

SUCCESS STORIES

Bosnia and Herzegovina

Modern Program and Performance Budgeting Linked to Strategic Planning

Context

Given the significant benefits of modern program and performance budgeting (PPB) to improve spending effectiveness, this reform was prioritized in the 2022-2025 Comprehensive PFM Strategy in Bosnia and Herzegovina and in documents related to European Union (EU) integration. The previous PPB was not a part of the official budget.

At the level of the Federation of Bosnia and Herzegovina (FBiH), the new PPB system aimed to address multiple weaknesses: lack of legal basis; non-standardized scope and an excessively fragmented program structure; insufficient quality of performance indicators, with a few higher-level outcome indicators; and insufficient link with strategic planning.

PEMPAL Impact

The new PPB system, steered by the Federal Ministry of Finance and assisted by an EU project, was created based on PEMPAL Budget Community of Practice

(BCOP) advice, most notably the knowledge product *Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations*. This knowledge product benchmarked the PPB practices in PEMPAL countries to those in the OECD countries, defined the key challenges for PEMPAL countries, and provided advice for PEMPAL countries considering introducing or improving their PPB systems. As always advised by PEMPAL, **options were considered from the perspective of specific circumstances in FBiH to ensure full applicability and usefulness.**

The new PPB system:

- Improves the information available to the Government and Parliament during budget adoption by providing data on program-level expenses and contextual information on performance.
- Establishes a targeted link between budget and strategic planning processes.
- Provides a simple and clear PPB structure and content.

The design was carefully made to be **i) flexible** (applicable to all institutions and expenditure), **ii) directly linked to strategic planning**, **iii) implementable** (in work processes and institutional organization), and **iv) useful and used** to inform decision-making and in learning towards performance-oriented culture in the public sector.

Next steps

FBiH's new PPB design has been presented in BCOP events in line with the PEMPAL ethos of peer-to-peer learning and has inspired some other countries, such as Ukraine, Azerbaijan, and Tajikistan, to plan for reforms in their countries using some of FBiH's practices.

The BCOP will continue to support Bosnia and Herzegovina and other PEMPAL countries as they advance practice of strategic performance budgeting, including performance management, monitoring and evaluation, implementation of performance-focused spending reviews, and integration of budget tagging for specific government-wide priorities.



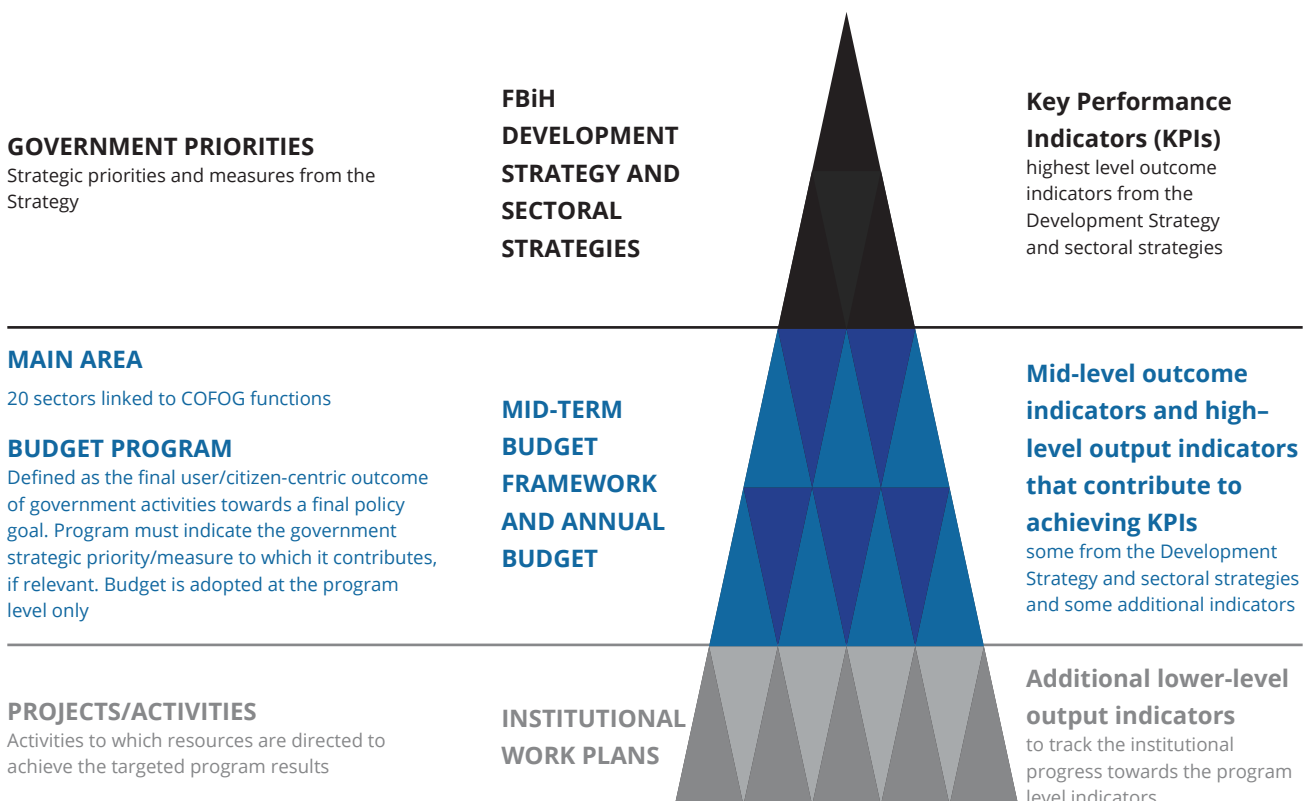
BCOP is uniquely useful to us. The budgeting domain is highly specialized, and there is no general set of international standards we can simply copy-paste. This is precisely why budgeting officials can derive the greatest insights from their peers. Instead of having someone design reform for us, in BCOP we learn about global practices and trends with advice specific to the PEMPAL region. We then take all this into account to apply in our countries ourselves, considering our needs, capacities, and the administrative culture."

— **Alija Aljovic**

Assistant Minister
for Budget and
Public Expenditures,
Federal Ministry of
Finance, Bosnia and
Herzegovina



Figure. Newly designed PPB system





PEMPAL SECRETARIAT

Budget Community of Practice (BCOP)

E: BCOP@pempal.org

Internal Audit Community of Practice (IACOP)

E: IACOP@pempal.org

Treasury Community of Practice (TCOP)

E: TCOP@pempal.org

www.pempal.org

© PEMPAL Secretariat

This work is a product of PEMPAL Secretariat.

Rights and Permissions:

The material in this work is subject to copyright. Because PEMPAL encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries should be addressed to PEMPAL Secretariat.