenditure framework 2021-2023: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15 Medium term expenditure framework 2022-2024: http://www.fmf.gov.ba/fmf20212021/Dokument%20okvirnog%20budz%CC%8Ceta%20FBIH%202022-2024-final-BOS.PDF Budget documents submitted to the legislature: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15 Economic Reform Program: http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US Information from the Ministry of Finance
PI-15. Fiscal strategy	Law on Budgets
15.1. Fiscal impact of policy proposals	Rulebook on the Procedure for Drafting a Statement on the Fiscal Assessment of Laws, Other Regulations and Planning Acts on the Budget: FBiH Official Gazette: 34/16 and 5/18
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	Economic Reform Program: http://www.dep.gov.ba/naslovna/Archive.aspx?pageIndex=1&langTag=en-US Information from the Ministry of Finance
PI-16. Medium-term perspective in expenditure budgeting	Global Framework of the Fiscal Balance and Politics in Bosnia and Herzegovina for 2022-2024; https://mft.gov.ba/Content/OpenAttachment?id=9b1e4e4c-d106-419d-bab6-32ae063c7c75&lang=hr
16.1. Medium-term expenditure estimates	
16.2. Medium-term expenditure ceilings	Guidelines of the Economic and Fiscal Policy of the Federation BiH for 2022-2024; https://www.scribd.com/document/545780758/Smjernice-ekonomske-i-fiskalne-politike-FBiH-za-period-2022-2024
16.3. Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	Federation BiH Budget Framework Document for 2022-2024; http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15 Federation BiH Development Strategy for 2021-2027; https://parlamentfbih.gov.ba/v2/userfiles/file/Materijali%20u%20proceduri_2021/Strategija%20razvoja%20FBIH%202021-2027_bos.pdf
PI-17. Budget preparation process	FBiH Parliament, House of Representatives, https://www.paragraf.ba/dnevne-vijesti/31032022/31032022-vijest2.html
17.1. Budget calendar	
17.2. Guidance on budget preparation	FBiH Parliament, House of Peoples, https://parlamentfbih.gov.ba/v2/bs/aktuelno.php?akt_id=877 https://fbihvlada.gov.ba/bs/14-zakon-o-izvravanju-budzeta-federacije-bosne-i-hercegovine-za-2022-godinu
17.3. Budget submission to the legislature	FBiH Ministry of Finance Budget Calendar Table for 2022 filled in by MoF, Budget Sector December 2022;

	<p>Law on Budget Execution of the Federation of Bosnia and Herzegovina for the year 2022; https://fbihvlada.gov.ba/bs/14-zakon-o-izvrsavanju-budzeta-federacije-bosne-i-hercegovine-za-2022-godinu</p> <p>Email correspondence with FBiH MoF, Budget Sector;</p>
PI-18. Legislative scrutiny of budgets	List of Laws adopted by both houses of the Federation BiH Parliament using urgent procedure;
18.1. Scope of budget scrutiny	https://parlamentfbih.gov.ba/v2/userfiles/file/arhiva_spisak/usvojeni%20akti-2018-2022_12092022.pdf
18.2. Legislative procedures for budget scrutiny	https://balkans.aljazeera.net/news/balkan/2019/2/20/federacija-bih-dobila-budzet-za-2019-godinu
18.3. Timing of budget approval	[1] https://ba.n1info.com/vijesti/a398837-usvojen-budzet-fbih-2020/
18.4. Rules for budget adjustments by the executive	https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_pd_18_22/Pismo-PD_Budzet_2021.pdf https://parlamentfbih.gov.ba/v2/userfiles/file/pisma_dn_18_22/Pismo_DN_Budzet_Federacije-21.pdf
Predictability and control in budget execution	
PI-19. Revenue administration	Law on Tax Administration of the Federation of Bosnia and Herzegovina:
19.1. Rights and obligations for revenue measures	http://www.pufbih.ba/v1/public/upload/zakoni/5d0e4-zakon-o-poreznoj-upravi-fbih-preciscen-tekst-novi-22.pdf
19.2. Revenue risk management	Tax Administration web site: http://www.pufbih.ba/v1/
19.3. Revenue audit and investigation	Tax Administration Facebook: https://www.facebook.com/PoreznaUpravaFBiH/
19.4. Revenue arrears monitoring	Tax Administration YouTube channel: https://www.youtube.com/channel/UCphlPyiwtQmAfrwpSodjC6w EBUs revenues: http://fmf.gov.ba/WEB_15072020/Konsolidacija/Tabelarni%20pregled%202021.pdf
	Information from the Tax Administration
PI-20. Accounting for revenues	Law on Treasury in the Federation of Bosnia and Herzegovina:
20.1. Information on revenue collections	https://www.paragraf.ba/propisi/fbih/zakon-o-trezoru-u-federaciji-bosne-i-hercegovine.html
20.2. Transfer of revenue collections	Law on Internal Payment Transactions: https://advokat-prnjavorac.com/zakoni/Zakon-o-unutrasnjem-platnom-prometu-FBiH.pdf
20.3. Revenue accounts reconciliation	<p>Rulebook on payment methods and allocation of public revenues in the Federation of Bosnia and Herzegovina: https://feb.ba/wp-content/uploads/2022/05/87462-precisceni-pravilnik-o-nacinu-uplate-pripadnosti-i-raspodjele-javnih-prihoda-u-fbih-novi-preciceni-34-22.pdf</p> <p>Law on FBiH Tax Administration: http://www.pufbih.ba/v1/public/upload/zakoni/5d0e4-zakon-o-poreznoj-upravi-fbih-preciscen-tekst-novi-22.pdf</p> <p>BiH Law on payments on a single account and revenue allocation: https://www.paragraf.ba/propisi/bih/zakon-o-uplatama-na-jedinstveni-racun-i-raspodjeli-prihoda.html</p> <p>Information from the Ministry of Finance</p>

PI-21. Predictability of in-year resource allocation	Law on Treasury in the Federation of Bosnia and Herzegovina: https://www.paragraf.ba/propisi/fbih/zakon-o-trezoru-u-federaciji-bosne-i-hercegovine.html
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	Law on Internal Payment Transactions: https://advokat-prnjavorac.com/zakoni/Zakon-o-unutrasnjem-platnom-prometu-FBiH.pdf
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	Information from the Ministry of Finance
PI-22. Expenditure arrears	Law on Financial Operations: https://advokat-prnjavorac.com/zakoni/Zakon-o-finansijskom-poslovanju-FBiH.pdf
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	Instructions on budget execution from Treasury Single Account: https://mrsri.ks.gov.ba/sites/mrsri.ks.gov.ba/files/uputstvo_o_izvrsavanju_budzeta_sa_jrt_broj_34_16.pdf Information from the Ministry of Finance
PI-23. Payroll controls	Supreme Audit reports
23.1. Integration of payroll and personnel records	
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
PI-24. Procurement	-
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
PI-25. Internal controls on non-salary expenditure	Rulebook on Internal Organization of the FBiH Ministry of Finance
25.1. Segregation of duties	Instructions on budget execution from Treasury Single Account: https://mrsri.ks.gov.ba/sites/mrsri.ks.gov.ba/files/uputstvo_o_izvrsavanju_budzeta_sa_jrt_broj_34_16.pdf
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	Information from the Ministry of Finance
PI-26. Internal audit	Law on Internal Audit in FBiH: http://www.fmf.gov.ba/v2/userfiles/userfiles/file/CHJ/ZAKON%20o%20internoj%20reviziji%20u%20javnom%20sektoru%20u%20Federaciji%20BiH.pdf
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	Website of MoF CHU: http://www.fmf.gov.ba/v2/stranica.php?idstranica=173&idmeni=23
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	Consolidated Annual Report on Internal Audit in FBiH for 2021: http://fotoart.ba/1_fmf/juli2022/Konsolidovani%20izvjestaj%20interne%20revizije%20za%202021%20%20godinu_bos.pdf Audit Report of Budget Execution Report for 2021: https://www.vrifbih.ba/wp-content/uploads/2022/09/FR_2021_Budzet-FBiH.pdf

Accounting and reporting	
PI-27. Financial data integrity	Email correspondence with MoF - Sector for Treasury
27.1. Bank account reconciliation	
27.2. Suspense accounts	
27.3. Advance accounts	
27.4. Financial data integrity processes	
PI-28. In-year budget reports	Website of FBiH Ministry of Finance - Law on Budget and Budget Execution Reports for 2019, 2020, 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
28.1. Coverage and comparability of reports	
28.2. Timing of in-year budget reports	
28.3. Accuracy of in-year budget reports	Rulebook on Financial Reporting and Annual Budget Calculation in the FBiH: FBiH Official Gazette: 69/14, 14/15, 4/16, 19/18 and 3/21
PI-29. Annual financial reports	Website of FBiH Ministry of Finance - Law on Budget and Budget Execution Reports for 2019, 2020, 2021: http://www.fmf.gov.ba/v2/stranica.php?idstranica=147&idmeni=15
29.1. Completeness of annual financial reports	
29.2. Submission of the reports for external audit	Rulebook on Financial Reporting and Annual Budget Calculation in the FBiH: FBiH Official Gazette: 69/14, 14/15, 4/16, 19/18 and 3/21
29.3. Accounting standards	Financial reports for 2021 Audit Report of Budget Execution Report for 2021: https://www.vrifbih.ba/wp-content/uploads/2022/09/FR_2021_Budzet-FBiH.pdf
External scrutiny and audit	
PI-30. External audit	Law on Audit in FBiH: https://www.vrifbih.ba/zakon-o-reviziji/?lang=hr
30.1. Audit coverage and standards	
30.2. Submission of audit reports to the legislature	Audit Report of Budget Execution Report for 2021: https://www.vrifbih.ba/wp-content/uploads/2022/09/FR_2021_Budzet-FBiH.pdf
30.3. External audit follow up	
30.4. Supreme Audit Institution independence	SIGMA Report on SAI: http://www.revizija.gov.ba/Content/DownloadAttachment?Id=ae344743-e8f0-480b-8b76-5b716344ea51&langTag=bs Overview of conducted audits by SAI FBiH for 2019, 2020, and 2021: https://www.vrifbih.ba/pregled-izvjestaja-izvrsenih-revizija/ Audit reports on Main Findings and Recommendations for 2019, 2020, and 2021: https://www.vrifbih.ba/godisnji-revizorski-izvjestaji/ INTOSAI Framework: https://www.vrifbih.ba/issai-okvir/
PI-31. Legislative scrutiny of audit reports	Law on Audit in FBiH: https://www.vrifbih.ba/zakon-o-reviziji/?lang=hr
31.1. Timing of audit report scrutiny	
31.2. Hearings on audit findings	Sessions of Parliamentary Committee for Audit: https://predstavnickidom-pfbih.gov.ba/parlamentarna-komisija-odgovorna-za-reviziju-parlamenta-fbih
31.3. Recommendations on audit by the legislature	
31.4. Transparency of legislative scrutiny of audit reports	Sessions (meeting minutes) of House of Representatives of FBiH: https://predstavnickidom-pfbih.gov.ba/zapisnici-sa-sjednica Sessions (meeting minutes) of House of Peoples of FBiH: https://parlamentfbih.gov.ba/v2/bs/zapisnici.php?sjed_kat=1&godina1=2018&godina2=2022

Annex 3.3.C Sources of information by indicator, RS

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
1.1. Aggregate expenditure outturn	Budget System Law of the Republika Srpska („Official gazette Republika Srpska2, 52/14, 103/15 and 15/16) Interviews with MoF, submitted documents of explanation
PI-2. Expenditure composition outturn	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
2.1. Expenditure composition outturn by function	Budget System Law of the Republika Srpska („Official gazette Republika Srpska2, 52/14, 103/15 and 15/16) Interviews with MoF, submitted documents of explanation
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
3.1. Aggregate revenue outturn	
3.2. Revenue composition outturn	Budget System Law of the Republika Srpska („Official gazette Republika Srpska2, 52/14, 103/15 and 15/16) Interviews with MoF, submitted documents of explanation
Transparency of public finances	
PI-4. Budget classification	Law on Budget System of the Republika Srpska („Official gazette Republika Srpska2, 52/14, 103/15 and 15/16)
4.1 Budget classification	Law on Accounting and Auditing of the Republika Srpska (“Official gazette Republic of Srpska Republika Srpskaed subsequently) The Rulebook about Budget Form and Content and Execution Reporting (“Official gazette Republika Srpska” No.100/2013 amended subsequently) Rulebook on Budget Classifications, Content of the Accounts and Implementation of Chart of Accounts for Budget Users (“Official gazette Republika Srpska” No.98/2016 amended subsequently) The Instruction of the applications of International Accounting Standards for Public Sector 23 (Official gazette RS 116/13, 109/16) The Public Finance Management Strategy for Republic of Srpska 2021-2025 Interviews with MoF RS, submitted documents of explanation
PI-5. Budget documentation	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx
5.1 Budget documentation	Budget System Law of the Republika Srpska („Official gazette Republika Srpska2, 52/14, 103/15 and 15/16) Ministry of finance, Republika Srpska, Medium-term Expenditure Framework (MTEF) for 2022-2024 https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirnog_budzeta.aspx Economic Reform Programme (ERP) for 2022-2024 https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx

	<p>Debt Management Strategy for 2021-2023 https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/ud/Pages/default.aspx</p> <p>Law on Fiscal Responsibility of Republika Srpska („Official gazette Republika Srpska15) https://fiskalnisanavjetrs.net/doc/Zakon-o-fiskalnoj-odgovornosti-u-RS.pdf</p>
PI-6. Central government operations outside financial reports	Budget System Law of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)
6.1. Expenditure outside financial reports	Law on Accounting and Auditing of the Republika Srpska (“Official gazette Republika Srpskaed subsequently)
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	<p>Law on Public Enterprises (“Official gazette Republika Srpska” No.89/2013, 89/2019)</p> <p>Law on Public Roads of Republika Srpska(“Official gazette Republic of SrpskaRepublika Srpska019)</p> <p>Interviews with MoF RS, submitted documents</p>
PI-7. Transfers to subnational governments	Law on Local Self-Government („Official gazette Republika Srpska”, issue No. 97/16, 36/19 and 61/21)
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	<p>Law on Budget System of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)</p> <p>Law on SocialProtection („OfficialGazetteoftheRepublicof Srpska”, issue No. 28/94, 37/12, 90/16, 94/19, 42/20 and 36/22)</p> <p>Rulebook on criteria and procedure for awarding financial funds tounderdeveloped and extremely underdeveloped local self-government units(„Official Gazette of the Republika Srpska”, issue No. 28/94 and 48/15)</p>
PI-8. Performance information for service delivery	Law on Budget System of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	ThePublicFinance Management StrategyforRepublicof Srpska 2021-2025
8.3. Resources received by service delivery units	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/Pages/default.aspx
8.4. Performance evaluation for service delivery	<p>Performance audits conducted in the last three completed fiscal years: www.gsr-rs.org</p>
PI- 9. Public access to fiscal information	Official website of RS
9.1. Public access to fiscal information	(https://www.vladars.net/sr-sp-cyrl/Pages/default.aspx)
Management of assets and liabilities	
PI-10. Fiscal risk reporting	Interviews at MoF, additional information provided in writing as a response to team’s request; Official website of RS, Annual budget execution Report
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	
10.3. Contingent liabilities and other fiscal risks	
PI- 11. Public investment management	Information provided by EUD funded project: Managing public investment for results: Public Investment Planning and Management System – PIPMS
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	

PI-12. Public asset management	i. Interviews at MoF, Treasury;
12.1. Financial asset monitoring	ii. internal register of government fixed assets;
12.2. Nonfinancial asset monitoring	iii. Annual Financial Statement
12.3. Transparency of asset disposal.	
PI-13. Debt management	i. Interviews with Debt Management Department at MoF;
13.1. Recording and reporting of debt and guarantees	ii. Debt Management Strategy for the period 2021-2024;
13.2. Approval of debt and guarantees	iii. Law on domestic debt (Закон о унутрашњем дугу Републике Српске ("Службени гласник Републике Српске", бр. 1/12, 28/13, 59/13 и 44/14);
13.3. Debt management strategy	iv. Law on indebtedness, debt and gurantees (Закон о задуживању, дугу и гаранцијама Републике Српске ("Службени гласник Републике Српске", бр. 71/12, 52/14, 114/17, 131/20, 28/21 и 90/21));
	v. Law on conditions and procedure for verification of general obligations of the Republika Srpska (Закон о условима и поступку верификације општих обавеза Републике Српске "Службени гласник Републике Српске", број 109/12);
	vi. Report of the debt of RS as of end 2021 (ИНФОРМАЦИЈА О ДУГУ састанјемнадан 31.12.2021. Годин)
Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024 and 2023-2025:
14.1. Macroeconomic forecasts	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirnog_budzeta.aspx
14.2. Fiscal forecasts	
14.3. Macro-fiscal sensitivity analysis	Economic Reform Programme (ERP) for 2020-2022, 2021-2023 and 2022-2023:
	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx
	Law on Budget System of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)
PI-15. Fiscal strategy	Ministry of finance, Republika Srpska,Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024 and 2023-2025:
15.1. Fiscal impact of policy proposals	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirnog_budzeta.aspx
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	Economic Reform Programme (ERP) for 2020-2022, 2021-2023 and 2022-2023:
	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx
	Law on Budget System of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)
PI-16. Medium-term perspective in expenditure budgeting	Ministry of finance, Republika Srpska,Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024 and 2023-2025:
16.1. Medium-term expenditure estimates	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Dokument_okvirnog_budzeta.aspx
16.2. Medium-term expenditure ceilings	
16.3. Alignment of strategic plans and medium-term budgets	Economic Reform Programme (ERP) for 2020-2022, 2021-2023 and 2022-2023:
16.4 Consistency of budgets with previous year's estimates	https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx
	Law on Budget System of the Republika Srpska („Official gazette Republic of SrpskaRepublika Srpska2, 52/14, 103/15 and 15/16)

	<p>Strategy for the development of agriculture and rural areas of the Republika Srpska 2021-2027: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/</p> <p>Industry development strategy of the Republika Srpska for the period 2021-2027: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/</p> <p>Strategy for the development of small and medium enterprises of the Republika Srpska for the period 2021-2027: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/</p> <p>Energy development strategy of the Republika Srpska until 2035: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mper/</p> <p>Occupational health and safety strategy in the Republika Srpska for the period from 2021 to 2024: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpb/</p> <p>Strategy for attracting foreign investments to Republic Srpska for the period 2021–2027: https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/</p> <p>Public Finance Management Strategy of the Republika Srpska (2021-2025): https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/</p>
PI-17. Budget preparation process	Law on Budget System of the Republika Srpska („Official gazette Republic of Srpska Republika Srpska2, 52/14, 103/15 and 15/16)
17.1. Budget calendar	
17.2. Guidance on budget preparation	Actual dates of budget submission for the last three completed fiscal years (Ministry of finance, Republika Srpska)
17.3. Budget submission to the legislature	
PI-18. Legislative scrutiny of budgets	Law on Budget System of the Republika Srpska („Official gazette Republic of Srpska Republika Srpska2, 52/14, 103/15 and 15/16)
18.1. Scope of budget scrutiny	
18.2. Legislative procedures for budget scrutiny	Actual dates of budget approval for the last three completed fiscal years (Ministry of finance, Republika Srpska)
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
Predictability and control in budget execution	
PI-19. Revenue administration	Consolidated report on the execution of the RS Budget for FY21 (Ministry of finance, Republika Srpska)
19.1. Rights and obligations for revenue measures	Law on Tax Procedure of the Republika Srpska („Official gazette Republic of Srpska Republika Srpska and 37/22)
19.2. Revenue risk management	
19.3. Revenue audit and investigation	Work report for FY21 (Republika Srpska Tax Administration)
19.4. Revenue arrears monitoring	<p>Law on Corporate Income Tax („Official gazette Republika Srpska”, issue No. 94/2015, 1/2017 and 58/2019)</p> <p>Law on Personal Income Tax („Official gazette Republika Srpska”, issue No. 60/15, 5/16, 66/18, 105/19, 123/20, 49/21, 119/21 and 56/22)</p> <p>Law on Contributions („Official gazette Republika Srpska”, issue No. 114/17, 112/19, 49/21, 119/21, 56/22 and 132/22) https://en.poreskaupravors.org/</p> <p>Plan for improving compliance with RSTA regulations for 2021</p>

PI-20.Accounting for revenues	Law on Budget System of the Republika Srpska („Official gazette Republic of Srpska Republika Srpska2, 52/14, 103/15 and 15/16) Law on Treasury („Official Gazette of the Republic of Srpska”, issue No. 28/13and 103/15) Order on payment of certain public revenues in favour of the budgets of the Republic, municipalities, cities and funds („OfficialGazetteoftheRepublicof Srpska”, issue No. 5/20)
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	
20.3.Revenue accounts reconciliation	
PI-21.Predictability of in-year resource allocation	i. Interviews at Treasury MoF; ii. Zakona o Trezoru i Zakona o izvršenju budžeta, iii. Excel table of cash flow for 2021 (Excel tabela gotovinskog toka za 2021.godinu)
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22.Expenditure arrears	i. Interview at Treasury, MoF ii. Konsolidovanom izvještaju o izvršenju budžeta RS prilog I tabela 6-4 Dugoročni plan za izmirenje neizmirenih obaveza prenesenih iz prethodnog perioda (u prilogu pomenute tabele uz izvještaje za 2019, 2020. I 2021. godinu) iii. Data of arrears provided by MoF, Treasury
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	
PI-23.Payroll controls	i. Interview at MoF; Accounting and Auditing Department ii. Monthly table of retrospective adjustments for Fy2021 iii. Office of the Republika Srpska public sector Supreme Audit reports
23.1. Integration of payroll and personnel records	
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
PI-24. Procurement	-
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
PI-25.Internal controls on non-salary expenditure	i. Interview at MoF ii. Response with information to the PEFA Questionnaire prepared by PEFA Assessment Team; iii. Additional information provided in writing in response to formal request on outstanding information ; iv. Functionality of SUFI; v. Law on System of Internal Financial Control in the Public Sector (dated 2016)
25.1. Segregation of duties	
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
PI-26. Internal audit	i. Interview at CHU, MoF ii. Consolidated Activity Report of CHU for FY 2021 iii. Additional information provided in writing; iv. Data on internal audit reports, and coverage of function; v. Law on Internal Financial Control (2016) vi. Methodlogy of internal audit
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	

Accounting and reporting	
PI-27. Financial data integrity	i. Interview at MoF, Treasury;
27.1. Bank account reconciliation	ii. Excel tabela pregleda stanja za 11.10.2021.godine i 12.10.2021.godine (Izvodi transakcionog podračuna br.338-370-22710356-67 u periodu 01.01.-31.12.2021);
27.2. Suspense accounts	
27.3. Advance accounts	iii. SUFI presentation and interview with IT team;
27.4. Financial data integrity processes	
PI-28. In-year budget reports	i. Interview at MoF;- Accountitng and Auditing Department;
28.1. Coverage and comparability of reports	ii. Zakonom o računovodstvu i reviziji Republike Srpske i Zakonom o budžetskom sistemu Republike Srpske;
28.2. Timing of in-year budget reports	
28.3. Accuracy of in-year budget reports	iii. In-year budget reports – monthly, quarterly (http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx ;
PI-29. Annual financial reports	i. Interview at MoF;
29.1. Completeness of annual financial reports	ii. Dopis 2020, Dopis 2021, Dopis 2022 (evidence of submission of annual reports to external audit);
29.2. Submission of the reports for external audit	iii. Consolidated Annual Financial Report for FY 2019-2021
29.3. Accounting standards	
External scrutiny and audit	
PI-30. External audit	i. Interview at Supreme Audit Institution of RS;
30.1. Audit coverage and standards	ii. Data provided on coverage, dates of submitted audit reports to legislature,
30.2. Submission of audit reports to the legislature	iii. Law on public sector auditing of RS
30.3. External audit follow up	https://www.vladars.net/eng/vlada/ministries/MoF/PIFC/PublishingImages/Pages/default/Law%20on%20Public%20Sector%20Auditing%20of%20the%20Republic%20of%20Srpska.pdf
30.4. Supreme Audit Institution independence	https://gsr-rs.org/en/supreme-audit-office-of-the-republic-of-srpska/
PI-31. Legislative scrutiny of audit reports	i. Written response to request for information and data from the National Assembly, Budget and Finance Committee;
31.1. Timing of audit report scrutiny	ii. Evidence of received audit report from external audit
31.2. Hearings on audit findings	
31.3. Recommendations on audit by the legislature	
31.4. Transparency of legislative scrutiny of audit reports	

Annex 3.3.D Sources of information by indicator, Brčko District

Indicator/dimension	
Budget reliability	
PI-1. Aggregate expenditure outturn	Finance Directorate of BD, Budget documentation of BD FY 2019-2022
1.1. Aggregate expenditure outturn	http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet Interviews at Finance Directorate BD, delivered budget documents
PI-2. Expenditure composition outturn	Finance Directorate of BD, Budget documentation of BD FY 2019-2022
2.1. Expenditure composition outturn by function	http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
2.2. Expenditure composition outturn by economic type	Interviews at Finance Directorate BD, delivered budget documents
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	Finance Directorate of BD, Budget documentation of BD FY 2019-2022
3.1. Aggregate revenue outturn	http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
3.2. Revenue composition outturn	Interviews at Finance Directorate BD, delivered budget documents
Transparency of public finances	
PI-4. Budget classification	Finance Directorate of BD
4.1 Budget classification	Budget Law (Official gazette BD BH 34/2019, article 29), The Rulebook on Accounting and Financial Reporting (Official gazette BD BH 8/2021) The Budget document FY 2022 Budget Execution Report FY 2021 http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet Interviews at Finance Directorate BD, delivered budget documents
PI-5. Budget documentation	Finance Directorate of BD, MTEF 2022-2024, Budget documentation of BD FY 2022, Budget Law (Official Gazette Brčko District BH 34/2019)
5.1 Budget documentation	
PI-6. Central government operations outside financial reports	Finance Directorate of BD, Treasury Law of BD (Official Gazette Brčko District BH 52/2018, 3/2019, 34/2019), Budget Law (Official gazette BD BH 34/2019, article 46, 97), Law on Accounting and Auditing (Official gazette BD BH 22/2018, 50/2018), Budget documentation of BD FY 2022
6.1. Expenditure outside financial reports	
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
PI-7. Transfers to subnational governments	Not applicable (NA)
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	

PI-8. Performance information for service delivery	Budget Law (Official gazette BD BH 34/2019)
8.1. Performance plans for service delivery	The Public Finance Management Strategy for BD 2021-2025 (http://df.bdbih.gov.ba/Content/Read/strategije)
8.2. Performance achieved for service delivery	Finance Directorate of BD, Budget documentation of BD FY 2019-2022
8.3. Resources received by service delivery units	http://www.vlada.bdcentral.net/Content/Read/dokumenti-budzet
8.4. Performance evaluation for service delivery	Performance audits conducted in the last three completed fiscal years (https://www.revizija-bd.ba): <ul style="list-style-type: none"> • Management of work contracts, contracts on temporary and casual jobs and contracts on special jobs in the Government of BD BiH 2016-2018 (2019) • Management of District Strategies (2020) • Activities of the Government and institutions of the BD BiH in the process of passing by-laws on internal organization (2021)
PI- 9. Public access to fiscal information	Official website of BD http://www.vlada.bdcentral.net/
9.1. Public access to fiscal information	
Management of assets and liabilities	
PI-10. Fiscal risk reporting	<ul style="list-style-type: none"> • The Law on Public Enterprises of the BD of BiH ("Official Gazette of the BD of BiH" 22/18-refined text, 5/20 and 10/22) • The Law on Public Enterprise "Port of Brčko" BD of Bosnia and Herzegovina ("Official Gazette of BD of Bosnia and Herzegovina" number: 22/18)
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	
10.3. Contingent liabilities and other fiscal risks	
PI- 11. Public investment management	Public Investment Planning and Management System – PIPMS
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
PI-12. Public asset management	<ol style="list-style-type: none"> Interviews at Finance Directorate of BD; The Law on Public Property in the Brčko District of Bosnia and Herzegovina Registar-imovine-vlasnistvo; PRAVILNIK O POSTUPKU RASPOLAGANJA JAVNOM IMOVINOM JAVNIM NADMETANJEM; http://kuji.bdbih.gov.ba/Content/Read/registri-kancelarije-za-upravljanje-javnim-imovinom https://ezkbd.osbd.ba/ https://ossud-brckodistriktbih.pravosudje.ba/vstvfo/S/90/kategorije-vijesti/7254/7285/7252
12.1. Financial asset monitoring	
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	
PI-13. Debt management	<ol style="list-style-type: none"> Interviews at Finance Directorate of BD; Debt Management Strategy 2021-24 (SREDNJOROČNA STRATEGIJA UPRAVLJANJA JAVNIM DUGOM 2021-2024); Debt Report of BD for 2021 (IZVJ EŠTAJ O STANJU DUGA BRČKO DISTRKTA NA DAN 31.12.2021.GODINE);
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	

Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	Finance Directorate of BD, Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024, 2023-2025
14.1. Macroeconomic forecasts	
14.2. Fiscal forecasts	http://df.bdbih.gov.ba/
14.3. Macro-fiscal sensitivity analysis	Budget Law (Official gazette BD BH 34/2019)
PI-15. Fiscal strategy	Finance Directorate of BD, Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024, 2023-2025
15.1. Fiscal impact of policy proposals	
15.2. Fiscal strategy adoption	http://df.bdbih.gov.ba/
15.3. Reporting on fiscal outcomes	Budget Law (Official gazette BD BH 34/2019)
PI-16. Medium-term perspective in expenditure budgeting	Finance Directorate of BD, Medium-term Expenditure Framework (MTEF) for 2021-2023, 2022-2024, 2023-2025
16.1. Medium-term expenditure estimates	Budget Law (Official gazette BD BH 34/2019)
16.2. Medium-term expenditure ceilings	Public finance management reform strategy for the period 2021-2025
16.3. Alignment of strategic plans and medium-term budgets	Development strategy of the BD of BiH for the period 2021- 2027
16.4 Consistency of budgets with previous year's estimates	Strategic plan of the Brčko District Police for the period 2019-2023 http://df.bdbih.gov.ba/ Public finance management reform strategy for the period 2021-2025 Development strategy of the BD of BiH for the period 2021-2027 Strategic plan of the Brčko District Police for the period 2019-2023
PI-17. Budget preparation process	Budget Law (Official gazette BD BH 34/2019)
17.1. Budget calendar	http://df.bdbih.gov.ba/
17.2. Guidance on budget preparation	Actual dates of budget submission for the last three completed fiscal years (Government of BD BiH)
17.3. Budget submission to the legislature	
PI-18. Legislative scrutiny of budgets	Budget Law (Official gazette BD BH 34/2019)
18.1. Scope of budget scrutiny	http://df.bdbih.gov.ba/
18.2. Legislative procedures for budget scrutiny	Actual dates of budget approval for the last three completed fiscal years (Assembly of BD BiH)
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
Predictability and control in budget execution	
PI-19. Revenue administration	Report on the execution of the BD Budget for FY21 (Finance Directorate of BD)
19.1. Rights and obligations for revenue measures	Law on Tax Administration of Brčko District BiH(Official gazette BD BH 11/2020)
19.2. Revenue risk management	
19.3. Revenue audit and investigation	Law on corporate income tax (Official gazette BD BH 17/21 and 38/22)
19.4. Revenue arrears monitoring	Law on personal income tax (Official gazette BD BH 60/2010, 14/2017, 24/2020, 21/2022 and 45/2022) Report on the work and work program of the BD Tax Administration for the year 2021 (BD Tax Administration)

PI-20.Accounting for revenues	Budget Law (Official gazette BD BH 34/2019)
20.1. Information on revenue collections	Treasury Law (Official gazette BD BH 52/2018, 3/2019 and 34/2019)
20.2. Transfer of revenue collections	
20.3.Revenue accounts reconciliation	
PI-21.Predictability of in-year resource allocation	i. Budget Law; ii. Written reply to request for data and information; iii. Budget Calendar
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22.Expenditure arrears	i. Interview at Finance Directorate – Treasury of BD; ii. Written confirmation of the Head of the budget execution sector that BD BiH has no overdue obligations from previous years on the expenditure side.
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	
PI-23.Payroll controls	i. Law on salaries and remuneration in public administration bodies and institutions of BD; ii. Interview at Finance Directorate of BD; iii. Interview with SAI on payroll audit and internal control
23.1. Integration of payroll and personnel records	
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
PI-24. Procurement	-
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
PI-25.Internal controls on non-salary expenditure	i. Interview at Finance Directorate; ii. Instruction on recording of documentation and accounting documents in Finance Directorate – Treasury of Brčko
25.1. Segregation of duties	
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
PI-26. Internal audit	i. Interview at Finance Directorate;
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	
Accounting and reporting	
PI-27. Financial data integrity	i. Interview at Finance Directorate;
27.1. Bank account reconciliation	
27.2. Suspense accounts	
27.3. Advance accounts	
27.4. Financial data integrity processes	

PI-28. In-year budget reports	i. Interview at Finance Directorate;
28.1. Coverage and comparability of reports	ii. In-year budget reports – monthly, quarterly;
28.2. Timing of in-year budget reports	iii. Consolidated annual financial statements
28.3. Accuracy of in-year budget reports	
PI-29. Annual financial reports	i. Interview at Finance Directorate;
29.1. Completeness of annual financial reports	ii. PRAVILNIK O RAČUNOVODSTVU I FINANSIJSKOM IZVJEŠTAVANJU (State Gazette
29.2. Submission of the reports for external audit	iii. Dopis 2020, Dopis 2021, Dopis 2022 (evidence of submission of annual reports to external audit);
29.3. Accounting standards	iv. Annual Report of Budget Execution FY2021
External scrutiny and audit	
PI-30. External audit	i. Interview with Audit Office of BD;
30.1. Audit coverage and standards	ii. Verification with Finance Directorate:
30.2. Submission of audit reports to the legislature	iii. Follow-up report displayed by the Audit Office of BD for review only;
30.3. External audit follow up	iv. Data provided on coverage, dates of submitted audit reports to legislature,
30.4. Supreme Audit Institution independence	Website of the Audit Office with all published audit reports: http://www.revizija-bd.ba/index.php/izvjestaji-bs .
PI-31. Legislative scrutiny of audit reports	i. Meetings and interview;
31.1. Timing of audit report scrutiny	ii. Written response to request for information and data from the National Assembly of BD;
31.2. Hearings on audit findings	iii. Evidence of received audit report from external audit
31.3. Recommendations on audit by the legislature	
31.4. Transparency of legislative scrutiny of audit reports	

Annex 4: Tracking change in performance based on previous versions of PEFA

This annex provides a summary table of the performance at indicator and dimension level. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current and previous assessment. This annex should present comparisons with previous assessments that used the 2005 or 2011 versions of the framework and should be prepared in compliance with the Guidance on reporting performance changes in PEFA 2016 from previous assessments that applied PEFA 2005 or PEFA 2011 at www.pefa.org.

Annex 4A: Tracking change in performance based on previous versions of PEFA, IBIH

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	B	In no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditure.	PI-1.1 is indirectly comparable to the previous PI-1 (i), where donor-funded projects are excluded from the assessment, according to the PEFA 2011 methodology. However, performance remained the same since a previous PEFA assessment.
PI-2 Composition of expenditure out-turn compared to original approved budget	B+	B+		PI-2.1 is indirectly comparable to the previous PI-2(i), where donor-funded projects are excluded from the assessment, according to the PEFA 2011 methodology. However, performance remained the same since a previous PEFA assessment.
i. Extent of the variance in expenditure composition during the last three years, excluding contingency items	B	B	Variance in expenditure composition, was less than 6.8% and 6.7% in 2019 and 2020, respectively.	
ii. The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.	
PI-3 Aggregate revenue out-turn compared to original approved budget	A	A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.	PI-3 is indirectly comparable to PI-3(i). However, performance remained the same since a previous PEFA assessment.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-4 Stock and monitoring of expenditure payment arrears	A	A		
i. Stock of expenditure payment arrears and a recent change in the stock	A	A	No arrears	PI-22.1 is indirectly comparable to PI-4(i). However, performance remained the same since a previous PEFA assessment.
ii. Availability of data for monitoring the stock of expenditure payment arrears	A	A	Formal reports are not generated. Score A is assigned on the premise that the data is generated and reported annually as a part of the budget execution report and based on well-performing commitment and payment controls.	PI-21.2 is indirectly comparable to PI-4(ii). Performance remained the same since the previous PEFA assessment.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	C	C	While budget and outturn are based on administrative and economic classification, the total spending of each budget user (head) is assigned to functional classification in line with COFOG. Since 2015, MoFT prepares budget and budget execution reports in GFS standards; applied CoA is not harmonized with the CoAs of the other level governments.	PI-4.1 and PI-5 (i) are directly comparable. Performance has improved to a higher grade (B). Since 2015, progress has been made by MoFT in implementing GFS standards in budget reporting. As of 2019, MoFT has been using a software application that convert the existing CoA into GFS 2014 and the data is considered consistent as reported to the IMF.
PI-6 Comprehensiveness of information included in budget documentation	B	B	The requirements are met by 4 out of 9.	PI-5.1 and PI-6 (i) are not comparable. Apart from the higher number of specific elements included in the analysis, (PI-5.1) 12 vs. 9 (PI-6i), Unlike the previous assessment, 4 are met of 9; Element 5, Deficit financing, describing anticipated composition is not met
PI-7 Extent of unreported government operations	C+	A		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Level of unreported government operations	A	A	There are no extrabudgetary units at the level of BiH institutions, and all expenditures (other than donor-funded projects) controlled by the BiH institutions are reported in the budget.	PI-6.1 and PI-7 (i) are not comparable (subject only). Performance remained the same since a previous PEFA assessment.
ii. Income/expenditure information on donor-funded projects	C	A	Externally funded projects are mostly being reported at the out-turn stage, but there are no funds that are not registered in the financial reports.	PI-7 (ii) is discontinued. However, data can be used from PI-6.1 and PI-6.2. Improvement compared to the previous assessment because donor-funded projects are registered in the financial reports.
PI-8 Transparency of inter-governmental fiscal relations	NA	NA	BiH level does not have a lower level of governance.	Performance remained the same since a previous PEFA assessment.
i. Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	NA	NA	BiH level does not have a lower level of governance.	PI-7.1 and PI-8 (i) are indirectly comparable. However, performance remained the same since a previous PEFA assessment.
ii. Timeliness and reliable information to SN Governments on their allocations	NA	NA	BiH level does not have a lower level of governance.	PI-7.2 is indirectly comparable to PI-8 (ii). However, performance remained the same since a previous PEFA assessment.
iii. Extent of consolidation of fiscal data for general government according to sectoral categories	NA	NA	BiH level does not have a lower level of governance.	PI-7.2 is indirectly comparable to PI-8 (iii). However, performance remained the same since a previous PEFA assessment.
PI-9 Oversight of aggregate fiscal risk from other public sector entities	A	NR		
i. Extent of central government monitoring of autonomous entities and public enterprises	A	NR		PI-10.1 is not comparable (subject only) to PI-9 (i).
ii. Extent of central government monitoring of SN government's fiscal position	NA	NA	BiH Institutions have no lower tier governments.	PI-10.2 is not comparable (subject only) to PI-9 (ii). Performance remained the same since a previous PEFA assessment.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-10 Public access to key fiscal information	A	B	Three out of five criteria are met. The sixth element is not applicable to this level of government. First two criteria are not met (annual budget documentation and in-year budget execution reports).	Now it is three out of five, earlier it was five out of five. PI-9.1 and PI-10 (i) are not comparable (subject only). Information is available to the public but not within the stipulated timeframe.
C. BUDGET CYCLE				
C(i) Policy-Based Budgeting				
PI-11 Orderliness and participation in the annual budget process	C	D+		
i. Existence of, and adherence to, a fixed budget calendar	C	D	In the last few years, the budget calendar is not adhered to mainly due to political disagreements.	PI-17.1 and PI-11 (i) are directly comparable. Performance has declined from grade C to D+.
ii. Guidance on the preparation of budget submissions	B	C	Based on the analysis performed and supporting document evidence, the score for the present dimension is C.	PI-17.2 and PI-11 (ii) are directly comparable. Performance has declined from grade B to C due to the absence of strict adherence to the budget calendar (e.g. only 7% of BUs submitted their BU No.2 in time).
iii. Timely budget approval by the legislature	D	D	In last five years, the parliamentary committees for budget and policy analysis did not have adequate time to undertake detailed analysis/ budget hearings due to fast budget adoption procedure.	PI-18.3 and PI-11 (iii) are indirectly comparable. Performance remains unchanged.
PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+	C+		
i. Multiyear fiscal forecasts and functional allocations	C	C	BiH Institutions' MTEF estimates for 2022-2024 presents an annual budget and two following fiscal years allocated by administrative and economic classification. The document contains macroeconomic forecasts, revenue projections, spending policies, and budget ceilings for budget heads for the next year and the following two fiscal years.	PI-16.1 and PI-12 (i) are not directly comparable. Performance remains the same.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Scope and frequency of debt sustainability analysis	D	A	DSA is produced on an annual basis.	PI-16.3 and PI-12 (iii) are not comparable. Performance remains the same, Score D assigned as the assessment team could not ascertain that strategies are costed for 25% of primary expenditure (score C requirement).
iii. Existence of costed sector strategies	D	D	Strategic planning process at the level of BiH Institutions has started. Still, budget requests are not systematically linked to relevant development/ strategic plans and sector strategies.	
iv. Linkages between investment budgets and forward expenditure estimates	C	C	Requests for capital investments submitted as part of PIP preparation process match those submitted to the Budget Department as part of MTEF preparation process. This suggests broad integration of PIP and MTEF process which existed during the 2014 PEFA assessment, Hence score C is retained as, however, sector strategy documents which are fully costed in terms of estimates of forward expenditures still do not exist and investment decisions are therefore not based on them.	
<i>C(ii) Predictability and Control in Budget Execution</i>				
PI-13 Transparency of taxpayer obligations and liabilities	B	B		Performance remained the same since a previous PEFA assessment.
i. Clarity and comprehensiveness of tax liabilities	B	B	Legislation and procedures for all major taxes are comprehensive and clear, with fairly limited discretionary powers of the tax inspectors.	PI-19.1 can be used to assess PI-13 (i); not comparable (subject only). however, performance remained the same since a previous PEFA assessment.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Taxpayer access to information on tax liabilities and administrative procedures	B	A	Taxpayers have access to comprehensive, user-friendly, and up-to-date information on tax liabilities and administrative procedures for major taxes, including taxpayer education campaigns.	In the previous assessment, there was a lack of education campaigns. PI-19.1 can be used to assess PI-13 (ii), not comparable (subject only).
iii. Existence and functioning of a tax appeal mechanism	C	C	A tax appeals system of administrative procedures has been established but needs redesign to be fair, transparent, and effective.	PI-19.1 can be used to assess PI-13 (iii); however, performance remained the same since a previous PEFA assessment.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	B		
i. Controls in the taxpayer registration system	C	C	Taxpayers are registered in a complete database but the database is linked to some relevant authorities databases to some extent.	PI-19.3 is not comparable (subject only) to PI-14 (i). Performance remained the same since a previous PEFA assessment, although there are some improvements.
ii. Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	There are penalties for noncompliance with registration and declaration obligations, but they may not always be effective in preventing offenses.	PI-19.3 is not comparable (subject only) to PI-14 (ii). Performance remained the same since a previous PEFA assessment.
iii. Planning and monitoring of tax audit and fraud investigation programs	C	B	There are annual tax audit plans as well as a continuous program of tax audits and fraud investigations. In practice, there is risk-based criteria selection.	PI-19.3 is not comparable (subject only) to PI-14 (iii). There are improvements in the IT system (risk application/module).
PI-15 Effectiveness in collection of tax payments	C+	D+		
i. Collection ratio for gross tax arrears	C	D	The average debt collection ratio in the two most recent fiscal years was 48%, and the total amount of tax arrears represents on average 6% of total annual collections.	PI-19.4 can be used to assess PI-15 (i); not comparable (subject only). The debt collection ratio decreased compared to the previous assessment.
ii. Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	Revenues under the authority of the BiH level are paid directly into accounts controlled by the Treasury, while indirect taxes are transferred on a daily basis.	PI-20.2 can be used to assess PI-15 (ii); not comparable (subject only). However, performance remained the same since a previous PEFA assessment.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	C	A	Reconciliation takes place at least monthly.	PI-20.3 can be used to assess PI-15 (iii); not comparable (subject only). Improvement in terms of information exchanged between the ITA and the MFT Treasury Sector.
PI-16 Predictability in the availability of funds for commitment of expenditures	A	C+		
i. Extent to which cash flows are forecasted and monitored	A	A	Cash flow is prepared quarterly and monthly.	Directly comparable: PI-21.2 and PI-16 (i)
ii. Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	C	Commitment ceilings are available one month in advance.	In the previous assessment, budget users have been free to commit up to the limits of their annual allocations at any time during the year. Current assessors differently interpret the facts. Actually, the result did not change, only the difference in the assessors' interpretation. Directly comparable: PI-21.3 and PI-16 (ii)
iii. Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	A	Only one budget allocation done in a transparent and predictable way.	Directly comparable: PI-21.4 and PI-16 (iii)
PI-17 Recording and management of cash balances, debt and guarantees	B+	B+		Performance remained the same since a previous PEFA assessment.
i. Quality of debt data recording and reporting	B	B	Data on external debt of Institutions of BiH are updated in the information system on a daily basis and directly reconciled with creditors on a quarterly basis, while reports on external and domestic public debt stock and servicing are published on the website of the BiH MoFT on a quarterly, semi-annual, and annual basis. Data on external and domestic debt of Institutions BiH is complete and accurate.	PI-17 (i) is directly comparable to PI-13.1. The performance remained the same.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Extent of consolidation of the government's cash balances	A	B	Calculated and consolidated daily for TSA and weekly for foreign currency accounts..	PI-21.1 can be used to assess PI-17 (ii); indirectly comparable. Performance remained the same since a previous PEFA assessment, only difference is in the assessors' interpretation.
iii. Systems for contracting loans and issuance of guarantees	B	A	The Sector for Debt within the MoFT BiH is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. The loan approvals are made against criteria and fiscal targets stated in DMS of Institutions BiH.	Not comparable (subject only). From 2016, the MFT BiH prepares DMS for a four-year period which is revised annually and provides guidance on future borrowing. The approval of new loan agreements is made against the DMS strategy objectives.
PI-18 Effectiveness of payroll controls	C+	C+		
i. Degree of integration and reconciliation between personnel records and payroll data	B	A	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.	PI-23.1 is indirectly comparable to PI-18 (i); now, the personnel database and payroll are directly linked.
ii. Timeliness of changes to personnel records and the payroll	A	A	Changes to payroll and personnel records are made without delay, and retroactive adjustments are rare.	PI-23.2 is indirectly comparable to PI-18 (ii); Performance remained the same since a previous PEFA assessment.
iii. Internal controls of changes to personnel records and the payroll	C	C	Sufficient control exists to ensure the integrity of the payroll data. However, the procedure itself is nonexistent.	PI-23.3 is directly comparable to PI-18 (iii). Performance remained the same since a previous PEFA assessment.
iv. Existence of payroll audits to identify control weaknesses and/or ghost workers	A	C	Partial payroll audits have been undertaken within the last three years.	PI-23.4 is directly comparable to PI-18 (iv); Performance actually remained the same since a previous PEFA assessment, only difference is in the assessors' interpretation.
PI-19 Competition, value for money and controls in procurement	C+	C+		
i. Transparency, comprehensiveness and competition in the legal and regulatory framework.	B	B		5 out of 6 criteria are met. The public still does not have adequate access to procurement plans.
ii. Use of competitive procurement methods	D	D		Reliable data is not available

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Public access to complete, reliable and timely procurement information	C	B		Complete, reliable and timely information is still not available to the public about procurement plans. However, whereas the results of procurement complaints had not been published previously this information is now readily available to the public via E-Procurement Portal: https://www.ejn.gov.ba/Resolution/ResolutionSearch
iv. Existence of an independent administrative procurement complaints system	B	C		As per discussion under PI-24.4 on pp 95-96 there is a clear deterioration with respect to the institution of fees to discourage complaints and lack of clarity regarding time-frame for complaints resolution.
PI-20 Effectiveness of internal controls for non-salary expenditure	C+	B+		
i. Effectiveness of expenditure commitment controls	B	A	Expenditure commitment control procedures exist and are effective.	PI-25.2 can be used to assess PI-20 (i); not comparable (subject only). In the previous assessments, there were delays in recording liabilities.
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	B	Stronger rules and procedures are in place, and internal audit units are operational in most budgetary units.	PI-20 (ii) and PI-25.2 are not comparable (subject only).
iii. Degree of compliance with rules for processing and recording transactions	B	A	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.	PI-25.3 can be used to assess PI-20 (iii); not comparable (subject only). SAI did not state cases when the recording of some transactions by different users is done using different codes, due to unclear rules as was the case in the previous assessment.
PI-21 Effectiveness of internal audit	C	C+		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Coverage and quality of the internal audit function	C	B	Internal audit is operational for central government entities representing 80% of the total budget expenditure and 83% of total budget revenues. Internal auditors in all internal audit units respect and adhere to the prescribed work methodology, Code of Ethics, and Internal Audit Standards, which are focused on evaluations of the adequacy and effectiveness of internal controls.	PI-26.1 is indirectly comparable to PI-21 (i). Previously this dimension included the analysis of professional standards applied, besides the number of operational internal audit units. Previously, the internal audit unit was operational in only three ministries. As of the end of 2021, the internal audit in the institutions of Bosnia and Herzegovina has been either fully established functionally and staffed or is in the process of being established in accordance with the applicable regulations in all 19 institutions of Bosnia and Herzegovina, in which the establishment of an internal audit is foreseen.
ii. Frequency and distribution of reports	B	A	Annual audit programs exist. 130 regular and follow-up audits out of 142 planned audits in 2021 were realized, or the percentage realization is 92%.	PI-26.3 is not comparable to PI-21 (ii). The reports on planned and realized internal audits are issued by all internal audit units, which was not the case previously.
iii. Extent of management response to the internal audit function.	C	C	Budget users are required by the law to prepare an annual financial report and submit it to the MoFT no later than March 1st of the current year for the past year, together with information on the implementation of the system of internal controls during the year and the activities undertaken to implement the audit recommendations from the previous year. Up to 57% of the recommendations are implemented in 2019, 2020, and 2021.	PI-26.4. is not comparable to PI-21 (iii). The performance remained the same since the previous assessment.
<i>C(iii) Accounting, Recording and Reporting</i>				
PI-22 Timeliness and regularity of accounts reconciliation	A	A		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Regularity of bank reconciliation	A	A	Bank reconciliation for all active central government bank accounts take place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.	PI-22 (i) is indirectly comparable to PI-27.1. However, the performance remained the same.
ii. Regularity and clearance of suspense accounts and advances	A	N/A	Reconciliation of advance accounts takes place at least monthly, within a month from each month. There are no suspense accounts.	PI-22 (ii) is indirectly comparable to PI-27.2 and PI-27.3.
PI-23 Availability of information on resources received by service delivery units	NA	A	Information on resources received by service delivery units is collected and recorded for at least two large ministries.	PI-23 (i) is not comparable to PI-8.3.
PI-24 Quality and timeliness of in-year budget reports	A	D+		
i. Scope of reports in terms of coverage and compatibility with budget estimates	A	A	The in-year reports include a budget execution report, which includes revenues and expenditures, information on debt servicing, and debt stock, as well as the balance sheet. The data in the report is prepared in the same format as the annual budget - that is, by economic and administrative classifications. Coverage and classification of data allow direct comparison to the original budget. Information includes all items of budget estimates. There are no de-concentrated units at the level of Institutions BiH.	PI-28.1 is indirectly comparable to PI-24 (i). However, performance remained the same as the previous PEFA assessment.
ii. Timeliness of the issue of reports	A	D	Budget execution reports are prepared quarterly within 60 days after the end of the quarter but published several months after (for 1st, 2nd, 3rd, and 4th quarter of 2021, reports were published in June 2021, July 2022, July 2022, and August 2022, respectively).	PI-28.2 is indirectly comparable to PI-24 (ii). It takes more than 8 weeks from the end of each quarter to publish the report. The performance deteriorated.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Quality of information	A	C	There may be concerns regarding data accuracy. The report issued for the end of the second quarter contains the analysis of trends and issues and it is useful for analysis of budget execution. Information on expenditure is covered at the commitment stage.	Not comparable (subject only). The Supreme Audit Institution expressed concern about the accuracy of reporting fixed assets.
PI-25 Quality and timeliness of annual financial statements	C+	D+		
i. Completeness of the financial statements	A	A	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement.	PI-25 (i) is indirectly comparable to PI-29.1. The performance remained the same.
ii. Timeliness of submissions of the financial statements	A	B	The consolidated government statement is submitted for external audit within 10 months of the end of the fiscal year, on August 17, 2022	PI-25 (ii) is indirectly comparable to PI-29.2. The performance slightly worsened, since the financial statements for 2021 were not submitted to the external audit within the deadline prescribed by the law.
iii. Accounting standards used	C	D	Statements are presented in consistent format over time. Accounting standards are not disclosed although the report contains reference to the legal framework which codifies the accounting rules and policies.	PI-25 (iii) is indirectly comparable to PI-29.3. IPSAS standards are not adopted for the public sector. Accounting standards are not disclosed per se. The score is different due to assessors' interpretation of available evidence. There is no actual deterioration in performance.
<i>C(iv) External Scrutiny and Audit</i>				
PI-26 Scope, nature and follow-up of external audit	B+	B+		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Scope/nature of audit performed (including adherence to auditing standards)	B	A	All 74 entities of the central government are audited annually covering revenue, expenditure, and assets/liabilities. A full range of financial audits and some aspects of performance audits are performed and generally adhere to ISSAI auditing standards, focusing on significant and systemic issues.	PI-26 (i) is not comparable to PI-30.1. However, the performance improved since the previous PEFA assessment.
ii. Timeliness of submission of audit reports to the Legislature	A	A	Audit reports for 2021 were submitted to the legislature within 3 months of the end of the period covered & in the case of financial statements from their receipt by the SAI BiH.	PI-26 (ii) is not comparable to PI-30.2. However, the performance remained the same since the previous PEFA assessment.
iii. Evidence of follow-up on audit recommendations	B	B	A formal response is made in a timely manner, but there is little evidence of systematic follow-up. Most of the given recommendations have been repeated over the assessed period (2019-2021).	PI-26 (iii) is indirectly comparable to PI-30.3. However, the performance remained the same.
PI-27 Legislative scrutiny of the annual budget law	D+	D+		
i. Scope of the legislature scrutiny	D	D	In the last few years, both Committees were not given enough time to analyze draft annual budgets mainly because the BiH CoM requested a fast (urgent) adoption procedure. Given the time constraints of receiving budget proposal, the Committees' members had practically no time for public discussions nor the Committee's prior working meetings with relevant entities required by the standard procedure of legislative budget scrutiny.	PI-18.1 and PI-27 (i) are directly comparable. Performance is unchanged.
ii. Extent to which the legislature's procedures are well established and respected	D	D	Apart from a serious delay in the budgeting process, legislative review, and budget hearings were not included within budget cycle	PI-18.2 and PI-27 (ii) are not directly comparable. Performance is unchanged.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	D	D	In last few years, BiH Institutions did not adhere to the approved budget calendar	PI-17.3 and PI-27 (iii) are not comparable. Performance is unchanged.
iv. Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	B	Law on Financing of BiH Institutions, Article 16, and annual budget adjustment instruction prepared by MoFT provides for budget allocations within the approved budget to be amended without ex-ante approval by the Parliamentary Assembly.	PI-18. 4 and PI-27 (iv) are directly comparable. Performance is unchanged.
PI-28 Legislative scrutiny of external audit reports	C+	C+		
i. Timeliness of examination of audit reports by the legislature	B	C	Scrutiny of audit reports on annual financial reports has been completed by the legislature within twelve months from receipt of the reports in the 2019-2021 period.	PI-28 (i) is indirectly comparable to PI-31.1. However, performance slightly worsened in terms of the legislative scrutiny for 2021 when it took 11 months. The legislative scrutiny of audit reports for 2019 and 2020 was done in under 6 months.
ii. Extent of hearing on key findings undertaken by the legislature	A	A	In-depth hearings on key findings of audit reports that received qualified or adverse opinion take place regularly with representatives of audit subjects and SAI representatives.	PI-28 (ii) is indirectly comparable to the PI-31.2. However, the performance remained the same.
iii. Issuance of recommended actions by the legislature and implementation by the executive	C	C	The legislature issues recommendations on actions to be implemented by the executive. Budget users are required to report to Parliament on the actions they take to implement the recommendations. The degree of recommendations implementation is limited.	PI-28 (iii) is not comparable to PI-31.3. However, performance remained the same.

Annex 4B: Tracking change in performance based on previous versions of PEFA, FBiH

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	B	Total expenditures were 93.5% and 104.6% of the originally approved budget in 2019 and 2020, respectively, which means the total expenditure outturn did not deviate by more than 10% in at least two of the three observed years.	PI-1 is indirectly comparable to PI-1.1. The performance deteriorated as the deviation was higher than 5% in at least two of the three observed years. Previously, the deviation was less than 5%.
PI-2 Composition of expenditure out-turn compared to original approved budget	B+	D+		
i. Extent of the variance in expenditure composition during the last three years, excluding contingency items	B	D	Variance in expenditure composition by administrative classification was slightly above 15% in at least two of the last three years, 16.2% and 15.04% in 2020 and 2021, respectively.	PI-2 (i) is indirectly comparable to PI-2.1. The performance deteriorated, as previously the variance was less than 10% in the assessed period.
ii. The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Expenditure from the contingency reserve was 1% in 2019, 2.7% in 2020, and 0.1% in 2021, therefore the average amount of expenditure from the contingency reserve for the assessed period 2019-2021 was 1.26%.	PI-2 (ii) is indirectly comparable to PI-2.3. However, the performance remained the same.
PI-3 Aggregate revenue out-turn compared to original approved budget	A	B	Actual revenue was 100% and 111% of budgeted revenues in 2019 and 2021, respectively.	PI-3 is indirectly comparable to PI-3(i), since the previous assessment included EBFs, while in the current assessment, EBFs are excluded. Also, the new assessment used the PEFA template for the calculation of PI-3.1 Previously, actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.
PI-4 Stock and monitoring of expenditure payment arrears	NR	A		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Stock of expenditure payment arrears and a recent change in the stock	NR	A	The stock of arrears is low. This is based on the official data from the FBiH Ministry of Finance.	Data availability. PI-4 (i) is indirectly comparable to PI-22.1.
ii. Availability of data for monitoring the stock of expenditure payment arrears	D	A	Data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).	Data availability. PI-4 (ii) is indirectly comparable to PI-22.2.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	C	D	GFS classification has not been adopted and operational	PI-4.1 and PI-5 (i) are directly comparable. Score downgraded to D. Change in score only, performance remains unchanged (some improvements in progress have been reported)
PI-6 Comprehensiveness of information included in budget documentation	C	C	The requirements are met for 3 out of 9 elements.	PI-5.1 and PI-6 (i) are not comparable. Performance has been scored at C. Elements 2, 6, and 7 as per 2011 Methodology are met.
PI-7 Extent of unreported government operations	D+	NR		
i. Level of unreported government operations	D	NR	No sufficient information to assess	PI-6.1 is not comparable (subject only) to PI-7 (i).
ii. Income/expenditure information on donor-funded projects	C	C	Income/expenditure information for all loan-financed projects is included in fiscal reports.	Discontinued. Performance remained unchanged.
PI-8 Transparency of inter-governmental fiscal relations	D	D+		
i. Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	D	B	At least 50% of transfers (by value) are determined in a transparent and rule-based system.	PI-7.1 and PI-8 (i) are indirectly comparable.
ii. Timeliness and reliable information to SN Governments on their allocations	D	D	Information on transfers is issued in the current year.	No change in performance. PI-7.2 and PI-8 (ii) are indirectly comparable.
iii. Extent of consolidation of fiscal data for general government according to sectoral categories	D	D	There are quality consolidated data on executed revenues only.	PI-7.2 and PI 8 (iii) are indirectly comparable.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-9 Oversight of aggregate fiscal risk from other public sector entities	D	D		
i. Extent of central government monitoring of autonomous entities and public enterprises	D	D	Significantly incomplete monitoring	PI-10.1 and PI-9 (i) are not comparable (subject only). Performance remained the same.
ii. Extent of central government monitoring of SN government's fiscal position	D	D	Significantly incomplete	PI-10.2 and PI-9 (ii) are not comparable (subject only). Performance remained the same.
PI-10 Public access to key fiscal information	B	B	Three criteria are met.	Now it is three that met the criteria, earlier it was four, but the performance remained the same. PI-9.1 and PI-10 (i) are not comparable (subject only).
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	B	B		
i. Existence of, and adherence to, a fixed budget calendar	C	B	Based on the analysis performed and supporting document evidence, the score for the present dimension is B	PI-17.1 and PI-11 (i) are directly comparable. Performance has improved from grade C to B. A clear annual budget calendar exists and is generally adhered to / there are no substantial delays in its implementation.
ii. Guidance on the preparation of budget submissions	A	A		PI-17.2 and PI-11 (ii) are directly comparable. Performance is unchanged.
iii. Timely budget approval by the legislature	C	C	FBIH Parliamentary committees for budget and policy analysis, in last three years did not have adequate time to undertake detailed analysis/budget hearings due to government fast budget adoption procedure.	PI-18.3 and PI-11 (iii) are indirectly comparable. Performance remains unchanged
PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+	D+		Score D+ is retained.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Multiyear fiscal forecasts and functional allocations	C	A	Forward estimates are used to anchor the preparation of the following year's budget ceilings - medium-term budget estimates are updated annually using 'a three-year rolling model' of budget planning, where each year MoF prepares the MTEF based on previous year's budget and estimates.	PI-16.1 and PI-12 (i) are not directly comparable. Performance has improved from grade C to A. Forward estimates are used to anchor the preparation of the following year's budget ceilings - medium-term budget estimates are updated annually using 'a three-year rolling model' of budget planning
ii. Scope and frequency of debt sustainability analysis	D	D		PI-16 and PI-12 (ii) are not comparable.
iii. Existence of costed sector strategies	D	D	Costed strategic planning process are still being developed as a part of MTEF process including specific strategic objectives and indicators. F BiH adopted the F BiH Development Strategy for 2021-2027, which is an umbrella document used in drafting sectoral strategies at F BiH government level. But, to be fully embedded into MTEF/annual program budget process, a detailed methodology with possible adjustments in terms of a clear structure connecting strategic documents with the F BiH	PI-16.3 and PI-12 (iii) are not comparable. Performance is de facto unchanged.
iv. Linkages between investment budgets and forward expenditure estimates	C	D	There is a minimal integration between MTEF and PIP preparation process. For example F BiH MTEF/BFP for 2022-2024 contains a table on p.24 with forward estimates for capital investments assigned to each sector per DAC classification.	As budgeting for investment and recurrent expenditure are pretty much separate processes still, score is revised to D. No change in performance, just change in score.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
C(ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities	C	C+		
i. Clarity and comprehensiveness of tax liabilities	C	C	Legislation and procedures for all major taxes are comprehensive and clear, while there is a fair amount of discretionary powers of the tax inspectors in areas such as interpretation of international tax treaties and transfer pricing.	PI-19.1 can be used to assess PI-13 (i); not comparable (subject only). However, performance remained the same since a previous PEFA assessment.
ii. Taxpayer access to information on tax liabilities and administrative procedures	C	B	Taxpayers have access to comprehensive, user-friendly and up-to-date information on tax liabilities and administrative procedures for major taxes, with limited taxpayer education campaigns.	In the previous assessment, there was limited access to information including limited usefulness and updating of information. PI-19.1 can be used to assess PI-13 (ii); not comparable (subject only)
iii. Existence and functioning of a tax appeal mechanism	C	C	A tax appeals system of administrative procedures have been established, but needs redesign to be fair, transparent, and effective.	PI-19.1 can be used to assess PI-13 (iii); however, performance remained the same since a previous PEFA assessment.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B		
i. Controls in the taxpayer registration system	C	C	Taxpayers are registered in a complete database but the database is linked to some relevant authorities databases to some extent.	PI-19.3 is not comparable (subject only) to PI-14 (i). Performance remained the same since a previous PEFA assessment, although there are some improvements.
ii. Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	There are penalties for noncompliance with registration and declaration obligations, but they may not always be effective in preventing offenses.	PI-19.3 is not comparable (subject only) to PI-14 (ii). Performance remained the same since a previous PEFA assessment.
iii. Planning and monitoring of tax audit and fraud investigation programs	B	B	There are annual tax audit plans as well as a continuous program of tax audits and fraud investigations. In practice, there is risk-based criteria selection.	PI-19.3 is not comparable (subject only) to PI-14 (iii). There are improvements in the IT system (risk application).
PI-15 Effectiveness in collection of tax payments	NR	C+		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Collection ratio for gross tax arrears	NR	NR	The average debt collection ratio in the two most recent fiscal years was 6%, and the total amount of tax arrears represents on average 38% of total annual collections.	PI-19.4 can be used to assess PI-15 (i); not comparable (subject only).
ii. Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	Revenues under the authority of the FBiH level are paid directly into accounts controlled by the Treasury.	PI-20.2 can be used to assess PI-15 (ii); however, performance remained the same since a previous PEFA assessment.
iii. Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	C	Reconciliation takes place at least monthly for indirect taxes, while FBiH Treasury is not cross-checking the data with and not receiving reconciled data (including assessments and arrears) from the FBiH Tax Administration but the reconciliation of accounts is available on a daily basis	In the previous assessment indirect taxes were not taken into account (they take 35% of FBiH budget revenues) due to assessors' interpretation.. PI-20.3 can be used to assess PI-15 (iii).
PI-16 Predictability in the availability of funds for commitment of expenditures	C+	NR		
i. Extent to which cash flows are forecasted and monitored	A	B	Cash flow is planned quarterly, expressed by month, based on actual cash inflows and outflows.	In the previous assessment, the situation was the same, but instead of B the grade was A. PI-21.2 and PI-16 (i) are directly comparable.
ii. Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	C	C	Commitment ceilings are available one month in advance.	The grade is the same as in the previous PEFA assessment. PI-21.3 and PI-16 (ii) are directly comparable.
iii. Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	A	There have been transparent and rule-based in-year adjustments to the budget in 2021. Narrative amended.	PI-21.4 and PI-16 (iii) are directly comparable. Performance remains unchanged, as well as the score.
PI-17 Recording and management of cash balances, debt and guarantees	B	B		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Quality of debt data recording and reporting	B	B	Domestic and foreign debt and guaranteed debt records of FBiH are complete, accurate, and updated quarterly. Most information is reconciled quarterly with the BiH MFoT which is in charge of the reconciliation of debt information with creditors. Comprehensive management and statistical reports covering debt service, stock, and operations are produced annually.	PI-17 (i) is directly comparable to PI-13.1. The performance remained the same.
ii. Extent of consolidation of the government's cash balances	C	B	All transactions that are part of the central government budget go through the STA, which holds all cash balances. However, some EBFs remain outside the STA. Performance has improved in as much as pension fund contributions are consolidated with the TSA.	PI-21.1 can be used to assess PI-17 (ii); performance improved with integration of the HIF and contributions into the TSA.
iii. Systems for contracting loans and issuance of guarantees	B	A	The Sector for Debt within the FBiH Ministry of Finance is authorized to borrow, issue new debt, and issue loan guarantees on behalf of the central government. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. The procedure prescribed by the Law is followed in the practices and FBiH Government approves annual borrowing plans.	Since 2016, the Federal Ministry of Finance prepares a debt management strategy. Also, the annual plan of borrowing is approved against the criteria set by DMS of FBiH.
PI-18 Effectiveness of payroll controls	D+	NR		Not certain how this could have been D+ in the previous assessment considering the dimension score patterns. Three dimensions could not be rated (see below) and the one that was rated retained the same rating.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Degree of integration and reconciliation between personnel records and payroll data	B	NR	No sufficient information to assess	PI-23.1 is indirectly comparable to PI-18 (i) Deterioration in score only due to lack of data on broader CG practices. Performance remains unchanged for BCG and the only change is in the nominal score.
ii. Timeliness of changes to personnel records and the payroll	A	NR	No sufficient information to assess	PI-23.2 is indirectly comparable to PI-18 (ii) Deterioration in score only due to lack of data on broader CG practices. Performance remains unchanged for BCG and the only change is in the nominal score.
iii. Internal controls of changes to personnel records and the payroll	C	NR	No sufficient information to assess	PI-23.3 is directly comparable to PI-18 (iii). Deterioration in score only due to lack of data on broader CG practices. Performance remains unchanged for BCG and the only change is in the nominal score.
iv. Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	Payroll is audited as a part of financial and compliance audits carried out by the SAI .	PI-23.4 is directly comparable to PI-18 (iv); In the previous assessment, the situation was the same. Some change in performance (not reflected in the score) as SAIs pursue greater alignment with international standards.
PI-19 Competition, value for money and controls in procurement	NA	NA	NA	See PI-19 for the level of BiH Institutions.
i. Transparency, comprehensiveness and competition in the legal and regulatory framework.	NA	NA	NA	
ii. Use of competitive procurement methods	NA	NA	NA	
iii. Public access to complete, reliable and timely procurement information	NA	NA	NA	

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iv. Existence of an independent administrative procurement complaints system	NA	NA	NA	
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	C+		
i. Effectiveness of expenditure commitment controls	C	B	Expenditure commitment control procedures exist and are effective in most cases. Controls on the expenditure side are systematically established through the ISFU system, i.e., through treasury operations, so that the FBiH Ministry of Finance has budgetary control of expenditures. However, small arrears (+90 days) still exist.	PI-25.2 can be used to assess PI-20 (i); in the previous assessments there were instances when not all liabilities were properly recorded and paid in full due to lack of funds and the priority for made payments was not clear in actual realization (issue with the arrears data availability).
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	D	C	Stronger rules and procedures are in place	PI-20 (ii) and PI-25.2 are not comparable (subject only). Stronger rules and procedures are in place, and internal audit units are operational in most of the budgetary units.
iii. Degree of compliance with rules for processing and recording transactions	D	B	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant, but the scheme of steps (segregation of duties) may need further details in some areas.	PI-25.3 can be used to assess PI-20 (iii); SAI still warns about recording some transactions that are not in accordance with the accounting policies. However, rules for processing transactions are followed (may need further details in some areas).
PI-21 Effectiveness of internal audit	C+	C+		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Coverage and quality of the internal audit function	C	B	Internal audit is operational for central government entities representing 90% of the total budgeted expenditures and for central government entities collecting 76% of the budgeted government revenue. Internal audit is focused on monitoring and evaluating the system of internal controls that includes all financial and non-financial processes in the organization, its adequacy, functionality, and effectiveness.	PI-21 (i) is indirectly comparable to PI-26.1. The performance has improved since the previous PEFA assessment, as the internal audit unit is operational for most CG entities.
ii. Frequency and distribution of reports	B	B	Annual audit programs exist. Most programmed audits are completed (more than 80%), as evidenced by the distribution of their reports to the appropriate parties: the audited entity, the Ministry of Finance, and the SAI.	PI-21 (ii) is not comparable to PI-26.3. However, the performance remained the same.
iii. Extent of management response to the internal audit function.	C	C	A fair degree of action taken by many managers on major issues but often with delay. Up to 37% of given recommendations were implemented each year in the period 2019-2021.	PI-21 (iii) is not comparable to PI-26.4. Management provides a partial response to audit recommendations for majority entities audited within twelve months of the report being produced.
C(iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	A	A		
i. Regularity of bank reconciliation	A	A	Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.	PI-22 (i) is indirectly comparable to the PI-27.1. The performance remained the same.
ii. Regularity and clearance of suspense accounts and advances	A	N/A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared in a timely way. There are no suspense accounts.	PI-22 (ii) is indirectly comparable to PI-27.2 and PI-27.3.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-23 Availability of information on resources received by service delivery units	B	C	At least two large ministries – the Ministry of Labor and Social Policy and the Ministry of Veterans and Disabled People, have information on all resources received by its service delivery units but this is not compiled into a report.	PI-23 (i) is not comparable to PI-8.3. The performance remained the same but the available evidence was reassessed: there was no compiled report for evidencing score above C requirements..
PI-24 Quality and timeliness of in-year budget reports	C+	C+		
i. Scope of reports in terms of coverage and compatibility with budget estimates	A	A	The FBiH Ministry of Finance prepares official reports during the year in the same format as the original annual budget – that is, by economic and administrative classification – and they represent spending in both the commitment phase and the disbursement phase. These reports are directly comparable to the original budget. Information includes all items of budget estimates.	PI-24 (i) is indirectly comparable to PI-28.1. The performance remained the same.
ii. Timeliness of the issue of reports	A	C	Budget execution reports are prepared quarterly, and issued within 8 weeks from the end of each quarter.	PI-24 (ii) is indirectly comparable to PI-28.2. The performance did not change, but the assessors gave different scores.
iii. Quality of information	C	C	There may be concerns regarding data accuracy. Information on expenditure is covered at both commitment and payment stages. The reports is useful for budget execution analysis and it contains some useful commentary and analysis regarding trends in key revenue and expenditure categories	PI-24 (iii) is not comparable to PI-28.3. However, performance remained the same.
PI-25 Quality and timeliness of annual financial statements	C+	D+		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Completeness of the financial statements	A	A	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, and long-term obligations, and are supported by a reconciled cash flow statement.	PI-25 (i) is indirectly comparable to PI-29.1. The performance remained the same.
ii. Timeliness of submissions of the financial statements	A	A	Financial reports for budgetary central government for 2021 were submitted for external audit within 3 months of the end of the fiscal year, on 16 th March 2022.	PI-25 (ii) is indirectly comparable to PI-29.2. The performance remained the same.
iii. Accounting standards used	C	D	IPSAS accounting standards are not adopted for the public sector. Accounting standards are not disclosed.	PI-25 (iii) is indirectly comparable to PI-29.3. The accounting standards are not disclosed. The performance is the same, only the assessors' interpretation.
C(iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	C+	C+		
i. Scope/nature of audit performed (including adherence to auditing standards)	B	A	Financial reports including revenue, expenditure, assets, and liabilities of all central government entities have been audited using ISSAIs during the last three completed fiscal years (2019, 2020, and 2021). The audits have highlighted any relevant material issues and systemic and control risks with a special focus on managing funds during the Covid-19 pandemic.	PI-26 (i) is not comparable to PI-30.1 The performance improved, as the coverage from year to year improved.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Timeliness of submission of audit reports to the Legislature	A	B	Audit reports were submitted to the legislature within six months from receipt of the financial reports by the Supreme Audit Institution for 2020 and 2021, while for audit report from 2019 it took slightly more than 6 months (6 months and 13 days).	PI.26 (ii) is not comparable to PI-30.2. However, the performance deteriorated.
iii. Evidence of follow-up on audit recommendations	C	C	Subjects of the audit are obliged to submit a response on the actions taken to the SAI within 60 days of receiving the final report, in order to overcome the weaknesses, irregularities, and violations identified in the audit report. In 2019, two audit subjects did not submit a response on the actions taken after the conducted audits, in 2020, ten audit subjects did not submit a response on the actions taken. In 2021, five audit subjects did not submit a response on the actions taken. Around one-third of recommendations is implemented each year.	PI-26 (iii) is not comparable to PI-30.3. However, the performance remained the same.
PI-27 Legislative scrutiny of the annual budget law	D+	D+		
i. Scope of the legislature scrutiny	B	C	There were no public discussions nor the Budget and Finance Committee's prior working meetings with relevant entities required by the standard procedure of legislative budget scrutiny.	PI-18.1 and PI-27 (i) are directly comparable. Performance has declined and been scored at C
ii. Extent to which the legislature's procedures are well established and respected	C	D	The legislature's budget review procedures exist but they are not comprehensive and only partially respected.	PI-18.2 and PI-27 (ii) are not directly comparable. Performance is downgraded to D
iii. Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	D	D	Neither the Budget Committees nor the Parliament undertake a detailed analysis of the "technical elements" of the MTEF or other planning documents, mainly because the Parliamentarians lack technical and expert support and the examination process of the actual budget proposals is limited	PI-17.3 and PI-27 (iii) are not comparable. Performance is unchanged

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iv. Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	B		PI-18. 4 and PI-27 (iv) are directly comparable. Performance is unchanged.
PI-28 Legislative scrutiny of external audit reports	D+	D+		
i. Timeliness of examination of audit reports by the legislature	D	D	Legislative scrutiny of Audit Report of FBiH Budget Execution Report for 2019, 2020 and 2021 has not been completed by the legislature in the assessed period. Legislative scrutiny of 25 audit reports from 2019, 43 audit reports from 2020, and 14 audit reports from 2021 was conducted within 3, 6, and 3 months, respectively.	PI-28 (i) is indirectly comparable to PI-31.1. The performance remained the same.
ii. Extent of hearing on key findings undertaken by the legislature	B	A	In-depth hearings on key findings of audit reports that for all or most entities that received qualified or adverse opinion take place regularly with representatives of audit subjects and SAI representatives.	PI-28 (ii) is indirectly comparable to PI-31.2. The performance improved.
iii. Issuance of recommended actions by the legislature and implementation by the executive	C	C	The Parliamentary Committee in their Report for 2019 and 2020 particularly points out that a significant number of recommendations have not been implemented or have been partially implemented, which means that previously addressed failures and irregularities have not been eliminated. The Parliamentary Committee did not provide any information regarding recommendations implementation by the subjects of audit for 2021.	PI-28 (iii) is not comparable to PI-31.3. Performance remained the same.

Annex 4C: Tracking change in performance based on previous versions of PEFA, RS

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	B	Due to pandemic impact on the Government spending, actual expenditure outturns deviated from the originally approved budget.	Deterioration in score.
PI-2 Composition of expenditure out-turn compared to original approved budget	A	B+		Deterioration in score and in practice. Deviation from originally approved budget to actual budget implies that unforeseen events had an impact on expenditures.
i. Extent of the variance in expenditure composition during the last three years, excluding contingency items	A	B	Deviation from originally approved budget to actual expenditures varied up to 13.3%	Deterioration in score and in practice. Variance increased moderately from beginning to end of assessed period, due to covid impact on budget estimates.
ii. The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to a contingency vote was very low from the original budget, average 0.36%	No change
PI-3 Aggregate revenue out-turn compared to original approved budget	A	A	Actual expenditure outturns deviated from the originally approved budget in appropriate percentage	No change
PI-4 Stock and monitoring of expenditure payment arrears	NR	B+		Improvement in practice
i. Stock of expenditure payment arrears and a recent change in the stock	NR	A	The stock of arrears is below 2%	Previous assessment score is considered inadequate. If there is no reliable data this indicate poor function and the score should be rather D.
ii. Availability of data for monitoring the stock of expenditure payment arrears	NR	B	Stock of expenditure arears is generated at year end but does not include age profile	

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	C	B	Budget formulation, execution and reporting are in accordance with IPSAS international standards. They also produce Periodical Statement about Transaction and Harmonized Reporting Template in accordance with GFS and functional classification by COFOG.	There has been improvement concerning IPSAS and GFS methodology. In 2017, MoF published and adopted a number of by-laws in the field of budget accounting and financial reporting of budget users, in order to harmonized accounting policies aligned with IPSAS and to harmonized analytical chart of accounts with GFS 2014 and ESA 2010. Functional classification of the projected and actual budget applies COFOG standard
PI-6 Comprehensiveness of information included in budget documentation	B	B	There were improvements in the annual budget documentation like data about the previous year's budget presented in the same format as budget proposal, but it must be noticed that 3 new elements have been added in score.	No change in score, only in additional data.
PI-7 Extent of unreported government operations	D+	C+		Improvement in score and in practice.
i. Level of unreported government operations	D	D	Detailed financial reports of extrabudgetary units are submitted timely but expenditure and revenues outside government financial reports remain in large magnitude	Improvement. The level of financial reports of extrabudgetary units are more detailed and collected on monthly basis but expenditure and revenues outside government financial reports remain in large magnitude. Also, there were improvement of including some previous extrabudgetary units under scope of government main ledger (since 2016. The Pension fund is under Government scope)
ii. Income/expenditure information on donor-funded projects	C	A	Detailed information is submitted through EBUs financial reports on monthly basis.	Improvement in score and practice since more available detailed information is available through the financial reports.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-8 Transparency of inter-governmental fiscal relations	B	A		Improvement
i. Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	B	A	The allocation of indirect tax revenue is clearly regulated by the Law on Budget System and there are clear formulas that LSUs can use when planning their revenue.	Improvement. Political problems/delays in deciding on the amount BiH Institutions will get from the indirect taxation revenues are solved.
ii. Timeliness and reliable information to SN Governments on their allocations	B	A	By applying rules prescribed by the LBS RS, LSUs can determine their share of said revenue, and therefore plan it in their own budgets	Improvement. Political problems/delays in deciding on the amount BiH Institutions will get from the indirect taxation revenues are solved. The initial revenue sharing assumptions are usually available on time for all general government sector units in RS.
iii. Extent of consolidation of fiscal data for general government according to sectoral categories	C	A	Consolidation of data (including COFOG categorization) performed by the RS MoF and used for preparation of MTEFs of RS. Budget plans and execution reports of lower government levels are consolidated with RS Government reports sent to Parliament.	Improvement Fiscal information is reported for all SNGs and it is consolidated with the RS Government financial reports provided to the National Assembly.
PI-9 Oversight of aggregate fiscal risk from other public sector entities	C+	C+		No change
i. Extent of central government monitoring of autonomous entities and public enterprises	C	C	Line ministries monitor public enterprises annually but there is no consolidated overview reporting. The Autonomous Government Agencies appear to perform in the same manner as in 2014	No change
ii. Extent of central government monitoring of SN government's fiscal position	A	A	Data of SN is included in the consolidated budget execution report of RS	No change
PI-10 Public access to key fiscal information	A	B	The Government makes available to the public four out of six required set of documents.	Deterioration

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	A	A		No change
i. Existence of, and adherence to, a fixed budget calendar	A	A	Clear budget calendar that is adhered to.	No change
ii. Guidance on the preparation of budget submissions	A	A	There are a comprehensive and clear budget instructions.	No change
iii. Timely budget approval by the legislature	A	A	Budgets are approved before the start of each year.	No change
PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+	C+		Improvement in existing of ERP with multi-year expenditure forecasts sorted by economic and functional classification, and the debt sustainability analysis are linked to the Debt Management Strategy
i. Multiyear fiscal forecasts and functional allocations	C	A	MTEF and ERP define medium-term expenditure framework with the addition of expenditure assessment for the next and following two fiscal years sorted by economic and functional classification.	Improvement of score and performance
ii. Scope and frequency of debt sustainability analysis	D	A	The debt sustainability analysis is part of the annual Debt Management Strategy.	Improvement of score and performance
iii. Existence of costed sector strategies	D	D	No costed sector strategies are formally developed for RS as a whole. There is no link between strategic plans and projections of expenditures included in the MTEF and ERP.	No change
iv. Linkages between investment budgets and forward expenditure estimates	C	D	There is no link between investment budgets and expenditure estimates.	Deterioration
<i>C(ii) Predictability and Control in Budget Execution</i>				
PI-13 Transparency of taxpayer obligations and liabilities	C	A		Improvement
i. Clarity and comprehensiveness of tax liabilities	C	B	Legislation and procedures for some of the major taxes are comprehensive and clear.	Improvement in publicly available information about tax liabilities

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Taxpayer access to information on tax liabilities and administrative procedures	C	A	Tax administration provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the website and it helps taxpayers in exercising their rights and fulfilling obligations regarding payments that are considered public revenue.	Improvement in score and practice. Taxpayer can access to all information they need fulfilling tax liabilities and administrative procedures.
iii. Existence and functioning of a tax appeal mechanism	C	A	Taxpayer can appeal to the decision of the Tax Administration to the Appeal Commission as the second-instance body.	Improvement in score and practice. Tax appeal mechanism works well, without delays.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B		No change.
i. Controls in the taxpayer registration system	B	B	Taxpayers are registered in a complete database with some linkages to other relevant government registration systems.	No change.
ii. Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	There are penalties for noncompliance with registration and declaration obligations, but they may not always effective in preventing offenses.	No change.
iii. Planning and monitoring of tax audit and fraud investigation programs	C	C	There is a continuous program of tax audits and fraud investigations, and is adhered to, but plan of audits is not based on clear risk assessment criteria.	No change
PI-15 Effectiveness in collection of tax payments	D+	D+		No change.
i. Collection ratio for gross tax arrears	B	D	There is a low level of efficiency in collection of public revenue by the Tax administration.	Deterioration. The average debt collection ratio has decreased from previous assessment.
ii. Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	The most of tax revenue is collected into bank accounts controlled by RSTA and transferred daily to Treasury.	No change.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	C	There is no reconciliation of assessments and arrears. There is reconciliation of collections and transfers to Treasury on a monthly basis.	Improvement. There is no reconciliation of collections Assessments and arrears.
PI-16 Predictability in the availability of funds for commitment of expenditures	A	B+		No change
i. Extent to which cash flows are forecasted and monitored	A	A	A cash flow forecast is prepared for the fiscal year and is updated monthly on the basis of actual cash inflows and outflows.	No change
ii. Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	B	Information on commitment ceilings is provided for the preparation of the operational financial plans, which are adopted quarterly in RS. The budget users can spend as much as the limits approved in the adopted financial plans.	No change in practice. The previous assessment overrated this dimension
iii. Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	A	There are no significant in-year adjustments in FY 2021. The legal framework does not impose a limit of budget adjustments.	No change
PI-17 Recording and management of cash balances, debt and guarantees	B+	A		Improvement in the area of debt planning being linked to the Debt Management Strategy
i. Quality of debt data recording and reporting	A	A	Domestic and foreign debt records are complete, accurate, updated, and reconciled monthly.	No change
ii. Extent of consolidation of the government's cash balances	B	B	All cash balances are consolidated on a daily basis. Health and Employment Funds are not known to be in this arrangement	No change
iii. Systems for contracting loans and issuance of guarantees	B	A	Contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity	Improvement of practice. The debt policy was not yet linked to fiscal targets in 2014.
PI-18 Effectiveness of payroll controls	D+	B+		Improvement

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Degree of integration and reconciliation between personnel records and payroll data	D	B	There is full documentation supporting all changes made in the payroll and the personnel records each month. Data is updated monthly and checked against the previous month's payroll data.	Improvement of practice of keeping a centralised personnel records and update of payroll data. The link between the payroll and the personnel record is direct but not automatic.
ii. Timeliness of changes to personnel records and the payroll	B	A	Both payroll and personnel databases are integrated in the Treasury software. Retroactive adjustments are insignificant in the volume of 0.04% for the first half year of 2022.	Improvement of practice. While the timeliness of changes to personnel records that is within a month persisted and as such is sufficient, the Government can track retroactive adjustments and their records is insignificant.
iii. Internal controls of changes to personnel records and the payroll	C	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.	Improvement in prescribing clear authority for making changes in the payroll and personnel records.
iv. Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	There is an annual payroll audit as part of the financial one and its focus is on identifying control weaknesses and/or ghost workers	No change
PI-19 Competition, value for money and controls in procurement	NA	NA	This indicator was assessed only on the level of the BiH Institutions.	No change
i. Transparency, comprehensiveness and competition in the legal and regulatory framework.	-	-	-	-
ii. Use of competitive procurement methods	-	-	-	-
iii. Public access to complete, reliable and timely procurement information	-	-	-	-
iv. Existence of an independent administrative procurement complaints system				
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	D+		No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Effectiveness of expenditure commitment controls	C	B	There are internal control rules that limit commitments to actual cash availability and approved budget allocation.	Improvement of practice of controls. There were cases when liabilities were higher than available funds in the assessment of 2014. Now mainly due to the deployment of SUFI such cases are reduced to nil.
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	D	B	The rules and procedures of payment enforce level of controls that limit the expenditure commitments to the approved budget allocations	Improvement of practice strengthening the level of controls.
iii. Degree of compliance with rules for processing and recording transactions	D	D	All payments are reported to be compliant with regular payment procedures. However, errors in recording transactions are not monitored and evidence on their volume cannot be provided.	No change
PI-21 Effectiveness of internal audit	D+	B+		Improvement
i. Coverage and quality of the internal audit function	D	A	Nearly complete (91%) coverage of the internal audit. Quality of practice has significantly improved and is now aligned to the International Internal Audit Standards.	Improvement in score and practice
ii. Frequency and distribution of reports	B	B	Annual audit plans exist for most internal audit units. Most of the plans are completed, as evidenced by data provided by the CHU.	No change in score while there is a change in practice having annual audit plans.
iii. Extent of management response to the internal audit function.	C	A	There is documentary evidence of management response to internal audit recommendations for all audits performed with two weeks timing of the response.	Improvement of practice and score. There is timely management response to internal audit recommendations.
C(iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	A	A		No change
i. Regularity of bank reconciliation	A	A	Due to the STA system, reconciliation of all active bank accounts takes place daily at aggregate and detailed level. Reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Regularity and clearance of suspense accounts and advances	A	A	There are only advance accounts and they are reconciled monthly within a month. All advance accounts are cleared in a timely way. There are is no cocnept of suspense accounts in RS and no usage of such type of accounts in the administration. The previous assessment score on suspense account appears to be misunderstood.	No change
PI-23 Availability of information on resources received by service delivery units	B	A	-	Improvement At least two large budget users – Department of Education and Department of Health and other services, have information on all resources received by its service delivery units.
PI-24 Quality and timeliness of in-year budget reports	A	A		No change
i. Scope of reports in terms of coverage and compatibility with budget estimates	A	A	Reports are in the same format as the budget, both payments and commitments are covered.	No change.
ii. Timeliness of the issue of reports	A	A	Budget execution reports are prepared monthly quarterly, six-months and annually and are issued within two weeks and four weeks, respectively, from the end of the period	No change
iii. Quality of information	A	A	There are no issues regarding data accuracy, issues are highlighted in the report and the data is useful for analysis of budget execution.	No change
PI-25 Quality and timeliness of annual financial statements	C+	A		Improvement in the application of international IPSAS accrual basis standards in financial reporting
i. Completeness of the financial statements	A	A	Financial reports contain information on revenue, expenditure, financial and tangible assets, liabilities and guarantees, and a reconciled cash flow statement	No change in score but improvement in practice with financial reports being more comprehensive in data detail.
ii. Timeliness of submissions of the financial statements	A	A	The annual financial reports are submitted for external audit within 6 months of the end of the fiscal year.	No change in score

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Accounting standards used	C	A	International IPSAS accrual-basis accounting standards as applied in all financial reports.	Improvement in score and practice
C(iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	C+	B+		Improvement in internal audit coverage and response to audit recommendations
i. Scope/nature of audit performed (including adherence to auditing standards)	B	A	The National Audit Office has analysed financial reports including revenues, expenditures, assets, and liabilities of all central government entities. ISSAIs were applied consistently. The audits have highlighted any relevant material issues and systemic and control risks. Performance Audits are performed and generally adhere to auditing standards.	Improvement in score and practice. ISSAI standards now fully applied. Performance audit is widely performed.
ii. Timeliness of submission of audit reports to the Legislature	A	B	All Annual Audit Reports were submitted to the legislature within six months from their receipt by the Supreme Audit Office for the last three completed fiscal years.	Deterioration of score and practice. The audit reports used to be submitted to the legislature within three months, now it takes six months to perform the audit and issue the reports.
iii. Evidence of follow-up on audit recommendations	C	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.	Improvement of score and practice. While a formal response was made with delays and little evidence of follow up, nowadays there is timely and comprehensive follow up.
PI-27 Legislative scrutiny of the annual budget law	D+	D+		No change
i. Scope of the legislature scrutiny	B	A	The National Assembly adopts ERP which covers fiscal policies, medium-term fiscal forecasts and medium-term priorities as well as details of expenditure and revenue.	Improvement of score and practice. Even if the National Assembly of the RS does not review MTEF, it has begun to adopt of ERP. The ERP contains updated macroeconomic and fiscal projections for the next year and following two years, including the overall framework of public revenue and expenditure sorted by most significant categories.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Extent to which the legislature's procedures are well established and respected	C	B	The legislature's procedures for budget review are established and respected. They include internal organizational arrangements, such as Assembly Committees, but in general budget is adopted by urgent procedure.	Improvement
iii. Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	D	D	The legislature has less than one month to review the budget proposals	No change
iv. Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	A	There are clear legal and administrative rules that prescribe in-year amendments to the budget by the executive power without prior approval by the legislative body.	Improvement of score and practice in establishing rules for in-year budget amendments
PI-28 Legislative scrutiny of external audit reports	C+	D+	Information and data for the assessment of this indicator was not provided by RS	No change. Lower assessment due to lack of evidence of in-depth hearings of audit report in the National Assembly
i. Timeliness of examination of audit reports by the legislature	A	A	The audit report is discussed at the National Assembly within a couple of months from receipt	No change
ii. Extent of hearing on key findings undertaken by the legislature	C	D	No evidence of in-depth hearings	Difference in assessment from the previous evaluation
iii. Issuance of recommended actions by the legislature and implementation by the executive	C	D	The National Assembly do not issue recommendations related to the annual audit report	No change in practice, the National Assembly before and now do not issue recommendation regarding external audit to be implemented by the executive.

Annex 4D: Tracking change in performance based on previous versions of PEFA, Brčko District

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	C	B	Due to more rebalances the the expenditures were higher then one from original approved budget.	Improvement in score
PI-2 Composition of expenditure out-turn compared to original approved budget	C+	C+		No change
i. Extent of the variance in expenditure composition during the last three years, excluding contingency items	C	C	Due to unforeseen events occurred in pandemic, deviation from originally approved budget to actual expenditures varied up to 24.2%	No change
ii. The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to a contingency vote was very low from the original budget	No change
PI-3 Aggregate revenue out-turn compared to original approved budget	B	B	Deviation of aggregate revenue out-turn compared to original approved budget were moderate in two years of the assessed period, It has to be noted that Covid-19 pandemic made an impact on deviation.	No change
PI-4 Stock and monitoring of expenditure payment arrears	D	C+		Even if the score appears to have improved, there is no change of practice
i. Stock of expenditure payment arrears and a recent change in the stock	Not Rated	A	There are no expenditure arrears recorded in the annual financial statement of BD in the last three years of assessment.	There is again no legally defined period after which an unpaid invoiced obligation is considered to be in arrears. However, the practice shows that there is a rule on overdue liabilities which is applied and as a result there are no unpaid liabilities of the Government to either a contractor or staff.
ii. Availability of data for monitoring the stock of expenditure payment arrears	D	C	Expenditure payment are monitored by the Financial Department of BD and there is no incurred stock for the last three years. The registered due liabilities are paid by end of fiscal year.	The practice is the same as before and there is no effective improvement of function even if the score is higher.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	B	B	Economic and functional classification is in accordance with GFS/COGOF standards whilst administrative/organizational classification is not	BD classification of budget has shown significant improvement, Budget and out-turn are in accordance with GFS 4 digits, and functional classification breakdown to subfunction follows COFOG standards.
PI-6 Comprehensiveness of information included in budget documentation	B	B	The information included in budget documentation is satisfying	No change in score, 3 new elements requires additional data. Debt financing element and explanation of implication of new policy initiatives are not included in budget documentation. Previous scoring on those elements are consider inadequate.
PI-7 Extent of unreported government operations	A	D+		Deterioration of score.
i. Level of unreported government operations	A	D	Financial reports are not detailed as it should be. Expenditure outside government financial report is 32.71% of total BCG expenditure.	Deterioration of score. The level of expenditure not included in fiscal report is significant. Previous assessment score could be considered inadequate since data remains almost same.
ii. Income/expenditure information on donor-funded projects	A	D	Information in the financial reports are not considered as on satisfying level	Deterioration of score due to lack of information.
PI-8 Transparency of inter-governmental fiscal relations	NA	NA	BD does not have local self-governance level	No change
i. Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	NA	NA		NA
ii. Timeliness and reliable information to SN Governments on their allocations	NA	NA		NA
iii. Extent of consolidation of fiscal data for general government according to sectoral categories	NA	NA		

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-9 Oversight of aggregate fiscal risk from other public sector entities	C	C		No change
i. Extent of central government monitoring of autonomous entities and public enterprises	C	C	All public enterprises and extra-budgetary funds submit their financial statements and they are audited, however there are no consolidated fiscal risk reports produced	No change
ii. Extent of central government monitoring of SN government's fiscal position	NA	NA		
PI-10 Public access to key fiscal information	B	A	The Government makes available to the public five out of six required set of documents.	Improvement. In-year budget execution reports were not made available to the public in 2014, nowadays they are published thus providing public access to the interim budget execution process.
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	C+	C+		No Change
i. Existence of, and adherence to, a fixed budget calendar	C	C	There is prescribed and clear annual budget calendar, but it is adhered to by only some of budget users.	No change.
ii. Guidance on the preparation of budget submissions	A	A	There is a comprehensive and clear budget circular, which is issued to budgetary units and covering total budget expenditure for the full fiscal year	No change.
iii. Timely budget approval by the legislature	D	D	BD Assembly approved the annual budget after the start of the respective fiscal year.	No change.
PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+	C+		Improvement
i. Multiyear fiscal forecasts and functional allocations	C	C	MTEF define medium-term expenditure framework with the addition of expenditure assessment for the next and following two fiscal years sorted only by economic classification.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Scope and frequency of debt sustainability analysis	D	A	The debt sustainability analysis is part of the annual Debt Management Strategy.	Improvement of score and performance having debt sustainability analysis as part of the Debt Management Strategy
iii. Existence of costed sector strategies	D	C	Some of costed sector strategies are formally developed with link between strategic plans and projections of expenditures included in the MTEF.	Improvement. There are few costed strategies which are linked to MTEF.
iv. Linkages between investment budgets and forward expenditure estimates	C	C	Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases.	No change.
C(ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities	C	A		Improvement
i. Clarity and comprehensiveness of tax liabilities	C	B	Legislation and procedures for some of the major taxes are comprehensive and clear.	Improvement. The new tax laws are adopted and they regulated transfer pricing, double taxation agreements and withholding tax. Also there is a new Law on Tax Administration of Brčko District BiH.
ii. Taxpayer access to information on tax liabilities and administrative procedures	C	A	Tax administration provide to taxpayers all legal documents, tax return formats, tax forms, instructions on the website and it helps taxpayers in exercising their rights and fulfilling obligations regarding payments that are considered public revenue.	Improvement in score and practice. Taxpayer can access to all information they need fulfilling tax liabilities and administrative procedures.
iii. Existence and functioning of a tax appeal mechanism	C	A	Taxpayer can appeal to the decision of the Tax Administration to the Appeal Commission as the second-instance body.	Improvement in score and practice. Tax appeal mechanism works well, without delays.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B		No change.
i. Controls in the taxpayer registration system	B	B	Taxpayers are registered in a complete database with some linkages to other relevant government registration systems.	No change.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
ii. Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	There are penalties for noncompliance with registration and declaration obligations, but they may not always be effective in preventing offenses.	No change.
iii. Planning and monitoring of tax audit and fraud investigation programs	C	C	There is a continuous program of tax audits and fraud investigations, and is adhered to, but plan of audits is not based on clear risk assessment criteria.	No change
PI-15 Effectiveness in collection of tax payments	D+	D+		No change.
i. Collection ratio for gross tax arrears	B	D	There is a low level of efficiency in collection of public revenue by the Tax administration.	Deterioration. The average debt collection ratio was decreased from previous assessment.
ii. Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	The most of tax revenue is collected into bank accounts controlled by TABD and transferred daily to Treasury.	No change.
iii. Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	C	There is no reconciliation of assessments and arrears. There is reconciliation of collections and transfers to Treasury on a monthly basis.	Improvement. There is no reconciliation of collections Assessments and arrears.
PI-16 Predictability in the availability of funds for commitment of expenditures	B+	C+		Deterioration
i. Extent to which cash flows are forecasted and monitored	B	A	A cash flow plan is prepared by each budget user for the fiscal year and is updated monthly considering all actual inflows and outflows	Improvement of score and practice. The cash flow forecast are now updated on monthly basis
ii. Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	B	Information on commitment ceilings is provided for the preparation of the operational financial plans, which are adopted quarterly. The budget users can spend as much as the limits approved in the adopted financial plans.	Deterioration in score but not in practice. Now and before information on commitment ceilings is provided in the adopted financial plans that come out quarterly.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	C	There were three significant (17%) in-year adjustments in FY 2021. The legal framework does not impose a limit of budget adjustments.	Deterioration. Compared to the time of the previous assessment when there were no budget allocation adjustments, now they show reallocations of 17% in the last fiscal year of assessment.
PI-17 Recording and management of cash balances, debt and guarantees	B+	A		Improvement
i. Quality of debt data recording and reporting	A	A	Domestic and foreign debt records are complete, accurate, updated, and reconciled monthly.	No change
ii. Extent of consolidation of the government's cash balances	B	B	All cash balances are consolidated on a daily basis.	No change
iii. Systems for contracting loans and issuance of guarantees	B	A	Contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity	Improvement of practice. The debt policy was not yet linked to fiscal targets in 2014.
PI-18 Effectiveness of payroll controls	D+	C+		Improvement
i. Degree of integration and reconciliation between personnel records and payroll data	D	B	Personnel database and payroll are manually linked to ensure monthly reconciliation.	Improvement of practice and score. The two databases were not functionally linked and there was no monthly reconciliation.
ii. Timeliness of changes to personnel records and the payroll	B	B	Changes to personnel database are reflected in the payroll for the next months salary payment	No change
iii. Internal controls of changes to personnel records and the payroll	C	C	Internal control are not sufficient to prevent technical mistakes.	No change
iv. Existence of payroll audits to identify control weaknesses and/or ghost workers	D	A	Payroll is conducted regularly every fiscal year, weaknesses identified are consistently addressed by the Treasury to implement the audit recommendations.	Improvement of practice and score. There were no payroll audits reported as regular and comprehensive activity before.
PI-19 Competition, value for money and controls in procurement	NA	NA	This indicator was assessed only on the level of the BiH Institutions.	No Change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Transparency, comprehensiveness and competition in the legal and regulatory framework.	-	-	-	-
ii. Use of competitive procurement methods	-	-	-	-
iii. Public access to complete, reliable and timely procurement information	-	-	-	-
iv. Existence of an independent administrative procurement complaints system	-	-	-	-
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	D+		No change
i. Effectiveness of expenditure commitment controls	A	B	The rules and procedures of payment enforce level of controls. Payments are checked against the approved expenditure commitments. There are minor exceptions due to the manual system of control. They are immaterial.	No change
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	D	D	More precise definition of important responsibilities may be needed.	No change
iii. Degree of compliance with rules for processing and recording transactions	D	D	All payments are reported to be compliant with regular payment procedures. The rejected payments are not monitored and evidence on their volume cannot be provided	No change
PI-21 Effectiveness of internal audit	D	D		No change
i. Coverage and quality of the internal audit function	D	D	The internal audit function is not established yet.	No change
ii. Frequency and distribution of reports	D	NA	Not relevant if there is no internal audit function.	No change
iii. Extent of management response to the internal audit function.	D	NA	Not relevant if there is no internal audit function.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
C(iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	B+	B+		No change
i. Regularity of bank reconciliation	B	B	Reconciliation of all bank accounts is daily based on statements delivered from the bank for the previous day. Extra-budgetary funds are not known to be part of this arrangement	No change
ii. Regularity and clearance of suspense accounts and advances	A	A	There are only advance accounts and they are reconciled monthly within a month. All advance accounts are cleared in a timely way. There are is no concept of suspense accounts in BD and no usage of such type of accounts in the administration. The previous assessment score on suspense account appears to be misunderstood.	No change
PI-23 Availability of information on resources received by service delivery units	B	A	At least two large budget users – Department of Education and Department of Health and other services, have information on all resources received by its service delivery units.	. Information about health services are now available .
PI-24 Quality and timeliness of in-year budget reports	C+	C+		No change
i. Scope of reports in terms of coverage and compatibility with budget estimates	C	C	In-year reports cover data that allows comparison to the original budget, and it includes all items of budget estimate. Expenditure continues to be captured at payment stage only.	No change
ii. Timeliness of the issue of reports	A	A	Budget execution reports are prepared quarterly, and are issued within four weeks from the end of the period	No change
iii. Quality of information	B	B	Data is useful for analysis of budget execution. Expenditures are captured only at payment stages	No change
PI-25 Quality and timeliness of annual financial statements	C+	B+		Improvement

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
i. Completeness of the financial statements	A	A	Financial reports are prepared annually and include full information on revenue, expenditure, financial and tangible assets.	No change of score but improvement of practice. The Financial Reports now include more detail.
ii. Timeliness of submissions of the financial statements	B	A	The annual financial reports are submitted for external audit within 6 months of the end of the fiscal year.	Improvement of score and practice. The annual financial reports were submitted for external audit more than 6 months of the end of the fiscal year before.
iii. Accounting standards used	C	B	National standards approximated to IPSAS modified cash and accrual-basis accounting standards are applied in all financial reports.	Improvement in score and practice. There is higher approximation of national standards to IPSAS.
C(iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	C+	B+		Improvement
i. Scope/nature of audit performed (including adherence to auditing standards)	B	A	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial, compliance and performance audit are performed and generally adhere to auditing standards with focus on relevant material issues and systemic and control risks.	Improvement of score and practice. The scope of external audit got expanded by covering performance audit is part of the regular annual type of audit.
ii. Timeliness of submission of audit reports to the Legislature	A	B	All Annual Audit Reports were submitted to the legislature within six months from their receipt by the Supreme Audit Office for the last three completed fiscal years.	Deterioration of score and practice. In 2014 the Annual Audit Report used to be submitted to the legislature within three months, now it takes more time due to the enlarged scope of coverage of the external audit with the same capacity of human resources.
iii. Evidence of follow-up on audit recommendations	C	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.	Improvement of scope and practice. There is more response to audit recommendations.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-27 Legislative scrutiny of the annual budget law	C+	B		Improvement
i. Scope of the legislature scrutiny	C	B	The Assembly adopts Budget for next year which covers fiscal policies, and details of expenditure and revenue.	Improvement of scope and practice. The legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.
ii. Extent to which the legislature's procedures are well established and respected	D	A	Prior to the discussion on the budget proposal in the Assembly, the proposal is reviewed by the Budget Committee. After the Budget Proposal is submitted to the Assembly, it holds at least one public discussion on the Budget Proposal.	Improvement in score and performance. The Assembly did not follow the established review procedure. Nowadays, the review procedures are applied in practice.
iii. Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	C	C	Macroeconomic background not considered on the last three completed fiscal years were submitted to the Assembly at the beginning of the fiscal year to which it applies	No change
iv. Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	A	There are clear rules exist for in-year budget adjustments by the executive. The rules extent of allowable reallocations is set in each year's budget execution law and they are adhered to in all instances.	Improvement of score and practice.
PI-28 Legislative scrutiny of external audit reports	D+	D+		No change
i. Timeliness of examination of audit reports by the legislature	C	B	The parliamentary Committee for Public Finances typically scrutinises the audit reports within six months, and also considers and debates them in plenary sessions (full chamber).	Improvement . The external audit report is debated in the full chamber within six months.
ii. Extent of hearing on key findings undertaken by the legislature	D	A	In-depth interviews were held with all budget organisations that received a qualified opinion.	Improvement of score and practice. There are expensive hearings on key audit findings with the executive.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
iii. Issuance of recommended actions by the legislature and implementation by the executive	C	D	The Assembly do not issue recommendations on audit to be considered by the executive.	Deterioration of score. The practice before and now is the same. The legislation do not issue any recommendations regarding the audit findings.

Annex 5: Calculation tables for PIs 1-3

Annex 5A: Calculation tables for PIs 1-3, IBiH

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3 – Institutions of Bosnia and Herzegovina

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021-outlier

Table 2

administrative or functional head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
1 Ministry of Defense of Bosnia and Herzegovina	288,887,000	281,294,168	264,210,889.90	17,083,278.10	17,083,278.10	6.50%
2 Indirect Tax Authority of Bosnia and Herzegovina	102,320,000	86,040,758	93,580,044.30	-7,539,286.30	7,539,286.30	8.10%
3 Border Police of Bosnia and Herzegovina	78,550,000	71,240,429	71,840,426.90	-599,997.90	599,997.90	0.80%
4 Ministry of Foreign Affairs of Bosnia and Herzegovina	57,491,000	51,281,754	52,580,241.70	-1,298,487.70	1,298,487.70	2.50%
5 Intelligence-Security Agency of Bosnia and Herzegovina	36,460,000	32,598,993	33,345,664.70	-746,671.70	746,671.70	2.20%
6 Directorate for Coordination of Police Bodies of Bosnia and Herzegovina	33,737,000	30,630,309	30,855,257.60	-224,948.60	224,948.60	0.70%
7 State Investigation and Protection Agency of Bosnia and Herzegovina	32,161,000	28,739,229	29,413,876.10	-674,647.10	674,647.10	2.30%
8 Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina	28,121,000	21,480,987	25,718,964.30	-4,237,977.30	4,237,977.30	16.50%
9 Service for Common Affairs of the Institutions of Bosnia and Herzegovina	22,047,000	18,646,047	20,163,792.40	-1,517,745.40	1,517,745.40	7.50%
10 Ministry of Justice of Bosnia and Herzegovina	21,106,000	12,878,546	19,303,170.60	-6,424,624.60	6,424,624.60	33.30%
11 Court of Bosnia and Herzegovina	17,424,000	16,764,316	15,935,679.20	828,636.80	828,636.80	5.20%

12 Parliamentary Assembly of Bosnia and Herzegovina	15,740,000	13,188,508	14,395,522.80	-1,207,014.80	1,207,014.80	8.40%
13 Prosecutor's Office of Bosnia and Herzegovina	13,822,000	13,874,126	12,641,354.30	1,232,771.70	1,232,771.70	9.80%
14 Ministry of Communications and Transport of Bosnia and Herzegovina	13,225,000	20,975,520	12,095,348.80	8,880,171.20	8,880,171.20	73.40%
15 Ministry of Civil Affairs of Bosnia and Herzegovina	11,625,000	6,418,319	10,632,017.30	-4,213,698.30	4,213,698.30	39.60%
16 Ministry of Human Rights and Refugees of Bosnia and Herzegovina	10,738,000	6,114,432	9,820,783.00	-3,706,351.00	3,706,351.00	37.70%
17 Service for Foreigners' Affairs of Bosnia and Herzegovina	9,598,000	8,336,461	8,778,159.40	-441,698.40	441,698.40	5.00%
18 Ministry of Security of Bosnia and Herzegovina	8,346,000	9,970,257	7,633,102.50	2,337,154.50	2,337,154.50	30.60%
19 Presidency of Bosnia and Herzegovina	8,251,000	6,780,503	7,546,217.20	-765,714.20	765,714.20	10.10%
20 Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina	8,115,000	7,219,637	7,421,834.00	-202,197.00	202,197.00	2.70%
21 (= sum of rest)	144,808,000	135,877,858	132,438,810.10	3,439,047.90	3,439,047.90	2.60%
allocated expenditure	962,572,000	880,351,157	880,351,157.00	0	67,602,120.50	
interests	-	939,520				
contingency	3,428,000	360,000				
total expenditure	966,000,000	881,650,677				
aggregate outturn (PI-1)						91.30%
composition (PI-2) variance						7.70%
contingency share of budget						0.00%

Table 3

administrative or functional head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
1 Ministry of Defense of Bosnia and Herzegovina	287,341,000	289,909,825	294,295,500.5	-4,385,675.5	4,385,675.5	0.014902
2 Indirect Tax Authority of Bosnia and Herzegovina	100,510,000	107,555,664	102,942,638.7	4,613,025.3	4,613,025.3	0.044812
3 Border Police of Bosnia and Herzegovina	81,716,000	78,772,055	83,693,768.5	-4,921,713.5	4,921,713.5	0.058806
4 Ministry of Foreign Affairs of Bosnia and Herzegovina	53,426,000	51,189,125	54,719,066.9	-3,529,941.9	3,529,941.9	0.06451
5 Intelligence-Security Agency of Bosnia and Herzegovina	36,495,000	35,332,580	37,378,286.7	-2,045,706.7	2,045,706.7	0.05473
6 Directorate for Coordination of Police Bodies of Bosnia and Herzegovina	33,380,000	31,835,117	34,187,894.6	-2,352,777.6	2,352,777.6	0.068819
7 State Investigation and Protection Agency of Bosnia and Herzegovina	30,836,000	30,263,710	31,582,322.2	-1,318,612.2	1,318,612.2	0.041752
8 Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina	23,665,000	20,028,129	24,237,762.9	-4,209,633.9	4,209,633.9	0.173681
9 Service for Common Affairs of the Institutions of Bosnia and Herzegovina	19,183,000	17,741,732	19,647,285.2	-1,905,553.2	1,905,553.2	0.096988
10 Court of Bosnia and Herzegovina	16,693,000	16,435,569	17,097,019.9	-661,450.9	661,450.9	0.038688
11 Parliamentary Assembly of Bosnia and Herzegovina	16,279,000	14,502,362	16,672,999.9	-2,170,637.9	2,170,637.9	0.130189
12 Ministry of Communications and Transport of Bosnia and Herzegovina	14,701,000	24,657,496	15,056,807.6	9,600,688.4	9,600,688.4	0.637631
13 Prosecutor's Office of Bosnia and Herzegovina	14,298,000	14,300,938	14,644,053.8	-343,115.8	343,115.8	0.02343
14 Ministry of Justice of Bosnia and Herzegovina	11,667,000	15,828,079	11,949,375.8	3,878,703.2	3,878,703.2	0.324595
15 Ministry of Civil Affairs of Bosnia and Herzegovina	11,593,000	11,227,943	11,873,584.8	-645,641.8	645,641.8	0.054376
16 Ministry of Human Rights and Refugees of Bosnia and Herzegovina	10,486,000	8,790,975	10,739,792.2	-1,948,817.2	1,948,817.2	0.181458

17 Service for Foreigners' Affairs of Bosnia and Herzegovina	9,782,000	8,409,530	10,018,753.3	-1,609,223.3	1,609,223.3	0.160621
18 Institute for Execution of Criminal Sanctions, Detention and Other Measures of Bosnia and Herzegovina	7,757,000	3,915,767	7,944,742.3	-4,028,975.3	4,028,975.3	0.507125
19 Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina	7,681,000	8,726,712	7,866,902.9	859,809.1	859,809.1	0.109294
20 Ministry of Security of Bosnia and Herzegovina	7,639,000	9,581,337	7,823,886.4	1,757,450.6	1,757,450.6	0.224626
21 (= sum of rest)	165,383,000	184,753,557	169,385,756.9	15,367,800.1	15,367,800.1	0.090727
allocated expenditure	960,511,000	983,758,202	983,758,202.0	0.0	72,154,953.4	
interests	976,000	871,687				
contingency	29,880,000					
total expenditure	991,367,000	984,629,889				
aggregate outturn (PI-1)						99.3%
composition (PI-2) variance						7.3%
contingency share of budget						0.0%

Table 4

administrative or functional head	Data for year =	2021-outlier		adjusted budget	deviation	absolute deviation	percent
		budget	actual				
1 Ministry of Defense of Bosnia and Herzegovina			290,370,748	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
2 Indirect Tax Authority of Bosnia and Herzegovina			106,266,802	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
3 Border Police of Bosnia and Herzegovina			72,967,908	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4 Ministry of Foreign Affairs of Bosnia and Herzegovina			49,887,499	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
5 Intelligence-Security Agency of Bosnia and Herzegovina			31,470,284	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
6 Directorate for Coordination of Police Bodies of Bosnia and Herzegovina			31,037,889	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
7 State Investigation and Protection Agency of Bosnia and Herzegovina			30,565,661	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

8 Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina		22,922,619	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
9 Service for Common Affairs of the Institutions of Bosnia and Herzegovina		14,844,665	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
10 Court of Bosnia and Herzegovina		16,506,469	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
11 Parliamentary Assembly of Bosnia and Herzegovina		14,940,046	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
12 Ministry of Communications and Transport of Bosnia and Herzegovina		25,070,577	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
13 Prosecutor's Office of Bosnia and Herzegovina		15,198,398	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
14 Ministry of Justice of Bosnia and Herzegovina		8,091,261	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
15 Ministry of Civil Affairs of Bosnia and Herzegovina		14,819,783	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
16 Ministry of Human Rights and Refugees of Bosnia and Herzegovina		6,830,611	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
17 Service for Foreigners' Affairs of Bosnia and Herzegovina		8,504,744	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
18 Institute for Execution of Criminal Sanctions, Detention and Other Measures of Bosnia and Herzegovina		8,299,247	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
19 Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina		6,920,077	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
20 Ministry of Security of Bosnia and Herzegovina		7,512,193	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
21 (= sum of rest)		141,216,173	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
allocated expenditure	0	924,243,654.0	#DIV/0!	#DIV/0!	#DIV/0!	
interests	0	922,510.0				
contingency	29880000	0				
total expenditure	991,367,000	925,166,164				
aggregate outturn (PI-1)						93.3%
composition (PI-2) variance						#DIV/0!
contingency share of budget						0.0%

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2019	91.3%	7.7%	
2020	99.3%	7.3%	0.0%
2021-outlier			

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter budget and actual expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	687,431,000	666,955,252	629,383,081.3	37,572,170.7	37,572,170.7	6.0%
Use of goods and services	181,632,000	159,066,167	166,294,665.0	-7,228,498.0	7,228,498.0	4.3%
Consumption of fixed capital	55,429,000	28,086,682	50,748,474.9	-22,661,792.9	22,661,792.9	44.7%
Interest	-	939,520	0.0	939,520.0	939,520.0	#DIV/0!
Subsidies	-	-	0.0	0.0	0.0	#DIV/0!
Grants	38,080,000	26,243,056	34,864,455.8	-8,621,399.8	8,621,399.8	24.7%
Social benefits			0.0	0.0	0.0	#DIV/0!
Other expenses			0.0	0.0	0.0	#DIV/0!
Total expenditure	962,572,000	881,290,677	881,290,677.0	0.0	77,023,381.3	
composition variance						8.7%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	701,652,000	687,783,868	718,540,687.7	-30,756,819.7	30,756,819.7	4.3%
Use of goods and services	171,075,000	141,922,397	175,192,756.7	-33,270,359.7	33,270,359.7	19.0%
Consumption of fixed capital	42,385,000	88,134,670	43,405,202.4	44,729,467.6	44,729,467.6	103.1%
Interest	976,000	871,687	999,492.2	-127,805.2	127,805.2	12.8%
Subsidies	-	-	0.0	0.0	0.0	#DIV/0!
Grants	45,399,000	65,917,266	46,491,749.0	19,425,517.0	19,425,517.0	41.8%
Social benefits			0.0	0.0	0.0	#DIV/0!
Other expenses			0.0	0.0	0.0	#DIV/0!
Total expenditure	961,487,000	984,629,888	984,629,888.0	0.0	128,309,969.2	
composition variance						13.0%

Table 4

Economic head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees		704,396,324	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Use of goods and services		153,790,833	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Consumption of fixed capital		49,393,573	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Interest		922,510	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Subsidies			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Grants		16,662,924	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Social benefits			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other expenses			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total expenditure	0	925,166,164	#DIV/0!	#DIV/0!	#DIV/0!	
composition variance						#DIV/0!

Table 5 - Results Matrix

	year	composition variance
	2019	8.7%
	2020	13.0%
	2021	#DIV/0!

Calculation Sheet for Revenue outturn (Oct 2018)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter budget and actual revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains			0.0	0.0	0.0	#DIV/0!
Taxes on payroll and workforce			0.0	0.0	0.0	#DIV/0!
Taxes on property			0.0	0.0	0.0	#DIV/0!
Taxes on goods and services	750,000,000	750,000,000	788,924,020.8	-38,924,020.8	38,924,020.8	4.9%
Taxes on international trade and transactions			0.0	0.0	0.0	#DIV/0!
Other taxes			0.0	0.0	0.0	#DIV/0!
Social contributions						
Social security contributions			0.0	0.0	0.0	#DIV/0!
Other social contributions			0.0	0.0	0.0	#DIV/0!
Grants						
Grants from foreign governments	115,000	12,573,542	120,968.3	12,452,573.7	12,452,573.7	10294.1%
Grants from international organizations			0.0	0.0	0.0	#DIV/0!
Grants from other government units	510,000	1,274,529	536,468.3	738,060.7	738,060.7	137.6%
Other revenue						
Property income	1,347,000	11,760,217	1,416,907.5	10,343,309.5	10,343,309.5	730.0%

Sales of goods and services	7,060,000	8,111,175	7,426,404.8	684,770.2	684,770.2	9.2%
Fines, penalties and forfeits	5,189,000	6,356,864	5,458,302.3	898,561.7	898,561.7	16.5%
Transfers not elsewhere classified		620	0.0	620.0	620.0	#DIV/0!
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	#DIV/0!
Sum of rest	116,480,000	136,331,285	122,525,159.9	13,806,125.1	13,806,125.1	11.3%
Total revenue	880,701,000	926,408,232	926,408,232.0	0.0	77,848,041.5	
overall variance						105.2%
composition variance						8.4%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains			0.0	0.0	0.0	#DIV/0!
Taxes on payroll and workforce			0.0	0.0	0.0	#DIV/0!
Taxes on property			0.0	0.0	0.0	#DIV/0!
Taxes on goods and services	780,000,000	780,000,000	793,401,939.8	-13,401,939.8	13,401,939.8	1.7%
Taxes on international trade and transactions			0.0	0.0	0.0	#DIV/0!
Other taxes			0.0	0.0	0.0	#DIV/0!
Social contributions						
Social security contributions			0.0	0.0	0.0	#DIV/0!
Other social contributions			0.0	0.0	0.0	#DIV/0!
Grants						
Grants from foreign governments	215,000	12,548,506	218,694.1	12,329,811.9	12,329,811.9	5637.9%
Grants from international organizations			0.0	0.0	0.0	#DIV/0!
Grants from other government units	502,000	1,931,387	510,625.4	1,420,761.6	1,420,761.6	278.2%

Other revenue						
Property income	1,359,000	11,961,212	1,382,350.3	10,578,861.7	10,578,861.7	765.3%
Sales of goods and services	7,500,000	6,978,035	7,628,864.8	-650,829.8	650,829.8	8.5%
Fines, penalties and forfeits	9,372,000	5,439,584	9,533,029.5	-4,093,445.5	4,093,445.5	42.9%
Transfers not elsewhere classified	-	964,930	0.0	964,930.0	964,930.0	#DIV/0!
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	#DIV/0!
Sum of rest	128,195,000	123,249,493	130,397,643.2	-7,148,150.2	7,148,150.2	5.5%
Total revenue	927,143,000	943,073,147	943,073,147.0	0.0	50,588,730.4	
overall variance						101.7%
composition variance						5.4%

Table 4

Economic head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Taxes on payroll and workforce			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Taxes on property			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Taxes on goods and services		780,000,000	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Taxes on international trade and transactions			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other taxes			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Social contributions						
Social security contributions			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other social contributions			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Grants						
Grants from foreign governments		46335641	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Grants from international organizations			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Grants from other government units	831319	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other revenue					
Property income	11099960	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Sales of goods and services	7654569	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	6553535	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Transfers not elsewhere classified	4945	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Sum of rest	135906473	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total revenue	0	988,386,442	#DIV/0!	#DIV/0!	#DIV/0!
overall variance					#DIV/0!
composition variance					#DIV/0!

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2019	105.2%	8.4%
2020	101.7%	5.4%
2021	#DIV/0!	#DIV/0!

Annex 5B: Calculation tables for PIs 1-3, FBiH

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3 – Federation BiH

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

administrative or functional head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Ministry of Labor and Social Policy	477,997,432	474,135,212	447,457,617.6	26,677,594.4	26,677,594.4	6.0%
Ministry of Finance	143,504,597	115,433,534	134,335,920.6	-18,902,386.6	18,902,386.6	14.1%
Ministry for Veterans and Disabled People	325,807,027	319,931,291	304,990,835.4	14,940,455.6	14,940,455.6	4.9%
Ministry of Health	53,477,137	53,985,870	50,060,420.2	3,925,449.8	3,925,449.8	7.8%
Ministry of Agriculture, Water Management and Forestry	76,813,384	73,139,225	71,905,687.1	1,233,537.9	1,233,537.9	1.7%
Ministry of Transport and Communications	50,531,197	64,129,230	47,302,699.8	16,826,530.2	16,826,530.2	35.6%
Ministry of Development, Entrepreneurship and Crafts	11,004,124	10,411,792	10,301,057.7	110,734.3	110,734.3	1.1%
Ministry of Energy, Mining and Industry	37,798,781	34,370,472	35,383,772.7	-1,013,300.7	1,013,300.7	2.9%
Ministry of Justice	58,392,330	52,513,379	54,661,575.8	-2,148,196.8	2,148,196.8	3.9%
Ministry of Internal Affairs	57,986,679	46,103,636	54,281,842.3	-8,178,206.3	8,178,206.3	15.1%
Supreme Court of FBiH	32,465,772	28,964,091	30,391,495.9	-1,427,404.9	1,427,404.9	4.7%
Government of FBiH	72,074,289	50,979,137	67,469,378.5	-16,490,241.5	16,490,241.5	24.4%
Ministry of Displaced Persons and Refugees	25,751,879	25,256,699	24,106,561.4	1,150,137.6	1,150,137.6	4.8%
Parliament of FBiH	18,112,266	13,868,934	16,955,052.2	-3,086,118.2	3,086,118.2	18.2%
Ministry of Culture and Sport	11,080,890	11,510,263	10,372,919.0	1,137,344.0	1,137,344.0	11.0%

Civil Protection Administration	22,410,577	12,212,210	20,978,739.1	-8,766,529.1	8,766,529.1	41.8%
Administration for Inspection Affairs	10,089,602	9,284,329	9,444,965.5	-160,636.5	160,636.5	1.7%
Office of Statistics	7,432,369	7,028,280	6,957,506.3	70,773.7	70,773.7	1.0%
Ministry of Spatial Planning	5,892,346	4,925,974	5,515,877.1	-589,903.1	589,903.1	10.7%
Ministry of Education and Science	8,699,335	8,495,831	8,143,524.3	352,306.7	352,306.7	4.3%
21 (= sum of rest)	53,914,282	44,807,695	50,469,635.5	-5,661,940.5	5,661,940.5	11.2%
allocated expenditure	1,561,236,295	1,461,487,084	1,461,487,084.0	0.0	132,849,728.5	
interests	117,489,192	95,865,216				
contingency	5,155,000	17,463,760				
total expenditure	1,683,880,487	1,574,816,060				
aggregate outturn (PI-1)						93.5%
composition (PI-2) variance						9.1%
contingency share of budget						1.0%

Table 3

administrative or functional head	Data for year = 2020					
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Ministry of Labor and Social Policy	2,623,057,518	2,511,965,325	2,693,159,039.3	-181,193,714.3	181,193,714.3	0.0672792
Ministry of Finance	152,631,911	441,326,509	156,711,016.8	284,615,492.2	284,615,492.2	1.8161805
Ministry for Veterans and Disabled People	360,198,148	335,710,193	369,824,486.0	-34,114,293.0	34,114,293.0	0.0922445
Ministry of Health	74,517,823	98,290,431	76,509,320.6	21,781,110.4	21,781,110.4	0.2846857
Ministry of Agriculture, Water Management and Forestry	95,566,764	99,123,355	98,120,797.0	1,002,558.0	1,002,558.0	0.0102176
Ministry of Transport and Communications	163,483,126	96,475,093	167,852,231.8	-71,377,138.8	71,377,138.8	0.4252379
Ministry of Development, Entrepreneurship and Crafts	8,330,429	1,563,433	8,553,060.7	-6,989,627.7	6,989,627.7	0.8172078
Ministry of Energy, Mining and Industry	36,582,866	53,020,198	37,560,547.4	15,459,650.6	15,459,650.6	0.4115928
Ministry of Justice	49,708,816	48,239,714	51,037,290.0	-2,797,576.0	2,797,576.0	0.0548144

Ministry of Internal Affairs	47,555,374	46,042,359	48,826,297.0	-2,783,938.0	2,783,938.0	0.0570172
Supreme Court of FBiH	30,853,513	27,515,994	31,678,076.8	-4,162,082.8	4,162,082.8	0.1313869
Government of FBiH	64,845,331	38,237,963	66,578,330.1	-28,340,367.1	28,340,367.1	0.4256695
Ministry of Displaced Persons and Refugees	32,439,812	26,954,198	33,306,769.8	-6,352,571.8	6,352,571.8	0.1907291
Parliament of FBiH	17,649,840	13,164,234	18,121,534.1	-4,957,300.1	4,957,300.1	0.2735585
Ministry of Culture and Sport	13,728,230	10,271,471	14,095,118.6	-3,823,647.6	3,823,647.6	0.2712746
Civil Protection Administration	18,458,481	35,518,824	18,951,786.1	16,567,037.9	16,567,037.9	0.8741676
Administration for Inspection Affairs	8,980,678	9,077,425	9,220,687.7	-143,262.7	143,262.7	0.0155371
Office of Statistics	8,062,887	6,992,962	8,278,368.6	-1,285,406.6	1,285,406.6	0.1552729
Ministry of Spatial Planning	6,415,214	5,069,895	6,586,661.4	-1,516,766.4	1,516,766.4	0.2302785
Ministry of Education and Science	8,733,745	5,273,191	8,967,155.4	-3,693,964.4	3,693,964.4	0.4119438
21 (= sum of rest)	53,797,669	69,341,226	55,235,418.0	14,105,808.0	14,105,808.0	0.2553761
allocated expenditure	3,875,598,175	3,979,173,993	3,979,173,993.0	0.0	707,063,314.1	
interests	116,356,290	91,923,386				
contingency	5,155,000	109,504,821				
total expenditure	3,997,109,465	4,180,602,200				
aggregate outturn (PI-1)						104.6%
composition (PI-2) variance						17.8%
contingency share of budget						2.7%

Table 4

administrative or functional head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Ministry of Labor and Social Policy	2,685,908,731	2,578,873,881	2,427,840,986.0	151,032,895.0	151,032,895.0	0.0622087
Ministry of Finance	382,440,859	334,967,939	345,695,139.0	-10,727,200.0	10,727,200.0	0.0310308
Ministry for Veterans and Disabled People	346,889,148	338,686,216	313,559,311.0	25,126,905.0	25,126,905.0	0.0801345

Ministry of Health	118,298,336	118,021,880	106,931,983.7	11,089,896.3	11,089,896.3	0.1037098
Ministry of Agriculture, Water Management and Forestry	97,981,409	92,819,863	88,567,149.7	4,252,713.3	4,252,713.3	0.0480168
Ministry of Transport and Communications	199,875,533	73,162,292	180,671,072.5	-107,508,780.5	107,508,780.5	0.5950525
Ministry of Development, Entrepreneurship and Crafts	10,400,368	64,278,416	9,401,078.8	54,877,337.2	54,877,337.2	5.8373446
Ministry of Energy, Mining and Industry	41,796,176	56,476,863	37,780,311.7	18,696,551.3	18,696,551.3	0.4948755
Ministry of Justice	56,936,168	50,299,144	51,465,621.5	-1,166,477.5	1,166,477.5	0.0226652
Ministry of Internal Affairs	42,377,014	39,897,161	38,305,341.6	1,591,819.4	1,591,819.4	0.0415561
Supreme Court of FBiH	27,986,290	27,598,025	25,297,308.6	2,300,716.4	2,300,716.4	0.0909471
Government of FBiH	196,242,444	26,976,142	177,387,058.3	-150,410,916.3	150,410,916.3	0.847925
Ministry of Displaced Persons and Refugees	27,053,791	26,890,622	24,454,406.0	2,436,216.0	2,436,216.0	0.0996228
Parliament of FBiH	15,241,299	14,187,607	13,776,883.0	410,724.0	410,724.0	0.0298125
Ministry of Culture and Sport	10,181,556	10,425,193	9,203,290.7	1,221,902.3	1,221,902.3	0.132768
Civil Protection Administration	14,711,885	9,244,855	13,298,336.2	-4,053,481.2	4053481.229	0.3048112
Administration for Inspection Affairs	8,813,130	8,836,783	7,966,346.0	870,437.0	870437.0174	0.1092643
Office of Statistics	7,360,120	6,935,858	6,652,944.2	282,913.8	282913.7687	0.0425246
Ministry of Spatial Planning	7,166,238	6,750,313	6,477,690.8	272,622.2	272622.1794	0.0420863
Ministry of Education and Science	6,177,125	5,719,252	5,583,613.9	135,638.1	135,638.1	0.0242922
21 (= sum of rest)	44,665,880	39,641,857	40,374,288.6	-732,431.6	732,431.6	0.018141
allocated expenditure	4,348,503,500	3,930,690,162	3,930,690,162.0	0.0	549,198,574.4	
interests	123,493,442	77,021,557				
contingency	5,155,000	4,712,090				
total expenditure	4,477,151,942	4,012,423,809				
aggregate outturn (PI-1)						89.6%
composition (PI-2) variance						14.0%
contingency share of budget						0.1%

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2019	93.5%	9.1%	
2020	104.6%	17.8%	1.3%
2021	89.6%	14.0%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	233,552,371	213,025,463	216,666,348.9	-3,640,885.9	3,640,885.9	1.7%
Use of goods and services	113,456,264	77,861,221	105,253,285.9	-27,392,064.9	27,392,064.9	26.0%
Consumption of fixed capital	98,156,325	82,577,664	91,059,544.7	-8,481,880.7	8,481,880.7	9.3%
Interest	117,489,192	95,865,216	108,994,630.0	-13,129,414.0	13,129,414.0	12.0%
Subsidies	126,316,280	121,283,994	117,183,512.6	4,100,481.4	4,100,481.4	3.5%
Grants	940,790,662	920,883,522	872,770,749.4	48,112,772.6	48,112,772.6	5.5%
Social benefits	25,744,393	23,522,125	23,883,052.9	-360,927.9	360,927.9	1.5%
Other expenses	23,220,000	22,333,095	21,541,175.5	791,919.5	791,919.5	3.7%
Total expenditure	1,678,725,487	1,557,352,300	1,557,352,300.0	0.0	106,010,347.0	
composition variance						6.8%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	257,807,091	237,756,909	262,918,272.7	-25,161,363.7	25,161,363.7	9.6%
Use of goods and services	115,617,286	92,543,321	117,909,468.7	-25,366,147.7	25,366,147.7	21.5%

Consumption of fixed capital	197,695,799	115,086,968	201,615,237.9	-86,528,269.9	86,528,269.9	42.9%
Interest	116,356,290	91,923,386	118,663,123.9	-26,739,737.9	26,739,737.9	22.5%
Subsidies	147,445,000	214,472,526	150,368,186.4	64,104,339.6	64,104,339.6	42.6%
Grants	3,106,658,592	3,278,048,185	3,168,249,979.4	109,798,205.6	109,798,205.6	3.5%
Social benefits	27,334,407	25,533,007	27,876,328.2	-2,343,321.2	2,343,321.2	8.4%
Other expenses	23,040,000	15,733,077	23,496,781.9	-7,763,704.9	7,763,704.9	33.0%
Total expenditure	3,991,954,465	4,071,097,379	4,071,097,379.0	0.0	347,805,090.5	
composition variance						8.5%

Table 4

Economic head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	252,093,107	240,125,183	225,920,659.7	14,204,523.3	14,204,523.3	6.3%
Use of goods and services	107,878,211	101,312,647	96,678,234.8	4,634,412.2	4,634,412.2	4.8%
Consumption of fixed capital	267,200,219	86,345,306	239,459,342.9	-153,114,036.9	153,114,036.9	63.9%
Interest	123,493,442	77,021,557	110,672,283.8	-33,650,726.8	33,650,726.8	30.4%
Subsidies	313,850,000	230,404,460	281,265,917.5	-50,861,457.5	50,861,457.5	18.1%
Grants	3,360,545,324	3,228,894,766	3,011,651,629.4	217,243,136.6	217,243,136.6	7.2%
Social benefits	26,878,598	25,643,897	24,088,046.9	1,555,850.1	1,555,850.1	6.5%
Other expenses	20,058,041	17,963,903	17,975,604.0	-11,701.0	11,701.0	0.1%
Total expenditure	4,471,996,942	4,007,711,719	4,007,711,719.0	0.0	475,275,844.3	
composition variance						11.9%

Table 5 - Results Matrix

	year	composition variance
	2019	6.8%
	2020	8.5%
	2021	11.9%

Calculation Sheet for PI-3 Revenue outturn - Federation BiH

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Corporate income tax	82,064,206	99,323,605	82,322,656.8	17,000,948.2	17,000,948.2	20.7%
Taxes on payroll and workforce			0.0	0.0	0.0	
Taxes on property			0.0	0.0	0.0	
Indirect taxes	1,548,602,022	1,576,625,795	1,553,479,146.9	23,146,648.1	23,146,648.1	1.5%
Taxes on international trade and transactions			0.0	0.0	0.0	
Other taxes	55,600	37,945	55,775.1	-17,830.1	17,830.1	32.0%
Social contributions						
Social security contributions			0.0	0.0	0.0	
Other social contributions			0.0	0.0	0.0	
Grants						
Grants from foreign governments			0.0	0.0	0.0	
Grants from international organizations			0.0	0.0	0.0	
Grants from other government units	160,080	113,922	160,584.2	-46,662.2	46,662.2	29.1%
Other revenue						
Property income	244,127,119	228,904,174	244,895,966.3	-15,991,792.3	15,991,792.3	6.5%
Sales of goods and services	24,168,821	23,019,890	24,244,937.6	-1,225,047.6	1,225,047.6	5.1%
Fines, penalties and forfeits	14,587,440	14,558,556	14,633,381.3	-74,825.3	74,825.3	0.5%

Transfers not elsewhere classified	-	-	0.0	0.0	0.0	
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	14,567,953	-	14,613,832.9	-14,613,832.9	14,613,832.9	100.0%
Sum of rest	95,510,115	87,633,306	95,810,911.9	-8,177,605.9	8,177,605.9	8.5%
Total revenue	2,023,843,356	2,030,217,193	2,030,217,193.0	0.0	80,295,192.6	
overall variance						100.3%
composition variance						4.0%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Corporate income tax	90,844,165	80,971,981	83,390,564.0	-2,418,583.0	2,418,583.0	2.9%
Taxes on payroll and workforce			0.0	0.0	0.0	
Taxes on property			0.0	0.0	0.0	
Indirect taxes	1,608,398,267	1,385,277,945	1,476,432,069.8	-91,154,124.8	91,154,124.8	6.2%
Taxes on international trade and transactions			0.0	0.0	0.0	
Other taxes	59,000	29,243	54,159.2	-24,916.2	24,916.2	46.0%
Social contributions						
Social security contributions	2,074,296,304	2,022,527,335	1,904,104,007.3	118,423,327.7	118,423,327.7	6.2%
Other social contributions			0.0	0.0	0.0	
Grants						
Grants from foreign governments			0.0	0.0	0.0	
Grants from international organizations			0.0	0.0	0.0	
Grants from other government units	-	4,533,943	0.0	4,533,943.0	4,533,943.0	
Other revenue						
Property income	325,572,786	258,651,484	298,860,122.0	-40,208,638.0	40,208,638.0	13.5%
Sales of goods and services	25,945,582	22,848,538	23,816,793.5	-968,255.5	968,255.5	4.1%

Fines, penalties and forfeits	14,051,759	11,197,589	12,898,837.3	-1,701,248.3	1,701,248.3	13.2%
Transfers not elsewhere classified			0.0	0.0	0.0	
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	13,102,055	82	12,027,054.9	-12,026,972.9	12,026,972.9	100.0%
Sum of rest	102,122,483	119,288,984	93,743,516.2	25,545,467.8	25,545,467.8	27.3%
Total revenue	4,254,392,401	3,905,327,124	3,905,327,124.0	0.0	297,005,477.1	
overall variance						91.8%
composition variance						7.6%

Table 4

Economic head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Corporate income tax	72,955,142	71,539,587	81,454,231.2	-9,914,644.2	9,914,644.2	12.2%
Taxes on payroll and workforce			0.0	0.0	0.0	
Taxes on property			0.0	0.0	0.0	
Indirect taxes	1,443,101,150	1,618,255,310	1,611,218,778.0	7,036,532.0	7,036,532.0	0.4%
Taxes on international trade and transactions			0.0	0.0	0.0	
Other taxes	34,000	17,714	37,960.9	-20,246.9	20,246.9	53.3%
Social contributions						
Social security contributions	1,990,045,457	2,177,822,134	2,221,880,711.1	-44,058,577.1	44,058,577.1	2.0%
Other social contributions			0.0	0.0	0.0	
Grants						
Grants from foreign governments			0.0	0.0	0.0	
Grants from international organizations			0.0	0.0	0.0	
Grants from other government units	76,100	3,228,885	84,965.5	3,143,919.5	3,143,919.5	3700.2%
Other revenue						
Property income	314,355,979	339,370,545	350,977,654.2	-11,607,109.2	11,607,109.2	3.3%

Sales of goods and services	22,520,000	20,351,522	25,143,522.9	-4,792,000.9	4,792,000.9	19.1%
Fines, penalties and forfeits	11,170,546	12,266,992	12,471,886.3	-204,894.3	204,894.3	1.6%
Transfers not elsewhere classified			0.0	0.0	0.0	
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	18,102,055	-	20,210,898.5	-20,210,898.5	20,210,898.5	100.0%
Sum of rest	232,929,790	340,693,440	260,065,520.4	80,627,919.6	80,627,919.6	31.0%
Total revenue	4,105,290,219	4,583,546,129	4,583,546,129.0	0.0	181,616,742.3	
overall variance						111.6%
composition variance						4.0%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2019	100.3%	4.0%
2020	91.8%	7.6%
2021	111.6%	4.0%

Annex 5C: Calculation tables for PIs 1-3, RS

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter the **administrative** OR **functional** head for up to 20 heads.

The 21st line will be the sum of figures for all remaining heads (if any).

Step 3: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 4: Enter **contingency** data for each of the three years in tables 2, 3, and 4 respectively.

Step 5: Read the results for each of the three years for each indicator in table 5.

Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

administrative or functional head	Data for year = 2019			deviation	absolute deviation	percent
	budget	actual	adjusted budget			
1 General Public Services	349,583,550	298,913,156	351,810,770	-52,897,614	52,897,614	15.0%
2 Defense	0	4,769	0	4,769	4,769	-
3 Public Order and Safety	144,521,850	184,124,639	145,442,608	38,682,031	38,682,031	26.6%
4 Economic Affairs	150,012,000	174,125,862	150,967,736	23,158,126	23,158,126	15.3%
5 Environmental Protection	2,310,000	3,103,475	2,324,717	778,758	778,758	33.5%
6 Housing and Community Amenities	55,277,800	1,150,000	55,629,979	-54,479,979	54,479,979	97.9%
7 Health	36,690,656	59,068,859	36,924,415	22,144,444	22,144,444	60.0%
8 Recreation, culture and region	22,459,100	39,941,226	22,602,188	17,339,038	17,339,038	76.7%
9 Education	389,172,600	395,363,175	391,652,044	3,711,131	3,711,131	0.9%
10 Social Protection	1,461,920,444	1,472,793,733	1,471,234,436	1,559,297	1,559,297	0.1%
21 (= sum of rest)						
allocated expenditure	2,611,948,000	2,628,588,894	2,628,588,894.0	0.0	214,755,185.0	

interests	112,123,600	109,123,392	
contingency	7,497,000	14,758,924	
total expenditure	2,731,568,600	2,752,471,210	
aggregate outturn (PI-1)			100.77%
composition (PI-2) variance			8.2%
contingency share of budget			0.54%

Table 3

administrative or functional head	Data for year = 2020					
	budget	actual	adjusted budget	deviation	absolute deviation	percent
1 General Public Services	361,121,855	437,718,572	383,446,518	54,272,054	54,272,054	14.2%
2 Defense	0	319,258	0	319,258	319,258	-
3 Public Order and Safety	202,277,045	239,753,194	214,781,873	24,971,321	24,971,321	11.6%
4 Economic Affairs	178,430,600	198,995,656	189,461,234	9,534,422	9,534,422	5.0%
5 Environmental Protection	3,130,000	2,425,582	3,323,498	-897,916	897,916	27.0%
6 Housing and Community Amenities	78,606,200	1,600,092	83,465,659	-81,865,567	81,865,567	98.1%
7 Health	122,467,198	208,803,238	130,038,157	78,765,081	78,765,081	60.6%
8 Recreation, culture and region	25,985,100	32,852,403	27,591,507	5,260,896	5,260,896	19.1%
9 Education	435,131,000	429,669,931	462,030,931	-32,361,000	32,361,000	7.0%
10 Social Protection	1,447,158,802	1,478,624,051	1,536,622,600	-57,998,549	57,998,549	3.8%
21 (= sum of rest)						
allocated expenditure	2,854,307,800	3,030,761,977	3,030,761,977.0		346,246,062.5	
interests	111,523,500	110,437,464				
contingency	5,340,000	6,936,046				
total expenditure	2,971,171,300	3,148,135,487				
aggregate outturn (PI-1)						105.96%
composition (PI-2) variance						11.4%
contingency share of budget						0.23%

Table 4

administrative or functional head	Data for year =		2021			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
1 General Public Services	449,990,775	389,306,170	479,184,551	-89,878,381	89,878,381	18.8%
2 Defense	0	7,203	0	7,203	7,203	-
3 Public Order and Safety	181,372,525	235,225,515	193,139,319	42,086,196	42,086,196	21.8%
4 Economic Affairs	160,157,600	245,544,314	170,548,047	74,996,267	74,996,267	44.0%
5 Environmental Protection	2,860,000	8,146,952	3,045,546	5,101,406	5,101,406	167.5%
6 Housing and Community Amenities	92,333,100	10,754,957	98,323,338	-87,568,381	87,568,381	89.1%
7 Health	184,580,620	259,753,271	196,555,544	63,197,727	63,197,727	32.2%
8 Recreation, culture and religion	24,880,400	49,206,302	26,494,550	22,711,752	22,711,752	85.7%
9 Education	423,667,700	458,198,012	451,153,730	7,044,282	7,044,282	1.6%
10 Social Protection	1,519,388,780	1,580,263,165	1,617,961,236	-37,698,071	37,698,071	2.3%
21 (= sum of rest)						
allocated expenditure	3,039,231,500	3,236,405,861	3,236,405,861.0	0.0	430,289,664.9	
interests	121,154,400	122,410,463				
contingency	7,446,800	9,730,740				
total expenditure	3,167,832,700	3,368,547,064				
aggregate outturn (PI-1)					106.34%	
composition (PI-2) variance					13.3%	
contingency share of budget					0.31%	

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2019	100.77%	8.2%	
2020	105.96%	11.4%	0,36%
2021	106.34%	13.3%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** expenditure data for each of the three years in tables **2, 3,** and **4** respectively.

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	755,939,800	755,375,146	761,724,430.4	-6,349,284.4	6,349,284.4	0.8%
Use of goods and services	108,887,100	106,846,454	109,720,329.9	-2,873,875.9	2,873,875.9	2.6%
Consumption of fixed capital	80,279,200	90,129,622	80,893,515.5	9,236,106.5	9,236,106.5	11.4%
Interest	112,123,600	109,123,392	112,981,596.3	-3,858,204.3	3,858,204.3	3.4%
Subsidies	110,370,000	110,454,719	111,214,577.4	-759,858.4	759,858.4	0.7%
Grants	38,819,000	50,579,682	39,116,052.2	11,463,629.8	11,463,629.8	29.3%
Social benefits	1,335,235,600	1,325,326,238	1,345,453,139.1	-20,126,901.1	20,126,901.1	1.5%
Other expenses	189,914,300	204,635,957	191,367,569.2	13,268,387.8	13,268,387.8	6.9%
Total expenditure	2,731,568,600	2,752,471,210	2,752,471,210.0	0.0	67,936,248.3	
composition variance						2.5%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	844,883,400	830,304,847	895,205,003.5	-64,900,156.5	64,900,156.5	7.2%
Use of goods and services	117,838,200	106,621,854	124,856,691.8	-18,234,837.8	18,234,837.8	14.6%
Consumption of fixed capital	135,259,000	106,102,980	143,315,081.8	-37,212,101.8	37,212,101.8	26.0%
Interest	111,523,500	110,437,464	118,165,885.6	-7,728,421.6	7,728,421.6	6.5%
Subsidies	124,390,000	128,396,271	131,798,719.7	-3,402,448.7	3,402,448.7	2.6%
Grants	59,772,300	71,837,631	63,332,362.8	8,505,268.2	8,505,268.2	13.4%
Social benefits	1,379,441,600	1,381,716,334	1,461,601,710.1	-79,885,376.1	79,885,376.1	5.5%
Other expenses	198,063,300	412,718,106	209,860,031.8	202,858,074.2	202,858,074.2	96.7%
Total expenditure	2,971,171,300	3,148,135,487	3,148,135,487.0	0.0	422,726,684.8	
composition variance						13.4%

Table 4

Economic head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	851,043,300	856,163,508	904,965,533.5	-48,802,025.5	48,802,025.5	5.4%
Use of goods and services	104,916,700	117,881,361	111,564,238.1	6,317,122.9	6,317,122.9	5.7%
Consumption of fixed capital	122,635,700	156,685,450	130,405,916.7	26,279,533.3	26,279,533.3	20.2%
Interest	121,154,400	122,410,462	128,830,761.3	-6,420,299.3	6,420,299.3	5.0%
Subsidies	119,665,000	129,878,449	127,246,992.7	2,631,456.3	2,631,456.3	2.1%
Grants	65,360,900	134,011,159	69,502,176.6	64,508,982.4	64,508,982.4	92.8%
Social benefits	1,433,276,800	1,456,226,392	1,524,089,437.1	-67,863,045.1	67,863,045.1	4.5%
Other expenses	349,779,900	395,290,283	371,942,007.9	23,348,275.1	23,348,275.1	6.3%

Total expenditure	3,167,832,700	3,368,547,064	3,368,547,064.0	0.0	246,170,739.9
composition variance					7.3%

Table 5 - Results Matrix

year	composition variance
2019	2.5%
2020	13.4%
2021	7.3%

Calculation Sheet for Revenue outturn (Oct 2018)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains	370,217,500	382,877,186	376,900,654.1	5,976,531.9	5,976,531.9	1.6%
Taxes on payroll and workforce			0.0	0.0	0.0	-
Taxes on property	15,578,300	17,271,639	15,859,519.0	1,412,120.0	1,412,120.0	8.9%
Taxes on goods and services	1,338,800,000	1,338,485,555	1,362,967,973.5	-24,482,418.5	24,482,418.5	1.8%
Taxes on international trade and transactions		713,999	0.0	713,999.0	713,999.0	-
Other taxes		43,686	0.0	43,686.0	43,686.0	-
Social contributions						
Social security contributions	864,462,200	891,943,707	880,067,443.1	11,876,263.9	11,876,263.9	1.3%
Other social contributions						
Grants						
Grants from foreign governments						
Grants from international organizations						
Grants from other government units		6,656	0.0	6,656.0	6,656.0	-
Other revenue						
Property income						

Sales of goods and services	125,502,400	136,132,672	127,767,965.2	8,364,706.8	8,364,706.8	6.5%
Fines, penalties and forfeits	19,298,900	22,290,633	19,647,283.1	2,643,349.9	2,643,349.9	13.5%
Transfers not elsewhere classified	330,000	6,861,062	335,957.1	6,525,104.9	6,525,104.9	1942.2%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	-
Sum of rest	61,483,100	49,512,991	62,592,990.9	-13,079,999.9	13,079,999.9	20.9%
Total revenue	2,795,672,400	2,846,139,786	2,846,139,786.0	0.0	75,124,836.7	
overall variance						101.8%
composition variance						2.6%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains	401,931,100	377,508,553	377,539,025.1	-30,472.1	30,472.1	0.0%
Taxes on payroll and workforce			0.0	0.0	0.0	-
Taxes on property	17,106,600	16,925,602	16,068,448.3	857,153.7	857,153.7	5.3%
Taxes on goods and services	1,391,423,000	1,249,848,810	1,306,981,427.6	-57,132,617.6	57,132,617.6	4.4%
Taxes on international trade and transactions		11,000	0.0	11,000.0	11,000.0	-
Other taxes		141,928	0.0	141,928.0	141,928.0	-
Social contributions						
Social security contributions	931,561,100	935,171,949	875,027,260.9	60,144,688.1	60,144,688.1	6.9%
Other social contributions						
Grants						
Grants from foreign governments		39,720,136	0.0	39,720,136.0	39,720,136.0	-
Grants from international organizations			0.0	0.0	0.0	-
Grants from other government units		290,410	0.0	290,410.0	290,410.0	-

Other revenue						
Property income			0.0	0.0	0.0	-
Sales of goods and services	170,612,800	140,801,157	160,258,786.1	-19,457,629.1	19,457,629.1	12.1%
Fines, penalties and forfeits	22,876,400	20,839,319	21,488,095.2	-648,776.2	648,776.2	3.0%
Transfers not elsewhere classified	300,000	6,127,342	281,793.8	5,845,548.2	5,845,548.2	2074.4%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	-
Sum of rest	60,776,600	27,346,869	57,088,238.0	-29,741,369.0	29,741,369.0	52.1%
Total revenue	2,996,587,600	2,814,733,075	2,814,733,075.0	0.0	214,021,728.1	
overall variance						93.9%
composition variance						7.6%

Table 4

Economic head	Data for year = 2021					
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	375,700,000	396,913,421	442,535,734.6	-45,622,313.6	45,622,313.6	10.3%
Taxes on payroll and workforce			0.0	0.0	0.0	-
Taxes on property	17,494,800	17,722,208	20,607,064.6	-2,884,856.6	2,884,856.6	14.0%
Taxes on goods and services	1,245,550,000	1,475,690,378	1,467,129,050.3	8,561,327.7	8,561,327.7	0.6%
Taxes on international trade and transactions		17,367	0.0	17,367.0	17,367.0	-
Other taxes		43,906	0.0	43,906.0	43,906.0	-
Social contributions						
Social security contributions	948,000,000	1,022,276,412	1,116,645,931.3	-94,369,519.3	94,369,519.3	8.5%
Other social contributions						
Grants						
Grants from foreign governments	40,159,600	31,068	47,303,854.4	-47,272,786.4	47,272,786.4	99.9%
Grants from international organizations						

Grants from other government units						
	Other revenue					
Property income			0.0	0.0	0.0	-
Sales of goods and services	159,351,600	165,275,382	187,699,700.2	-22,424,318.2	22,424,318.2	11.9%
Fines, penalties and forfeits	21,703,900	28,845,715	25,564,949.0	3,280,766.0	3,280,766.0	12.8%
Transfers not elsewhere classified	290,000	6,586,713	341,590.0	6,245,123.0	6,245,123.0	1828.3%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	-
Sum of rest	38,582,500	239,871,498	45,446,193.7	194,425,304.3	194,425,304.3	427.8%
Total revenue	2,846,832,400	3,353,274,068	3,353,274,068.0	0.0	425,147,588.0	
overall variance						117.8%
composition variance						12.7%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2019	101.8%	2.6%
2020	93.9%	7.6%
2021	117.8%	12.7%

Annex 5D: Calculation tables for PIs 1-3, Brčko District

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter the **administrative** OR **functional** head for up to 20 heads.

The 21st line will be the sum of figures for all remaining heads (if any).

Step 3: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 4: Enter **contingency** data for each of the three years in tables 2, 3, and 4 respectively.

Step 5: Read the results for each of the three years for each indicator in table 5.

Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

administrative or functional head	Data for year = 2019			deviation	absolute deviation	percent
	budget	actual	adjusted budget			
1 Brčko District Assembly	4,456,500.91	6,453,193.84	4,131,250.7	2,321,943.2	2,321,943.2	56.2%
2 Mayor's Office	7,091,490.85	7,329,944.30	6,573,930.3	756,014.0	756,014.0	11.5%
3 Justice of the District	11,961,198.63	10,537,228.54	11,088,230.7	-551,002.1	551,002.1	5.0%
4 District Police	15,776,727.32	12,119,245.85	14,625,289.4	-2,506,043.5	2,506,043.5	17.1%
5 Department for public safety	8,629,313.01	5,979,745.89	7,999,517.1	-2,019,771.2	2,019,771.2	25.2%
6 Department for professional and administrative affairs	3,430,510.18	5,708,716.51	3,180,140.2	2,528,576.3	2,528,576.3	79.5%
7 Directorate for Finance	4,697,125.55	4,622,018.32	4,354,313.7	267,704.6	267,704.6	6.1%
8 Department for economic development, sports and culture	13,898,895.71	17,720,477.40	12,884,508.2	4,835,969.2	4,835,969.2	37.5%
9 Department for agriculture, forestry and water management	13,754,958.12	14,399,384.91	12,751,075.6	1,648,309.3	1,648,309.3	12.9%
10 Department for health and other services	60,279,082.68	53,931,476.21	55,879,715.1	-1,948,238.9	1,948,238.9	3.5%

11 Education department	39,272,571.43	38,275,364.99	36,406,328.8	1,869,036.2	1,869,036.2	5.1%
12 Department for spatial planning and property-legal affairs	2,619,474.68	1,914,263.69	2,428,296.7	-514,033.0	514,033.0	21.2%
13 Department for displaced persons, refugees and housing issues	2,663,645.35	2,644,607.05	2,469,243.7	175,363.4	175,363.4	7.1%
14 Department for utilities	6,304,796.45	3,106,947.79	5,844,651.5	-2,737,703.7	2,737,703.7	46.8%
15 Public affairs department	6,400,172.44	3,025,292.91	5,933,066.6	-2,907,773.7	2,907,773.7	49.0%
16 Public register department	4,124,202.24	3,986,180.29	3,823,204.3	162,976.0	162,976.0	4.3%
17 Commission for securities	399,441.68	307,799.64	370,289.1	-62,489.5	62,489.5	16.9%
18 Office for public property management	3,004,232.83	2,150,707.67	2,784,973.9	-634,266.3	634,266.3	22.8%
19 Office of the Coordinator of Brčko District of BiH at the Council	290,819.18	246,195.94	269,594.2	-23,398.3	23,398.3	8.7%
20 Audit office	784,697.50	778,219.45	727,427.7	50,791.8	50,791.8	7.0%
21 Department for European integration and international cooperation	882,348.07	658,805.78	817,951.4	-159,145.6	159,145.6	19.5%
22 Office for the prevention of corruption and coordination of activities to compress corruption	375,613.18	39,496.79	348,199.7	-308,702.9	308,702.9	88.7%
23 Court verdicts and decision, judicial and extrajudicial settlements	3,479,538.00	2,849,846.10	3,225,589.8	-375,743.7	375,743.7	11.6%
24 Domestic and foreign lending and debt repayment	9,573,930.00	9,006,821.25	8,875,192.8	131,628.4	131,628.4	1.5%
24 (= sum of rest)						
allocated expenditure	224,151,285.99	207,791,981.11	207,791,981.1	0.0	29,496,624.8	
interests	378,143.00	335,738.39				
contingency	5,019,269.95	0.00				
total expenditure	229,548,698.94	208,127,719.50				
aggregate outturn (PI-1)						90.7%
composition (PI-2) variance						14.2%
contingency share of budget						0.0%

Table 3

administrative or functional head	Data for year =		2020			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
1 Brčko District Assembly	6,320,404.23	5,613,907.28	5,699,020.5	-85,113.2	85,113.2	1.5%
2 Mayor's Office	8,673,354.86	7,576,320.39	7,820,643.3	-244,322.9	244,322.9	3.1%
3 Justice of the District	13,364,831.60	10,990,073.46	12,050,882.5	-1,060,809.1	1,060,809.1	8.8%
4 District Police	16,059,573.02	12,048,511.04	14,480,693.3	-2,432,182.3	2,432,182.3	16.8%
5 Department for public safety	9,059,616.94	7,295,554.34	8,168,930.4	-873,376.1	873,376.1	10.7%
6 Department for professional and administrative affairs	4,728,060.68	4,309,513.07	4,263,226.5	46,286.6	46,286.6	1.1%
7 Directorate for Finance	5,892,227.19	4,886,243.75	5,312,939.2	-426,695.5	426,695.5	8.0%
8 Department for economic development, sports and culture	13,528,734.68	24,366,740.15	12,198,671.7	12,168,068.5	12,168,068.5	99.7%
9 Department for agriculture, forestry and water management	14,287,729.89	19,233,186.82	12,883,047.1	6,350,139.7	6,350,139.7	49.3%
10 Department for health and other services	59,773,695.78	61,191,144.56	53,897,109.1	7,294,035.5	7,294,035.5	13.5%
11 Education department	43,062,252.20	37,927,651.33	38,828,633.1	-900,981.8	900,981.8	2.3%
12 Department for spatial planning and property-legal affairs	4,793,668.59	2,769,303.21	4,322,384.2	-1,553,081.0	1,553,081.0	35.9%
13 Department for displaced persons, refugees and housing issues	3,333,406.04	1,557,248.51	3,005,685.8	-1,448,437.3	1,448,437.3	48.2%
14 Department for utilities	9,943,060.93	5,261,289.99	8,965,519.6	-3,704,229.6	3,704,229.6	41.3%
15 Public affairs department	15,841,595.76	3,042,921.96	14,284,146.3	-11,241,224.3	11,241,224.3	78.7%
16 Public register department	5,320,977.72	4,818,322.10	4,797,851.5	20,470.6	20,470.6	0.4%
17 Commission for securities	366,337.52	324,119.43	330,321.4	-6,202.0	6,202.0	1.9%
18 Office for public property management	4,589,754.88	2,857,469.31	4,138,518.1	-1,281,048.7	1,281,048.7	31.0%
19 Office of the Coordinator of Brčko District of BiH at the Council	290,043.84	262,215.20	261,528.5	686.7	686.7	0.3%
20 Audit office	821,803.80	786,403.27	741,009.0	45,394.2	45,394.2	6.1%
21 Department for European integration and international cooperation	1,024,783.27	693,781.61	924,032.8	-230,251.2	230,251.2	24.9%

22 Office for the prevention of corruption and coordination of activities to compress corruption	404,238.60	81,926.75	364,496.3	-282,569.6	282,569.6	77.5%
23 Court verdicts and decision, judicial and extrajudicial settlements	2,479,538.00	1,566,795.97	2,235,764.9	-668,968.9	668,968.9	29.9%
24 Domestic and foreign lending and debt repayment	9,281,320.00	8,883,248.62	8,368,837.0	514,411.6	514,411.6	6.1%
24 (= sum of rest)				0.0	0.0	
allocated expenditure	253,241,010.02	228,343,892.12	228,343,892.1	0.0	52,878,986.9	
interests	313,792.00	903,257.89				
contingency	2,685,190.98	5,441,869.60				
total expenditure	256,239,993.00	234,689,019.61				
aggregate outturn (PI-1)						91.6%
composition (PI-2) variance						23.2%
contingency share of budget						2.1%

Table 4

administrative or functional head	Data for year = 2021		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
1 Brčko District Assembly	5,050,979.48	5,585,977.46	4,582,980.1	1,002,997.3	1,002,997.3	21.9%
2 Mayor's Office	7,721,274.67	7,292,629.07	7,005,858.7	286,770.4	286,770.4	4.1%
3 Justice of the District	13,069,164.82	11,443,638.63	11,858,239.1	-414,600.5	414,600.5	3.5%
4 District Police	13,080,924.29	12,330,324.14	11,868,909.0	461,415.1	461,415.1	3.9%
5 Department for public safety	6,538,730.73	5,338,533.37	5,932,883.5	-594,350.2	594,350.2	10.0%
6 Department for professional and administrative affairs	3,401,964.22	2,792,022.30	3,086,754.6	-294,732.3	294,732.3	9.5%
7 Directorate for Finance	5,812,658.92	5,249,335.87	5,274,086.0	-24,750.2	24,750.2	0.5%
8 Department for economic development, sports and culture	15,154,042.94	14,867,450.06	13,749,942.5	1,117,507.5	1,117,507.5	8.1%
9 Department for agriculture, forestry and water management	14,857,049.24	14,872,258.35	13,480,466.8	1,391,791.5	1,391,791.5	10.3%
10 Department for health and other services	59,615,436.85	58,424,155.42	54,091,758.4	4,332,397.0	4,332,397.0	8.0%

11 Education department	43,623,550.10	41,697,297.42	39,581,602.7	2,115,694.8	2,115,694.8	5.3%
12 Department for spatial planning and property-legal affairs	3,725,667.42	3,208,009.96	3,380,465.1	-172,455.1	172,455.1	5.1%
13 Department for displaced persons, refugees and housing issues	2,541,017.00	2,767,624.05	2,305,578.6	462,045.4	462,045.4	20.0%
14 Department for utilities	4,681,501.52	3,902,155.63	4,247,736.2	-345,580.6	345,580.6	8.1%
15 Public affairs department	9,419,250.85	3,023,027.12	8,546,508.6	-5,523,481.4	5,523,481.4	64.6%
16 Public register department	4,991,450.90	4,425,228.89	4,528,967.2	-103,738.3	103,738.2796	2.3%
17 Commission for securities	346,450.32	296,693.30	314,349.9	-17,656.6	17656.60679	5.6%
18 Office for public property management	6,146,130.86	3,678,892.33	5,576,660.1	-1,897,767.7	1897767.732	34.0%
19 Office of the Coordinator of Brčko District of BiH at the Council	275,266.64	271,294.59	249,761.8	21,532.8	21532.82725	8.6%
20 Audit office	929,939.75	787,862.59	843,776.0	-55,913.4	55,913.4	6.6%
21 Department for European integration and international cooperation	1,074,220.64	916,113.20	974,688.5	-58,575.3	58,575.3	6.0%
22 Office for the prevention of corruption and coordination of activities to compress corruption	261,899.10	128,611.37	237,632.8	-109,021.4	109,021.4	45.9%
23 Court verdicts and decision, judicial and extrajudicial settlements		91,451.57	0.0	91,451.6	91,451.6	-
24 Domestic and foreign lending and debt repayment	2,849,846.00	1,233,705.17	2,585,793.0	-1,352,087.9	1,352,087.9	52.3%
24 (= sum of rest)	8,681,761.00	7,558,458.44	7,877,351.0	-318,892.5	318,892.5	4.0%
allocated expenditure			0.0	0.0	0.0	
interests	233,850,178.26	212,182,750.30	212,182,750.3	0.0	22,567,207.0	
contingency	598,816.00	395,245.48				
total expenditure	3,778,966.74	1,584,080.68				
aggregate outturn (PI-1)	238,227,961.00	214,162,076.46				89.9%
composition (PI-2) variance						10.6%
contingency share of budget						0.7%

Table 3 and 4 are the exact same as Table 2

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2019	90.7%	14.2%	
2020	91.6%	23.2%	0,9%
2021	89.9%	10.6%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** expenditure data for each of the three years in tables **2**, **3**, and **4** respectively.

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Compensation of employees	80,586,346.02	77,014,268.98	73,066,205.5	3,948,063.4	3,948,063.4	5.4%
Use of goods and services	45,319,493.95	33,308,496.41	41,090,378.5	-7,781,882.1	7,781,882.1	18.9%
Consumption of fixed capital			0.0	0.0	0.0	-
Interest	378,143.00	335,738.39	342,855.5	-7,117.1	7,117.1	2.1%
Subsidies	15,911,555.00	18,163,401.09	14,426,723.7	3,736,677.4	3,736,677.4	25.9%
Grants	34,058,723.00	42,665,354.22	30,880,437.9	11,784,916.3	11,784,916.3	38.2%
Social benefits	25,633,400.00	25,071,986.85	23,241,347.5	1,830,639.3	1,830,639.3	7.9%
Capital transfers and grants	35,000.00	35,000.00	31,733.9	3,266.1	3,266.1	10.3%
Expenditures for acquisition of fixed assets	18,353,005.97	2,808,920.25	16,640,343.8	-13,831,423.6	13,831,423.6	83.1%
Expenses for debt repayments	9,273,032.00	8,724,553.31	8,407,693.1	316,860.2	316,860.2	3.8%
Other expenses			0.0	0.0	0.0	
Total expenditure	229,548,698.94	208,127,719.50	208,127,719.5	0.0	43,240,845.6	20.8%
composition variance						

Table 3

Economic head	Data for year =		2020			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	92,323,964.57	82,428,549.29	84,559,090.4	-2,130,541.1	2,130,541.1	2.5%
Use of goods and services	44,399,606.98	35,637,027.83	40,665,393.8	-5,028,366.0	5,028,366.0	12.4%
Consumption of fixed capital			0.0	0.0	0.0	-
Interest	313,792.00	903,257.89	287,400.6	615,857.3	615,857.3	214.3%
Subsidies	15,511,555.00	32,083,606.27	14,206,961.2	17,876,645.1	17,876,645.1	125.8%
Grants	35,031,223.00	38,941,756.85	32,084,934.5	6,856,822.4	6,856,822.4	21.4%
Social benefits	27,417,400.00	24,874,265.63	25,111,469.3	-237,203.7	237,203.7	0.9%
Capital transfers and grants	25,000.00	6,960,157.09	22,897.4	6,937,259.7	6,937,259.7	30297.2%
Expenditures for acquisition of fixed assets	32,238,767.45	4,253,684.07	29,527,337.4	-25,273,653.3	25,273,653.3	85.6%
Expenses for debt repayments	8,978,684.00	8,606,714.69	8,223,535.0	383,179.7	383,179.7	4.7%
Other expenses			0.0	0.0	0.0	
Total expenditure	256,239,993.00	234,689,019.61	234,689,019.6	0.0	65,339,528.3	27.8%
composition variance						

Table 4

Economic head	Data for year =		2021			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	93,688,733.26	84,770,168.04	84,224,259.6	545,908.4	545,908.4	0.6%
Use of goods and services	42,824,067.74	35,389,403.76	38,497,963.1	-3,108,559.4	3,108,559.4	8.1%
Consumption of fixed capital			0.0	0.0	0.0	-
Interest	598,816.00	395,245.48	538,323.4	-143,077.9	143,077.9	26.6%
Subsidies	18,862,280.00	482,605.00	16,956,804.9	-16,474,199.9	16,474,199.9	97.2%
Grants	33,688,274.00	55,934,440.90	30,285,071.0	25,649,369.9	25,649,369.9	84.7%

Social benefits	27,417,400.00	26,536,887.24	24,647,683.2	1,889,204.1	1,889,204.1	7.7%
Capital transfers and grants	1,225,000.00	1,573,700.00	1,101,250.0	472,450.0	472,450.0	42.9%
Expenditures for acquisition of fixed assets	11,541,400.00	1,806,263.34	10,375,483.1	-8,569,219.8	8,569,219.8	82.6%
Expenses for debt repayments	8,381,990.00	7,273,362.50	7,535,238.0	-261,875.5	261,875.5	3.5%
Other expenses			0.0	0.0	0.0	
Total expenditure	<u>238,227,961.00</u>	<u>214,162,076.26</u>	214,162,076.3	0.0	57,113,864.8	26.7%
composition variance						

Table 5 - Results Matrix

year	composition variance
2019	20.8%
2020	27.8%
2021	26.7%

Calculation Sheet for Revenue outturn (Oct 2018)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2019
Year 2 =	2020
Year 3 =	2021

Table 2

Economic head	Data for year = 2019		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains	15,000,000.00	13,908,310.87	15,133,630.3	-1,225,319.4	1,225,319.4	8.1%
Taxes on payroll and workforce	10,600,000.00	11,888,812.88	10,694,432.0	1,194,380.8	1,194,380.8	11.2%
Taxes on property	1,600,000.00	1,485,851.72	1,614,253.9	-128,402.2	128,402.2	8.0%
Taxes on goods and services	175,750,000.00	186,505,061.62	177,315,701.1	9,189,360.5	9,189,360.5	5.2%
Taxes on international trade and transactions						
Other taxes						
Social contributions						
Social security contributions						
Other social contributions						
Grants						
Grants from foreign governments	5,362.00	14,373.76	5,409.8	8,964.0	8,964.0	165.7%
Grants from international organizations						
Grants from other government units						
Domestic grants	5,000,00	618,687.77	5,044.5	613,643.2	613,643.2	12164.5%

Other revenue						
Property income	2,716,938.00	2,213,552.68	2,741,142.3	-527,589.7	527,589.7	19.2%
Sales of goods and services	1,152,300.00	1,444,234.58	1,162,565.5	281,669.1	281,669.1	24.2%
Fines, penalties and forfeits	1,766,000.00	1,640,129.15	1,781,732.7	-141,603.6	141,603.6	7.9%
Transfers not elsewhere classified			0.0	0.0	0.0	-
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	6,065,555.00	5,662,649.07	6,119,591.1	-456,942.0	456,942.0	7.5%
Capital receipts	545,000.00	6,212,011.51	549,855.2	5,662,156.3	5,662,156.3	1029.8%
Financing	14,342,543.94		14,470,317.1	-14,470,317.1	14,470,317.1	100.0%
Sum of rest			0.0	0.0	0.0	
Total revenue	229,548,698.94	231,593,675.61	231,593,675.6	0.0	33,900,347.9	
overall variance						100.9%
composition variance						14.6%

Table 3

Economic head	Data for year = 2020		adjusted budget	deviation	absolute deviation	percent
	budget	actual				
Tax revenues						
Taxes on income, profit and capital gains	16,000,000.00	13,218,610.51	13,452,256.4	-233,645.8	233,645.8	1.7%
Taxes on payroll and workforce	11,000,000.00	10,870,763.20	9,248,426.2	1,622,337.0	1,622,337.0	17.5%
Taxes on property	1,600,000.00	1,292,698.85	1,345,225.6	-52,526.8	52,526.8	3.9%
Taxes on goods and services	189,050,000.00	164,883,955.97	158,946,816.5	5,937,139.5	5,937,139.5	3.7%
Taxes on international trade and transactions						
Other taxes						
Social contributions						
Social security contributions						
Other social contributions						

Grants						
Grants from foreign governments	1,500.00	16,094.28	1,261.1	14,833.1	14,833.1	1176.2%
Grants from international organizations						
Grants from other government units						
Domestic grants	6,000.00	8,976.26	5,044.6	3,931.7	3,931.7	77.9%
Other revenue						
Property income	2,767,803.00	4,600,279.78	2,327,074.7	2,273,205.1	2,273,205.1	97.7%
Sales of goods and services	1,162,800.00	1,203,465.81	977,642.7	225,823.1	225,823.1	23.1%
Fines, penalties and forfeits	1,752,000.00	1,417,639.40	1,473,022.1	-55,382.7	55,382.7	3.8%
Transfers not elsewhere classified			0.0	0.0	0.0	-
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	6,119,890.00	5,023,787.07	5,145,395.6	-121,608.5	121,608.5	2.4%
Capital receipts	6,800,000.00	12,901,608.47	5,717,208.9	7,184,399.5	7,184,399.5	125.7%
Financing	19,980,000.00		16,798,505.1	-16,798,505.1	16,798,505.1	100.0%
Sum of rest			0.0	0.0	0.0	
Total revenue	256,239,993.00	215,437,879.60	215,437,879.6	0.0	34,523,337.8	
overall variance						84.1%
composition variance						16.0%

Table 4

Economic head	Data for year = 2021					
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	14,000,000.00	14,637,104.40	14,414,915.4	222,189.0	222,189.0	1.5%
Taxes on payroll and workforce	11,000,000.00	9,545,219.42	11,326,005.0	-1,780,785.5	1,780,785.5	15.7%
Taxes on property	1,600,000.00	1,508,771.73	1,647,418.9	-138,647.2	138,647.2	8.4%
Taxes on goods and services	188,150,000.00	198,505,183.19	193,726,166.8	4,779,016.4	4,779,016.4	2.5%

Taxes on international trade and transactions						
Other taxes						
Social contributions						
Social security contributions						
Other social contributions						
Grants						
Grants from foreign governments	1500	20295.65	1,544.5	18,751.2	18,751.2	1214.1%
Grants from international organizations						
Grants from other government units						
Domestic grants	497480	540146.52	512,223.7	27,922.8	27,922.8	5.5%
Other revenue						
Property income	2,485,971.00	3,285,984.38	2,559,647.3	726,337.1	726,337.1	28.4%
Sales of goods and services	1,136,720.00	1,321,841.30	1,170,408.8	151,432.5	151,432.5	12.9%
Fines, penalties and forfeits	1,652,000.00	1,680,600.83	1,700,960.0	-20,359.2	20,359.2	1.2%
Transfers not elsewhere classified			0.0	0.0	0.0	-
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	5,914,290.00	5,448,295.13	6,089,570.7	-641,275.6	641,275.6	10.5%
Capital receipts	11,790,000.00	8,794,836.48	12,139,418.0	-3,344,581.6	3,344,581.6	27.6%
Financing						
Sum of rest						
Total revenue	238,227,961.00	245,288,279.03	245,288,279.0	0.0	11,851,298.1	
overall variance						103.0%
composition variance						4.8%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2019	100.9%	14.6%
2020	84.1%	16.0%
2021	100.3%	4.8%

i <https://mft.gov.ba/Content/OpenAttachment?id=93982e17-20c1-4f59-8236-04109879aa50&lang=hr>