



FINAL REPORT ©

**Department for International Development
United Kingdom**

Bosnia and Herzegovina: Support to Socio Economic Planning (SSEP)

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(epsds) ECONOMIST AND
PRIVATE SECTOR
DEVELOPMENT SERVICES

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ABBREVIATIONS AND ACRONYMS

BIH	Bosnia and Herzegovina
BD	Brcko District
CDS	Country Development Strategy
COM	Council of Ministers
DEC	Directorate for Economic Planning
DIP	Development Investments Programme
DFID	Department for International Development
EU	European Union
FBIH	Federation of Bosnia and Herzegovina
FIEP	Federal Institute for Economic Planning
ICT	Information Communication Technology
IPA	Instrument of Pre-Accession Assistance
MOERS	Ministry of Economy and Regional Cooperation
MOFT	Ministry of Finance and Treasury
PAIP	Public Assets Investments Programme
PIP	Public Investments Programme
SCIA	Sector for Coordination of International Economic Aid
SIS	Social Inclusion Strategy
SPPD	Strengthening Capacities for Strategic Planning and Policy Development
SSEP	Support to Socio-Economic Planning

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INTRODUCTION

The final report draws to conclusion the work of the Department for International Development (DFID) “Support to Socio-Economic Planning (SSEP) in Bosnia and Herzegovina (BiH)” project, which commenced in November 2009. The project covered a fifteen month period ending 31 January 2011. This account follows on from the regular Quarterly Reports and updates the Completion Report prepared for the final DFID monitoring and review-of-progress mission in November 2010. Given the detailed “outputs to purpose review” prepared for that mission, the Final Report focuses on the results and legacy of the intervention objectively addressing some of the substantive issues which influenced the overall outcome in one way or the other and which constitute the legacy of the work of the last year and a quarter.

The DFID SSEP in BiH project was initially designed as something of a “bridging intervention”. It followed on from earlier assistance to the preparation of the Country Development Strategy (CDS) and Social Inclusion Strategy (SIS) and was intended to prepare the ground for an expected Instrument of Pre-Accession Assistance (IPA) 2009 twinning arrangement to commence in the early part of 2011. In such circumstances, it might have been anticipated that the project would limit its ambition to joining up the dots between “the before and the after”. An alternative view, however, and that which prevailed, was that the project afforded a real opportunity to trace out and commence the building of the foundations for a multi-level strategic planning system in BiH.

Over the course of the project it became increasingly evident that the IPA twinning project would be significantly delayed and unlikely to start soon after the closure of SSEP, as initially understood. Given these circumstances, this report focuses essentially on the outputs of SSEP as a distinct intervention. Considering that the inception report of the project was only formally approved at the end of January 2010, the project was active for little more than a year. During that time it has put in place a number of essential elements of a strategic planning system, which we are confident can not only stand the test of time but respond to the decision-making conditions that currently apply in BiH. The foundations for the next stages of consolidation and growth are considered to be in place.

Some of the feedback received by DFID in the context of their Completion Mission in November 2010 suggested that there was a view among some of the beneficiary groups that more could have been achieved if the project had provided decentralised support with team members located in different institutions. While such delivery options were considered during the inception period, there were two main reasons for opting for a more centralised approach. In the first instance, the resources available in terms of time and the size of the team (as well as the challenge of geography) ensured that the emphasis was placed upon optimising the effectiveness and efficiency of outputs which could best be ensured by the coordinated effort of a compact team. Furthermore, there has been a general consensus among counterparts and donor institutions that the single most important product of the intervention would be the emergence of an identifiable and functioning strategic planning and coordination system involving all levels of government. With this in mind, it has been important for the project team to work collectively over the period of the project to achieve this outcome, rather than operate separately to support one or other institution. We are very confident that the design of SSEP and the combined effort of the core team made sure that the ambitious goals agreed at the start of 2010 were met.

We would like to acknowledge the leadership, motivation and support provided by our counterparts and partners in the overall effort. In particular, we would like to thank the management and teams at the Directorate for Economic Planning (DEP), the Federal Institute for Economic Planning (FIEP), the Ministry of Economy and Regional Cooperation (MOERS) in Republika Srpska and the Coordination Office of the Council of Ministers (CoM) of Brcko District. Their encouragement and willingness to innovate and seek solutions to the challenges arising during such a busy time were critical to the overall success of the joint initiative. Likewise, the practical support provided by DFID at every point in the life of the project, through their visiting teams and especially through our Sarajevo-based task managers did much to maintain the energy levels and sense of purpose. DFID’s project management and monitoring culture also created valuable review and discussion space which helped considerably to work through ideas and dilemmas – to anticipate and overcome potential bottlenecks.

SUMMARY OF PROGRESS AND KEY ISSUES

Before commencing the final review of outputs and results, as a starting point for reflection, it is timely to present the goal, objectives and outputs for SSEP which were articulated in the Terms of Reference (TOR).

Terms of Reference

Overall Objective

The overall project objective is to ensure that BiH's national planning process serves to accelerate the country's socio-economic development and advance the pre-eminent national goal of European Union (EU) integration.

Specific Objective

Integrated planning mechanism developed to strengthen DEP and relevant government stakeholders to devise and deliver effective strategic, policy and financial planning at all levels of government.

The project has the following outputs:

- A coherent national planning process and mechanism that links national strategy to related planning processes, and fully reflects European integration requirements.
- Development of institutional national planning capacities at all BiH government levels.
- Support and encourage donors' alignment behind government led sector approach to national planning.
- CDS/SIS preparation and implementation framework finalised.
- DEP effectively applies research and analysis results in designing policy recommendations and in the process of regular reviews of CDS and SIS.

It is premature to comment on the extent to which the overall goal "to ensure that BiH's national planning process serves to accelerate the country's socio-economic development and advance the pre-eminent national goal of EU integration" has been met during the period. There are too many extraneous factors to take into account, not least the general worldwide economic crisis.

Nevertheless, there are genuine grounds for contending **that the increasingly joined-up planning system operating today at and between different levels of government "to devise and deliver effective strategic, policy and financial planning at all levels of government" has been the essential outcome** of the project's endeavours.

It is not our intention to suggest that this is a finished product. All those concerned are only too conscious of the work still to be done to complete and consolidate the arrangements needed to ensure a functioning strategic planning system into the future, including **the need for adoption of a well founded legal base**. On the other hand, there is a widely shared sense within the planning community that there has been **substantive progress in defining and putting in place key elements of a modular strategic planning system which can work for BiH**. In this sense, much has been achieved through the pragmatic, experiential and problem-solving manner in which the project interacted with the counterpart institutions at each level of government to meet the challenges of bringing the CDS/SIS and action plans to adoption.

While the actual Outputs which were agreed following the inception period differ slightly from those set out in the Terms of Reference, we are very confident that each of the above has been fully addressed over the course of the project. The rest of the report will take a closer look at what has been achieved against those Outputs which were finally adopted for the project logical framework.

The logic of the Outputs which framed the project design and implementation plan encompasses fully the intent of the TOR. The five confirmed Outputs are restated below. This report should be read in conjunction with the Logical Framework of the project and the Project Completion review, prepared in November 2010.

Agreed Logframe SSEP

1 Coherent Policy and Strategy

The CDS and SIS¹ are endorsed, recognised and used by all levels of government and interest groups as the common strategic framework for guiding, coordinating and monitoring socio-economic policy development (and the European integration process).

2 Strengthened Institutional Framework

Agreed **structures** for BiH development planning in place and beginning to incorporate EU principles as required for candidate countries at State and entity level.

3 Improved Tools

DEP and focal points enabled to fulfil their respective mandates in a professional manner as a result of being equipped with appropriate and tested **tools**² for socio-economic development planning and coordination.

4 Strengthened Capacity

The **capacity** of DEP (and designated entity/Brcko District counterparts) as professional, expert, socio-economic development planning and (incl macro-economic/policy analysis) institutions is strengthened to operate under common working norms and methods.

5 Exit Strategy

An **exit and transition strategy** which anticipates and facilitates the further development of the institutional framework for a coordinated socio-economic development planning system meeting the needs and interests of State and Entities/Brcko District – and in line with future EU support to the sector (IPA).

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¹ Includes action plans, implementation framework and budget costings.

² Eg action plan template for operationalising measures, cost benefit analysis methods, Terms of Reference/Handbooks for Moderators, evaluation techniques including ex-ante, policy analysis tools, tools for developing indicators, coordination protocols/procedures/standards, data management tools etc.

OUTPUT 1 COHERENT POLICY AND STRATEGY

Shared Strategic Platform – Specific Outcomes: Making the Modular Work

Much of the discussion during the inception phase of the project – and in the context of Quarterly Reports and review missions – focussed on whether the formal adoption of the CDS/SIS – or not – should influence perceptions of the outcome in itself of the SSEP intervention. While there was a general understanding that the project team would support all the counterpart coordination institutions in every way possible to facilitate its passage into government policy at all levels, there was also mature recognition that, in the context of an election year and change of government, final adoption would lie in the hands of incoming administrations and thus probably fall outside the project timeframe. There was, nevertheless, an expectation that the project would provide direct practical assistance to the strategy coordinators in steering the draft strategies and action plans through the different stages of technical approval. SSEP responded to this demand from the counterparts and worked with them to design and begin to put in place some of the structures, systems and capacity which are necessary and will carry the policy planning and coordination process into the future at all levels of government in BiH.

Over the course of the project year, the team worked closely with counterparts from the coordinating institutions at state, entity and Brcko District levels to support negotiations and planning around the preparation of Action Plans, consistent with the policy directions set by the CDS. The accomplishment of such a detailed and participative exercise, involving civil servants and policy specialists in the different administrations, points to an endorsement of the utility of the common framework provided by the CDS and SIS. The modular method of strategic and action planning enabled each level of administration to develop their respective action plans both in line with overall goals, sub-goals and priorities and in response to needs appropriate to each level. Probably the most important outcome from the exercise has been the early stage institutionalisation of the modular principles across the planning and policy management community which are increasingly accepted as a practical and useful approach to joined-up policy management in BiH.

Partial Adoption

In the event, the CDS/SIS and Action Plans were approved and adopted by the Government of the Federation as well as by the Council of Ministers of Brcko District in September 2010. The decision by the Government of FBiH stipulated that Cantonal governments should align their Action Plans with the main CDS and SIS frameworks. Work is ongoing at cantonal levels, supported both by FZZBiH and the DEP, to put coherent Action Plans in place. The Government of ZE-DO Canton is taking a lead. However, despite periods of optimism over the last months, the Strategies/Action Plans have yet to be adopted at Republika Srpska and State levels, largely due to delays in the formation of the Government in the Republika Srpska and at the Council of Ministers level.

Ex-ante Appraisal

As part of its contribution to improving the quality of strategic planning and strengthening capacity, the SSEP undertook to conduct an independent ex-ante of parts of the CDS. The exercise was carried out by an independent team comprising Croatian and Slovenian evaluators. The combination provided two complementary and very useful perspectives on evaluation – on the one hand from the point of view of a candidate country applying IPA regulations for appraising EU funded programmes – and on the other from the experience of evaluating EU Structural and Cohesion assisted interventions. Participation and learning-by-active involvement featured prominently in the approach undertaken. In addition to two two-day workshops (Sarajevo and Banja Luka) involving participants from each of the coordinating institutions, the consultation process was enriched by the active contribution to the appraisal by respondents from each institution. The final report is presented as Deliverable 5.

The overall conclusion of the ex-ante evaluation is that the CDS/SIS constitutes a significant achievement, providing a single common framework for investment and action planning specific to each level of government. There is a broad consensus around the validity and comprehensiveness of the analysis, albeit acknowledging the impact of the more recent world economic crisis. The

evaluators point to a number of features in the Strategies which could be improved and strengthened as part of an ongoing review and monitoring process. In particular, the ambitious scope of the strategy - much more than a programme for socio-economic development - makes effective implementation much more difficult to coordinate. It is proposed that the inclusion of macro-economic stability and European integration as strategic development goals, rather than as essential conditions for growth and development, tend to “crowd” the socio-economic development agenda. The report raises questions about the location of a number of sub-goals, eg “SMEs” currently under “*Employment*” instead of “*Competitiveness*”. Or “*Information and Communications Technologies (ICT)*” under “*Sustainable Development*” rather than “*Competitiveness*”. These are essentially strategic design issues but the issues raised point to complications in implementation and monitoring as a result of the options taken. The evaluators jointly stress the need for further work in clarifying objectives at sub-goal, priority and measure levels which they identify as a significant weakness. The ex-ante team provided recommendations for improving the quality of indicators as a means to address some of these shortcomings. There is work ongoing in relation to the monitoring plan, which has not been considered by the ex-ante team since it is still being finalised. Furthermore, there has been substantial progress in linking the strategic policy direction of the CDS/SIS to the budget and public investment planning process. Without doubt, taken together, these advances represent a major step forward in strategic planning capacity at all levels in BiH.

Influencing Budget Preparation and Public Investment Planning

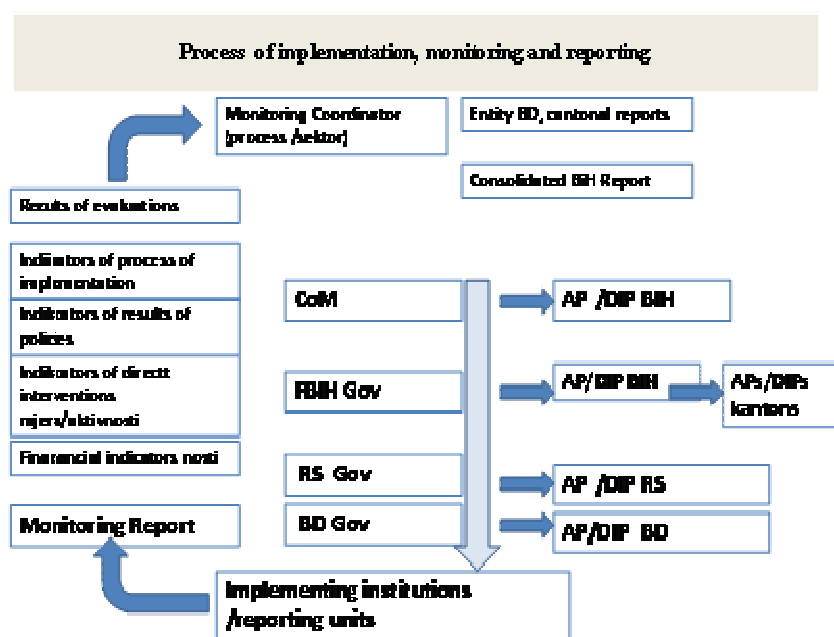
Over the course of the year long project one of the key objectives has been to create practical and workable connections between the goals, sub-goals and priorities of the CDS/SIS to the budget and public investments programming (PIP) process. After some early frustrations and considerable effort devoted to analysing existing (2010) budget and public expenditure provisions, several seminal encounters between budget, PIP and strategy coordinators from all levels of government in the second part of the year resulted in an in-principle commitment to link the socio-economic development “projects” in the PIP to the CDS/SIS. Further more detailed work between the DEP and Sector for Coordination of International Economic Aid (SCIA), Ministry of Finance and Treasury (MoFT) and other coordinating bodies at entity/BD level has resulted in an agreed alignment mechanism (see below) which will be fully elaborated in the PIP instructions for 2011. While there is still substantial work to be done in this context, the collaboration between three DFID projects, working closely with their respective partners, has been the catalyst for a potentially significant breakthrough in changing the culture of public expenditure planning towards a more policy-driven approach.

Implementation and Monitoring Report

Even though the CDS/SIS are not yet in active implementation, it is essential that the implementation and reporting structures and monitoring arrangements are developed and agreed across all the key stakeholder groups. The Implementation and Monitoring Framework has been prepared as a core part of the Strategies. It provides clear indication for DEP and Entity/BD Counterparts. All coordinating institutions are working together to convert the Framework into a coherent Operational Plan for modular based coordination of implementation, monitoring, evaluation and reporting based upon commonly agreed methodologies and indicator sets. This represents a complex task. It must first be designed on the technical level and then adopted at all level of governments. The initial draft document indicates the challenges and tasks ahead such as:

- nature of key operational documents needed for successful, description of tasks and timeframe for delivery for all institutions included in monitoring and reporting system at all levels of governments;
- the role of good governance (monitoring) bodies, bringing together representatives of public, private and civil sector discussing policy arrangements and outcomes during implementation;
- fields of monitoring priorities, institutions to be involved;
- reporting arrangements; and
- policy evaluation system.

The Baseline draft is represented through following diagram:



The DEP team is currently preparing an upgraded version of the Framework Document, based on feedback and proposals gathered during a series of meetings of informal working group comprising representatives of all key coordinating institutions. The Draft of the Document with recommendations and an action plan for the forthcoming period is attached to this document.

There has also been considerable focus on the appropriateness and quality of the indicators for measuring performance in implementation of the strategy – overall and down to the level of individual measures. The refinement of the indicator sets has been a constant point of interaction between the Strategy Coordinators and the project team the same as defining key elements of monitoring and reporting system including draft structure of Development Report. The following basic structure of the Development Report has been agreed:

Report on implementation of BIH Development Strategy and Social Inclusion Strategy Draft Content	
1.	Executive summary
2.	Introduction
3.	Macroeconomic framework and macroeconomic trends
4.	Overview of BIH Economic and Social Development Trends against strategic objectives in period:
4.1.	Macroeconomic stability
	Benchmark analysis of strategic objective's indicators (CDS/SIS)
	Analysis of trends towards reaching subgoals
	Analysis of results on development priorities, measures and policies
	Overview of public investments and public development programmes in relation to strategic objective
4.2.	Competitiveness
4.3.	Sustainable development
4.4.	Employment
4.5.	Social inclusion and social development
4.6.	EU Integration
5.	Summary Report on public investments and public development programmes implemented for realisation of CDS/SIS
6.	Overview of policy governance
7.	Conclusions and Recommendations

The current framework will continue to undergo further consensus building over the next year as the discipline of reporting and monitoring will test the validity and robustness of the indicators selected.

The final draft Implementation Plan (see its current content further under Output 2 below) will then become the subject of inter-governmental and inter-ministerial consultation and discussion. Final adoption at all levels of governments to serve as a common base for implementation, monitoring and reporting arrangements is expected in first half of 2011.

Strengthened Research Capacity

A core stream of activity under Output 1 was the mentored research carried out by four members of the Sector for Economic Research. Under the guidance and supervision of experienced policy specialists from Slovenia, three in-depth studies were carried out and completed during the course of the year. These were:

- international trade in the food industry;
- public finance expenditures in countries in transition with special reference to BiH;
- barriers and challenges related to new job creation and harmonizing skills supply with demand in the BiH labour market.

The policy research papers were presented at the Annual Encounter of Socio-Economic Planners in Sarajevo in December. This work and the experience of working in this mentored context will certainly contribute to capacity in DEP. The exercise has contributed to better understanding of challenges ahead in the selected sectors. DEP is to publish the results through its website and in summaries through its publication "*BiH – Economic Trends*".

Anticipating the Impact of EU Integration on Public Expenditure Management in BiH

Over the past decades, candidate and potential candidate countries for EU membership have struggled with the challenge of estimating and factoring into medium term expenditure plans the costs associated with the different stages of European integration. Recognising the benefit of an initial baseline and benchmark study of such costs, DEP management and the DFID/SSEP jointly commissioned the Institute of Public Finance in Zagreb to undertake research in this area. Their report, which is currently being reviewed by DEP and other stakeholders, should serve as an initial reference framework for policy and public finance managers as well as those responsible for coordinating the E integration process in BiH, to anticipate, monitor and as far as possible manage the financial impact of the integration effort at different levels of government. A copy of the draft report is presented as Deliverable 14.

OUTPUT 2 STRENGTHENED INSTITUTIONAL FRAMEWORK

A Strengthened Strategic Planning and Coordination System

As stated previously, one of the achievements of the SSEP over the past year has been the consolidation of a recognisable professional strategic planning and coordination system capable of working effectively across different levels of government. Some of the core institutions of a potential system (DEP and MOERS, Office of Coordination of Brcko District) have been cooperating more or less over the last years. Other key institutions, in particular the Federal Institute for Economic Programming, were only designated during 2010. The inclusion of the Federal Institute made it possible to design and deliver much of the project effort around the construction of the entire system as distinct from project support to individual institutions. While a number of inputs targeted specific bodies, wherever appropriate and feasible, project activities were geared to supporting a system-wide approach. There is still much to do in this area to build a culture of cooperation based upon win-win and intelligent self-interest. However, the SSEP project provided the context and multiple opportunities for stakeholders from all of the institutions concerned to test for themselves the value-added and utility of practical coordination and technical cooperation.

As stated above, an advanced draft of the Implementation Plan has been in consultation and is expected to be approved and adopted by all levels of government with the passage of the CDS/SIS.

Once in place, this will go a considerable way towards putting the current ad hoc structures and systems onto a more formal footing. First drafts of Governmental Decrees on Strategic planning and public policy design have been elaborated as the common effort of key beneficiaries, the UNDP-SPPD (Strengthening Capacities for Strategic Planning and Policy Development) project and the SSEP team. With further revision to fine tune arrangements for each of the governmental levels over next year, the texts could be submitted for the formal approval of the governments. These would represent the first legal basis to regulate the strategic planning process in BiH. Draft Documents are presented as Delivery 3.

Towards Policy Driven Development Investments

Collaboration between DEP and SCIA (MoFT) aimed at aligning the Public Investment Programme (specifically its socio-economic development components) with the goals, sub-goals, priorities and measures of the CDS/SIS has the potential to transform the management of public finances over time. As stated above, work is ongoing on the preparation of a joint instruction for the use of PIP applicants from 2011. A shared plan of action for analysing, appraising and moderating returns over the year will bring the operations of both institutions more closely together, requiring effective structures for practical coordination.

Strategic Coordination – IPA III and IV

Questions of future strategic coordination were also very much to the forefront in the discussions taking place around the future management of IPA Components III (Regional Development) and IV (Human Resource Development). SSEP has contributed to this debate at the request of the Director of the DEP. The information memorandum focuses on the IPA Regulation which, in contrast to previous EU instruments (CARDS, PHARE etc.), sets out clearly and beyond interpretation the conditions pertaining to the management of IPA. It should be kept in mind that the prime reason for the birth of IPA was the recognition of the failure of PHARE and other previous instruments to prepare candidate countries for the challenge of managing EU Structural and Cohesion policy following accession. IPA is intended to provide a practical and realistic learning base emulating (as far as possible) the management of the Funds. The logic of the approach was/is to ensure that *those institutions which will be responsible for socio-economic development, cohesion and regional development policy in the longer term will have the opportunity during the pre-accession phase to build the structures, systems and capacity and to gain the experience of working in this context through IPA.*

There is a strong case, following candidate country status, for location of designated functions such as that of Strategic Coordinator for Regional Development and Human Resources Development within an institution with the experience, competence and mandate in this area of public policy. However, there is a concern that in the misguided desire to centralise as many tasks within the European integration sector, the opportunity to continue to build and consolidate the capacity and policy acumen within those institutions which will carry the mandate at whatever level of government into the future will be wasted.

OUTPUT 3 IMPROVED TOOLS FOR STRATEGIC DEVELOPMENT PLANNING

Tool Kit for Strategy Coordinators and Planners

Part of the legacy of the SSEP will lie in the extensive inventory of strategic planning tools used in the preparation of the CDS, some of which were designed specifically while others are drawn from the vast body of standard good practice in the field. SSEP has invested considerably in the preparation of a tool kit which will provide a ready resource for planners and strategy coordinators, experienced and starting off, over the years to come.

The Toolkit maps the strategy development process from the perspective of practitioners. As far as possible, it aims to link specific tools with the stages of the CDS planning process - where they have been used, and will be used in the future or indeed might be considered for use as planners increase their repertoire. All of the devices and mechanisms have been tested in practical application, either during the preparation of the CDS (or earlier strategies) or drawn from other strategic planning

situations. It draws particularly on two decades of experience in the use of methodologies applied in the context of EU Structural Funds.

In addition, the Tool Kit, which is written in a more narrative style, is accompanied by an extensive set of annexes which provide very practical instructions and advice on the application of the different tools. These will be available electronically to facilitate easy access and reproduction.

Tools for Improved Policy Driven Development Investments

Over and above the previously mentioned “strategic partnership” established between DEP and SCIA (MoFT) to use the CDS/SIS as the guiding frame for prioritising investment proposals for the Public Investments Programme, both institutions (supported by their respective DFID technical assistance teams) have prepared a set of practical tools to facilitate the process. They have developed a detailed guidance note and instructions to budget users and programme managers bidding for resources for socio-economic development projects during the PIP planning exercise in 2011.

It is proposed that the PIP will be divided into two major investment programmes – the Development Investments Programme (DIP) and the Public Assets Investments Programme (PAIP). The DIP will comprise all investment programmes related to **socio-economic development** and will reflect the main development goals of the CDS – promoting competitiveness, employment, sustainable development and social inclusion. DIP will over the next years provide a practical working framework for preparing institutions for the introduction of IPA Components III, IV and V following designation as candidate country. The PAIP on the other hand will frame all other public capital investment programmes related to the functions and services of the State, entity/BD, canton and municipal government.

New instructions for the preparation of public investment projects will be circulated to programme managers at all levels of government from the start of 2011. These will draw on concise policy guidance statements from the CDS/SIS. The revised instructions will require those requesting funding (from the budget as well as donor and or IFI) for proposed investments to justify their bids against the goals, sub goals and priorities agreed in the Strategies.

A crucial part of the coordination process will be to ensure that development investments are indeed guided by the strategic goals, sub-goals and priorities identified and agreed at all levels of government through the CDS/SIS. Both Budget and PIP Instructions to Users will now include clear and concise policy statements drawn from the CDS/SIS which are intended to ensure that development investment decisions taken at the level of spending institutions concur with the aims and objectives of the CDS/SIS. A set of 21 strategic policy statements, relating to each of the sub-goals, have been extracted from the Strategies for inclusion as ready references in the annex to the PIP and Budget Instructions from 2011 onwards. An example of a strategic policy guidance statement is provided below:

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CDS Strategic Policy Guidelines

Goal: Sustainable Development

Sub-Goal: Transport and Communication

Statement of Policy Guidance

Development of all forms of transport is necessary for competitiveness and for various types of services. The objective should be to ensure optimum development of all forms of transport, in order to reach satisfactory level of all services in accordance with the EU transport policy, and promotion and practical application of intermodal transport and intelligent transport system, as the highest forms of modern and economical transport, needed by the economy, society and individuals.

Information and communication technologies – ICT are increasingly becoming the focus of the strategies for increase of competitiveness of the countries throughout the world, thanks to their modernizing power as an essential enabler of growth and development³. ICT is extremely important in enabling countries with medium income to achieve the higher stages of growth and economic and social transformation.

The priorities are:

- 1 *To achieve and increase mobility of goods and people, and contribute to overall sustainable social and economic development.*
- 2 *to promote the optimum development of all modes of transport and provide cost-effective high quality services.*
- 3 *to harmonise internal and EU standards and regulations including aspects of environmental safety and protection.*
- 4 *to increase readiness for information and communication networking and information society development.*

Once adopted at all levels of government, the CDS/SIS will be used as policy leverage to align developmental expenditure bids with the agreed goals and sub-goals. Budget Users and PIP managers will be required to justify investment plans related to socio-economic development against strategic policy guidelines along similar lines to the above example. The PIP and/or Budget Instruction will include a simple matrix (see below) setting out the goals and sub-goals of the CDS/SIS with the space for narrative showing how the planned investment contributes to the priority and sub-goal(s) in question. For example, if a programme manager is anticipating an *intensification of hi-tech skills training linked to a significant realistic Foreign Direct Investment opportunity*, he/she may well seek to demonstrate the *contribution the new programme of training will have in relation to competitive workforce, stimulating innovation and indeed the promotion of foreign direct investment*.

In addition, bidders will be asked to indicate the type of measure for which they are seeking support. This reference will be based on the “EU Categorisation of Fields of Intervention” tool lists a wide range of measures which have attracted EU Structural Funds support over the last two decades, grouped into more policy generic categories. These “menus” have not only allowed policy and programme managers to widen their focus and be more innovative in the choice of actions and measures to promote, but have enabled policy evaluators over time to assess the impact of taxpayers’ money used in these ways to stimulate development and employment.

So, for example, if the DIP bidder has in mind to introduce a grant scheme to support municipalities in strengthening business networks and incubation centres, such an application would coincide with the following group of measures – Assisting SMEs and the Craft Sector – in particular relates to sub-category 164 “Shared Business Services”.

³ Initiative i-2010 of European Union states that improvement, wider application and development of ICT are precondition for competitiveness and employment (v. COM(2005) 229 final: Communication from the commission to the council, the European parliament, the European economic and social committee and the committee of the regions “i2010 – A European Information Society for growth and employment”).

Classifying Measures

16 Assisting SMEs and the craft sector

161 Investment in physical capital (plant and equipment, cofinancing of state aids)

162 Environment-friendly technologies, clean and economical energy technologies

163 Enterprise advisory service (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management, purchase of technology)

164 Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)

165 Financial engineering

166 Services in support of the social economy (providing care for dependents, health and safety, cultural activities)

167 SME- and craft-specific vocational training

Socio-economic expenditure bids will be appraised by the Strategy Coordinator and corresponding Ministry of Finance (budget and public investments programming authority) prior to final decisions made in relation to allocation of funding. Each year, as part of the budget/PIP planning process, the Strategy Coordinator (DEP in consultation with entity/BD and cantonal counterparts) will prepare a pre-budget, pre-Development Investment Programme statement of the correspondence between investment/expenditure plans and the agreed goals, sub-goals and priorities of the CDS/SIS.

The proposed changes will introduce a new level of guidance, direction and oversight into the budget planning processes in BiH at all levels of government. There has been consistent and far reaching progress in strengthening budget planning and management procedures and capacity over the last years. However, there has been a continuing disconnect between policy planning and resource allocation. The introduction of the strategic development plan to the public investments programme represents a very significant next step in budgetary discipline – linking policy to resource availability and resources to agreed policy commitments.

Tools for Improved Policy-Driven Financial Programming and Monitoring – and Improved Strategy Planning

The next step in this process will be to build an intelligent framework for better monitoring of public expenditures related to socio-economic development. There is a need to move from project based reporting to a more strategic focus on multi-year programmes. Working within the goal/sub-goal structure of the CDS/SIS over the next years will allow for PIP/DIP to make the transition overtime to a Programme and Sub-Programme Structure, initially based upon the four socio-economic pillars of the Strategies as indicated below:

1. Programme 1 – **Competitiveness**
 - a. Clusters
 - b. Human Resource Development
 - c. Business and Technological Infrastructure
 - d. Single Economic Space
2. Programme 2 – **Employment**
 - a. Small and Medium Sized Enterprises
 - b. Functioning Labour Market and Active Employment Measures
 - c. Improved Vocational and Technical Training
3. Programme 3 – **Sustainable Development**
 - a. Agriculture, Food and Rural Development
 - b. Energy and Environment

- c. Transport and Telecommunications
4. Programme 4 – **Social Inclusion**
- a. Social Protection and Employment
 - b. Families and Children
 - c. Education
 - d. Health Protection
 - e. Pensions Policy
 - f. Disabled.

By aggregating successful bids within their respective Programme and sub-programme components, it will be possible in the first instance to begin to profile trends in development related expenditure – both planned and actual out-turns. With this information available to all programme and strategic planning managers, the next step will be to initiate discussion - and reach agreement - around common strategic objectives and targets for programmes and sub-programmes linked to the resources available.

Over time and within a context of joined-up monitoring, it will be possible to build up much more realistic patterns of actual expenditure against agreed policy directions at the sub-goal, priority and even down to measure level. Having such information, based on real out-turns will provide vital insights and understanding when the next multi-annual strategic plan will be prepared, probably in 2013. When BiH moves to candidate country status and becomes eligible for IPA III (Regional Development), IV (Human Resources Development) and V (Agriculture and Rural Development), the programming structures can be easily reconfigured to meet the new requirements for EU co-financed socio-economic development. It must be emphasised that the initiative does not impose any new or additional pressures on public expenditure but rather will provide the controls and evidence frame to make public expenditure planning more responsive to agreed policy goals.

OUTPUT 4 STRENGTHENED CAPACITY

Strengthened Institutions through Organisational Development

This process started with overall baseline institutional capacity assessment of key coordinating institutions of socio-economic planning process at BiH state and entity/BD level (DEP, FIEP, MEORS, BD CO) as well as initial mapping of current development of the strategic planning function at the cantonal level. Review of existing Rule Books, expected outputs and products, number of staff regularly employed, followed by TNA and internal management practices assessment represented first scope of inputs for Capacity assessment, while benchmark to some relevant EU practices represented the second. The key results of the exercise are presented in the Capacity assessment Report with general recommendations for all relevant institutions for next steps towards strengthened capacity. The Capacity Assessment Report is attached to this document.

As the central coordinating institution for BiH, DEP was still the primary focus of the organisational development work of the project. Initial experiences in DEP served as something of a pilot or model for rolling the organisational development exercise out to the other coordination offices at different levels of government. The review and eventual revision of the DEP Rule Book, sets out an enlarged and clarified DEP role as well as more detailed job descriptions and introduces the so called “project-matrix” type of work organisation. The entire exercise was conducted as a participative exercise based on individual and group consultations and questionnaire based surveys. As reported in the last Quarterly Report (October 2010), a revised structure for the DEP has been submitted to CoM for approval but the process still pending due to the process of changing government after elections. The proposed outline structure was noted in that report. Work on the overall structure was followed up by further assessment of competences, skills and experience profiles and training needs.

While there is some way to go before the restructuring plan for DEP can be put into effect (due mainly to restrictions on public sector recruitment) there are already some practical, tangible and beneficial

results from the organisational development process to be seen in the DEP. In particular, there is some evidence of a more open and enabling management culture more suited to an expert and professional organisation which draws its strength from individual/small group skills, delegation and responsibility. Nevertheless, there are serious constraints and challenges for senior management – not least in the number of vacancies even within the current headcounts.

Based on the experience with DEP, an organisational development programme approach was adopted both for the Federal Institute and the Office of the Coordinator (BD) and early work commenced in both institutions to develop proposals for the redesign of their Rule Books.

Competence Sets for Strategy Coordinators

Throughout the organisational and human resource development work of the SSEP, much of the focus has been on the preparation of comprehensive competency profiles required for the effective functioning of economic planning and Strategy Coordination institutions. The profiles were built around detailed sector and job descriptions, themselves the product of review of good practice standards in the field. These were supplemented by the insights gained from questionnaire surveys, one-to-one interviews and small group sessions involving staff from DEP and other institutions (except MOERS). The final product is a comprehensive skills/aptitudes set and accompanying training needs analysis which are attached in annex.

Learning from the Experiences of Others – Study Tour to Austria

The study tour to meet and exchange experiences with institutions related to the strategic planning system in Austria proved to be very worthwhile. The delegation included managers and staff from the DEP as well as both the Federal Institute and the Coordination office of the CoM of Brcko District.

Over and above the value of the study tour programme itself, including the range of encounters and exchanges of experience with peer professionals in the various host institutions (see Study tour Report presented as Deliverable 16), one of the lasting impressions taken away by BiH participants was the realisation that there is no standard “blueprint” or franchise for building a strategic planning and coordination system. It is a testimony to the willingness of the Austrian informants and hosts that they were able in a very open and insightful manner to present the logic and evolution of a system still under construction. Such perspectives allowed the visitors to relate the lessons more objectively to BiH present conditions while preparing for future challenges.

OUTPUT 5 EXIT STRATEGY

SSEP, as a relatively short project, has never lost sight of its exit corridor. The exit strategy was a core part of the overall project from the outset. As pointed out at the start of this report, it was conceived of as a “bridge” between the technical assistance projects that went before (since 2008) and the IPA 2009 twinning intervention, initially expected to commence early in 2011. The philosophy underpinning the approach during the project period, has been to dig and build a set of foundations for a system which will both consolidate what went before and lay a basis for the construction work ahead.

In the event, as it became clear that there would be a fairly substantial delay in the start of the IPA 2009 intervention (unlikely to start much before late 2011, at best), it was important to use the current project to contribute in practical ways to the efforts of DEP and entity/BD counterparts to create a working system for strategic coordination based on learning-by-doing. The SSEP team sought to design and deliver outputs as far as possible around the active participation of our counterparts in DEP and at entity/BD levels.

Monthly and more in-depth output-to-purpose quarterly reports were prepared and widely circulated with a view to keeping all key stakeholders informed of progress as well as the challenges faced. Monthly reports provided a regular and structured focus for review between the project team and DEP management. Quarterly Steering Group Meetings brought together all the counterpart institutions as well as most of the relevant donor institutions. These provided opportunities not only to review progress but to consider collectively some of the critical issues facing the institutions charged with strategic coordination in the future.

Encouraged by the progress towards a coherent and working institutional framework for strategic development planning and coordination, several donors have indicated their willingness to provide support to ensure the continuation of some of the more time-critical technical assistance inputs of the SSEP. In particular DEP is currently in the closing phase of negotiations with the Austrian Development Agency to ensure additional “bridging” of assistance to cover selected fields of technical expertise related to monitoring and reporting arrangement and management capacity building pending the start of IPA.

The SSEP team has devoted significant amount of time during last two months to assist DEP management in identifying the most necessary type of support to run the process over the period of implementation of CDS and SIS.

CONCLUSIONS

The delay in the commencement of the IPA 2009 twinning project has in a very positive way pushed the focus much more on the results and the legacy of SSEP itself. Following the imminent departure of DFID from Bosnia and Herzegovina in the next months, these outcomes will be judged in terms of their usefulness by those who will continue to be responsible for planning and coordinating development direction at different levels of government over the next years. Key achievements are:

- A working institutional model for a modular system of strategic development coordination based on shared lessons and achievements; (to be formalised as part of a legal framework);
- The adoption of the CDS/SIS by the Government of Federation of Bosnia and Herzegovina and Brcko District;
- The preparation of detailed Action Plans at each level of government based on the sub-goals, priorities and measures of the CDS/SIS;
- Basic architecture of modular based implementation, monitoring and reporting arrangements
- A common framework for linking PIP/DIP (Development Investment Programme) planning to the goals, sub-goals and priorities of the CDS/SIS;
- The inclusion of pilot cantons in the strategic/action planning process in FBiH;
- Clarification of roles, capacity assessment including competences and training needs for institutions and personnel at the state and entity/BD level as well as baseline mapping of development planning function at the cantonal level;
- Development of new Rule Books for DEP and FIEP;
- Definition of core strategic planning coordination function at the cantonal level and development of new Rule Book in nominated coordinating institution in pilot canton;
- Clarification and anticipation of the roles, requirements and relationships which will apply in the context of IPA III and IV when BiH becomes eligible;
- A comprehensive Strategic Planners handbook or tool kit with practical worksheet and templates in annex for easy access and reproduction;
- First ex-ante appraisal of a major strategic document in BiH and the acquisition of ex-ante skills within the strategy planning community;
- In-depth study into the implications of the accession effort on BiH public finances;
- Increased research and policy development capacity within the DEP.

Coffey International Development, represented by the SSEP project team⁴ present the above report and reflection on the work and product of the project over the last fifteen months, not in the spirit of

⁴ Richard Moreton (Project Director), Zdenka Marija Kovac, (Team Leader), Gerry McAlinden, (Strategic Planning Adviser), Jasmina Andric, (Project Coordinator and Communications), Damir Sertic (Organisational and Human Resource Development Adviser), Almir Begic (Financial Adviser), Vjeko Domiljan (Strategy Development Adviser), Vedrana Pinjo Neuschul (former

claiming accomplishments, but to provide an informed basis for those who are planning future interventions.

A full list of project deliverables is attached as Annex 1 below. All deliverables are available in electronic form on compact disc from the Directorate for Economic Planning or from Coffey International Development.

DRAFT

Project Coordinator) , Ranko Markus (Strategic Tool Kit Adviser), Damir Ahmetovic, HR Adviser, Sanja Malekovic, Jaska Puljic, Franci Kluzer, Katja Lautar (Ex-ante Adviseres), Rotija Kmet Zupancic, (Monitoring Expert), Mojmir Mrak, Marijana Bednas, Alenka Kajzer (Research Mentors),.

Coffey International Development

DFID Bosnia and Herzegovina Support to the Socio Economic Planning Process (SSEP)

January 2011

ANNEX 1 - SSEP FINAL DELIVERABLES

The table below lists all final deliverables of the project. Some of these deliverables are documents prepared by the Directorate for Economic Planning with the support of the project, whilst some are wholly project documents prepared as recommendations for DEP or other socio-economic planning stakeholders. Since these documents together total several hundred pages they have not been attached to the report. All deliverables have been compiled on a single compact disc, a copy of which has been distributed with the final report to all counterparts and immediate project stakeholders.

Deliverable	Contents	Executive Summary	Language	Lead Consultant
1.CDS/SIS	Final documents: adopted by Government of FBiH and BD	+	BHS	Zdenka Kovač / Vjeko Domljan
2. CDS/SIS Action Plans	Final Documents: adopted by Government of FbiH and BD		BHS	Zdenka Kovač / Vjeko Domljan
3. Implementation Plan	Final Proposal: institutional model for a modular system of strategic development coordination	+	BHS	Zdenka Kovač / Rotija Kmet Zupančić
4. Financial Framework Report	Integrated framework for 2010 with Comparative Review of Development Expenditures; Integrated instructions for CDS/PIP 2012 – with strategic Policy Statements and other policy alignment tools.	+	BHS/ Eng	Gerry Mc Alinden / Almir Begic / Vjeko Domiljan / Zdenka Kovač
5. Ex-Ante Evaluation Report	Detailed evaluation of selected parts of the CDS/SIS with recommendations	+	ENG	Sanja Malekovic / Jakša Puljiz / Franci Kluzer / Katja Lautar / Gerry McAlinden
6. Skilla Aquisition Program	Summary and Annexes		ENG	Jasmina Andrić
7. Communication Strategy Review with Reccommendations	Summary and Review		BHS	Jasmina Andrić
8. DEP Bulletin (2 editions)	Summary and bulletins	+	BHS/ ENG	Jasmina Andrić
9. Website Consultation Meetings	Summary and website	+	BHS/ ENG	Jasmina Andrić
10. Rule Books	Development of new Rule Books for DEP and FIEP		BHS	Damir Sertić / Zdenka Kovač
11 . Capacity Assessment Report	Summary and Annexes		BHS	Damir Sertić / Zdenka Kovač

Deliverable	Contents	Executive Summary	Language	Lead Consultant
12. Institutional Options Paper	Review and appraisal of institutional requirements for strategic coordination of IPA III, IV and V based on EU legislation		ENG	Gerry McAlinden
13. Toolkit	Comprehensive set of tools for strategic planners together with thirty tool worksheets		BHS/ ENG	Gerry Mc Alinden / Ranko Markus
14. IPF Research	Analysis Report and Recommendations	+	BHS/ ENG	IPF
15. Mentored Policy Research	Three selected policy themes - Food Sector and International competitiveness; Public Finance Management in transitional economies; Job creation – skills supply and demand in BiH		BHS	Mojmir Mrak / Marijana Bednas / Alenka Kajzer Zdenka Kovač
16. Report of the Study Tour to Austria	Report of activities and conclusions arising for application in BiH	+	ENG	Vedrana Pinjo / Jasmina Andrić