

Final Report upon graduation from the
Municipal Administration Reform Programme (MAP)

by the municipality of



Zavidovići

All municipalities that graduated from the Municipal Administration reform Programme completed at least the following standards:

Human Resource Management Modules

Recruitment

- Every vacancy is published
- Vacancies include general and specific requirements
- A new commission is formed for every position
- Short listed candidates are informed about results and appeal procedure

Performance Appraisal (PER)

- Detailed procedures on PER are prescribed by internal documents
- PER is undertaken annually
- MA/MC informed about appraisals completed in the previous 12 months

Internal Organisation

- HRM function established
- Procedure for annual review of internal organisation prescribed by internal document
 - The procedure should foresee a municipal body established for self-assessment and improvement. The assessment should cover a) new legal requirements, b) strategic plan, c) feedback from citizens on quality of services, d) financial conditions, and e) improved HRM practices.
- The adopted systematisation reflects at least two of the above mentioned areas (a-e).

Public Finance Management Modules

Budget

- Revenue based and transparent¹ budget document with proper narrative² prepared on time
- Internal document on citizen participation exists, prescribing means for processing citizens' inputs
- MA/MC Budget and Finance Commission operational

Non-tax revenues (NTR)

- Sources of significant NTR identified
- MA/MC decisions on significant NTR adopted
- Departmental procedures for NTR collection established

Expenditure Control

- Budget funds allocated in accordance with budget plan
- Budget realization documents are transparent and legally sound with comprehensive narrative part
- Realization reports are presented regularly to MA/MC and available to citizens, including information on debts and liabilities
- Debt repayment plan exists (where applicable)

¹ 'transparent' requires: comparative data; index column; bigger budget items are broken down.

² 'proper narrative' needs to explain: how revenues were estimated; differences between current and next year (or differences between planned and realized); state surplus and liabilities/repayment.

Municipal Administration Reform Programme (MAP)

Graduation Report

Municipality of Zavidovići

Municipalities are the level of government closest to citizens since they provide public services to them. In recognition of this responsibility, the municipality of Zavidovići has undertaken a number of reforms to establish an efficient, effective and transparent administration with qualified and motivated staff responsive to the needs of citizens.

In this process it co-operated with the ‘Municipal Administration Reform Programme’ (MAP) of the OSCE Mission to BiH. The programme supports more than 100 municipalities all over the country in the field of public finance and human resource management.

In June 2004 the OSCE together with representatives from the municipality assessed the municipal administration and in March 2005 signed the Memorandum of Understanding, in which both parties agreed on areas, goals and timelines for reform. In the years that followed, a team of experts from the OSCE offered the municipality of Zavidovići technical know-how, on the job training, and facilitated good practice exchange with other BiH municipalities, all in order to improve its administration. Nowadays the municipality of Zavidovići has implemented all MAP standards and thereby, successfully completed the programme. This report summarizes the municipality’s achievements based on a joint assessment of the municipality and OSCE.

1. Achievements in service delivery

During the last years the municipality has significantly improved its service delivery – citizens’ requests are being processed in a quicker and qualitative better way, and the number of citizens’ complaints on the work of the administration is being reduced. The structure of departments was adjusted in accordance with citizens’ needs and the whole process of service delivery is simplified starting from the first contact of citizens with the municipality, through the info centre where citizens can obtain information and documentation in one place, without the need to be sent from one office to another.

The municipality conducted a survey among citizens with the aim to evaluate the quality of services delivered by the administration. The results show that citizens are fairly satisfied with the work of the administration (average grade 3, ranging from 1 to 5). The survey has been analyzed in order to improve the work of the administration, about which the Municipal Council was informed as well. Citizens’ proposals and suggestions were taken into consideration, which resulted in introducing a permanent free customer phone line for interaction with citizens, installation of a mail box for citizens’ complaints and suggestions, introduction of a regular weekly client day and the work of the Appeal Commission, and most important, speeding-up the process of resolving administrative cases.

Generally, the municipal administration, internal communication, procedures and internal documents have considerably improved, resulting in a more efficient use of financial and human resources. The exchange of information between departments has significantly improved, too. All Heads of Departments are taking active part in discussions regarding the drafting of internal documents. The municipality is investing more financial means in capital projects as a result of the budget increase and better financial management.

The municipality of Zavidovići is in the process of obtaining the ISO Standard 9001 – 2000, which shows that the municipality has long-term intentions to further improve its service delivery.

2. Achievements in the human resource management

The municipality did not have a consistent approach to human resource management in 2004. On the one hand, the reason for that was a lack of awareness about the importance of human resources in any organization. On the other hand, the appointment of heads of municipal services was exclusively politically motivated.

With the adoption of the Civil Service Law in 2003, municipalities were enabled to establish professional and responsible administrations with the intention to meet citizens' needs. The municipality of Zavidovići has recognized the need for changes and has established a working group composed of all Heads of Departments, municipal secretary and an official who was partially dealing with human resources at the time. The working group identified necessary profile of the municipal administration, which resulted in the creation and systematization of two human resources posts - the Human Resources Expert and the Personal Files Clerk.

The municipality is using the Personnel Registry Software (PRS) already for one year. As a result the data on staff fluctuation, annual leaves, sick leaves, qualifications etc., are available at any time.

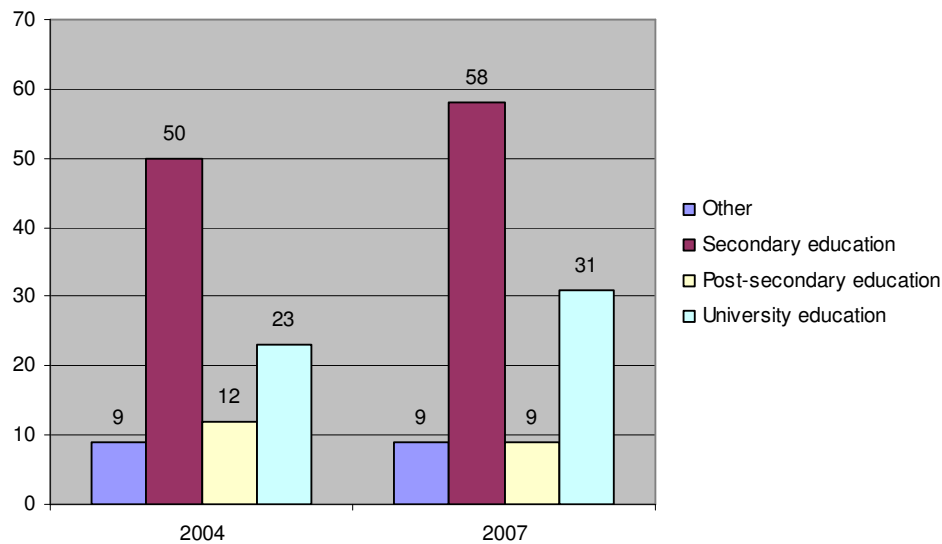
Internal documents on human resource management are created and adopted on the basis of detailed written procedures. All those documents can be found in one location and are available to all employees.

Reorganizing the internal structure of the municipal administration

In 2004, the number of employees, deployed in six departments, amounted to 94. At that time 23 employees had university education, 12 two-year post-secondary education, 50 secondary education, and 9 other types of education. It was identified that the qualification structure, the competence of departments and the working methodology was inadequate to the current needs of citizens. Job descriptions were unclear and did not correspond to the tasks of the staff in practice. Employees were unsatisfied for that reason, internal communication was troubled, which had an impact on the quality of service delivery. It was necessary to conduct a reorganization of the administration by modernizing the departments' work, creating a new systematization and by improving the employees' qualification structure.

An internal structure audit was conducted and the new Rulebook on internal organization was passed and implemented during 2005. Since then, job descriptions are more detailed and clearer as well as the reporting system.

Current systematization is in accordance with the law and strategic priorities of the municipality. The present number of employees is 108, out of which 32 have university education (civil servants), 9 two-year post-secondary education, 58 secondary education, and 9 other types of education. Generally speaking, the qualification structure has improved since the number of employees with university education increased by eight civil servants.



Qualification structure of employees in 2004 and in 2007

The municipality passed a Decision on trainees and volunteers in 2007, and it currently employs one trainee and four volunteers.

In accordance with the Instruction on regular annual internal organization review, possible changes in the systematization shall be harmonized with the law and needs of the municipality in February 2008.

Fair and transparent recruitment

A review of municipal documentation has shown that different recruitment criteria were used in the past 12 years.

By adopting the new Rulebook on internal organization, the municipality created the possibility to carry out internal transfers of staff to adequate posts. Vacancies are announced publicly and they include the description of general and specific requirements. The Commission for the selection of candidates is being established for every new vacancy. Short listed candidates are being informed on the commission's selection and the legal remedies.

In the period between 2005 and the present, five employees left the municipality out of whom one retired and four employees stopped working based on mutual agreements. Besides that, 12 professional fire-men were hired by the municipality in accordance with the law. All these data are entered into the Personnel Registry Software (PRS).

Performance appraisal

The municipality of Zavidovići is one of few municipalities which practiced regular annual performance appraisals in the past. However, these performance appraisals were of formalistic nature and had no impact on the motivation of staff.

The performance appraisal for 2007, in accordance with the law and the current practice, will be completed in February 2008, and the results will be analyzed in order to create a professional training plan. The public and the Municipal Council will be informed about this.

Professional development

Although the municipality does not have a plan for professional development, senior staff and employees show high interest in further education. Workshops organized by the OSCE were followed with great commitment and measures agreed upon were immediately imple-

mented. Staff became more confident in carrying out their everyday tasks. OSCE, SERDA, CSA, Association of towns and municipalities of FBiH provided different kinds of trainings and workshops but only for civil servants. The municipality decided to share the knowledge they acquired with other employees in the area of law implementation, HRM, IT procedures, public procurements, internal control, engagement of citizens in the decision making processes and budget development, etc. The attitude of civil servants changed significantly in respect to regular education in line with the law as well as in respect to their personal professional education.

3. Achievements in public finance management

The budget of the municipality of Zavidovići is based on sound and realistic planning. As a result of such policy the municipality has improved its financial management, which led to a significant budget increase. Revenues and expenditures, as well as debts and loans, are properly accounted for. In the period of 2004-2008, the municipality increased its budget from 4.26 million KM to 7.29 million KM. The municipality Zavidovići is preparing and adopting a Framework Budget Document for three years and citizens are actively involved in the budget preparation process through public hearings. In the period of 2004-2006, the share of non-tax revenues in total budget realization decreased from 1.8 to 1.1 million KM. This is due to a reduction of non-tax revenue fees by the Municipal Council in order to create favourable conditions for businesses as to retain them in the area of the municipality. On the expenditure side, the allocation of expenditures significantly improved in the last three years. Budget realization for 2006 showed that the municipality did not overstep the budget items. Capital investments in the period 2004 - 2006 (realization documents) increased from 720,000 to 940,000 KM.

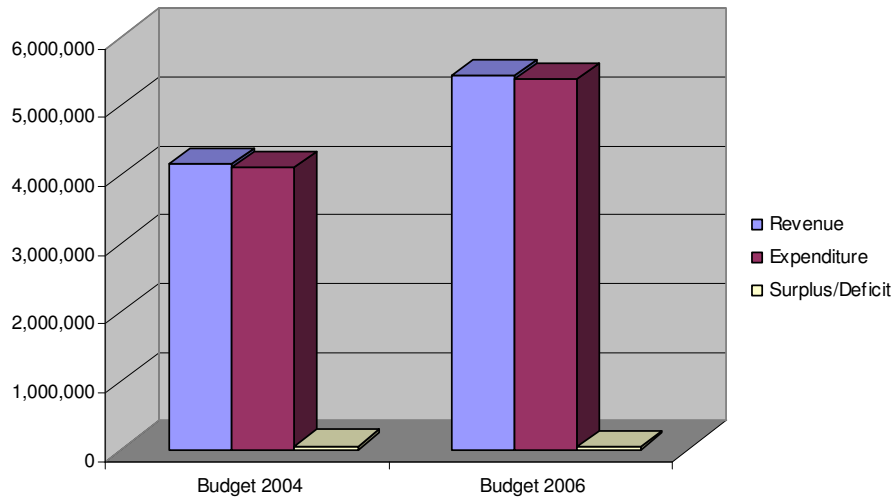
The Budget and Finance Commission is active and submits regular reports to the MC on all budget documents presented to the Council. More citizens and local communities participate today actively in the budget preparation process and a significant share of the budget is spent based on their direct proposals.

In addition, there is a need to underline that the municipality of Zavidovići managed to repay in 2005 and 2006 approximately 500,000 KM of overdue debts, indicating Zavidovići’ s financial recovery trend.

The municipal budget

The municipality of Zavidovići has prepared and adopted its budget on time for 5 years in a row, respecting the FBiH budget calendar. In 2006 and also in 2007, the MC adopted budget framework documents for a 3-years period, providing the municipality, its budget users, and citizens with a basis for mid-term planning.

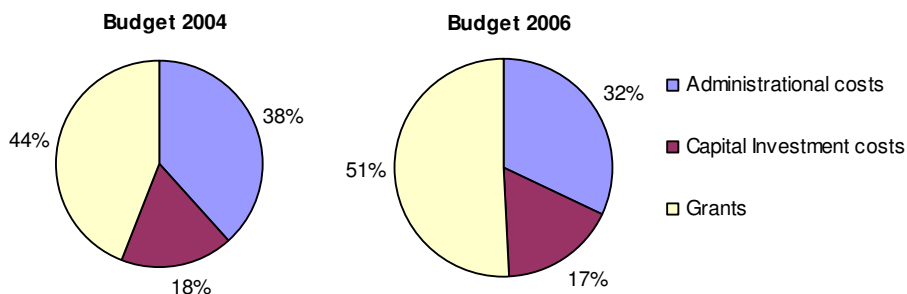
The realised budgets during the last three years grew by 1.3 million KM from 4,150,000 KM in 2004 up to 5,430,000 KM in 2006, or by 31 %.



Municipal budget execution in 2004 and in 2006

According to the 2006 realization report, the municipality achieved a surplus of around 50,000 KM, while in 2004 the surplus amounted to approx. 40,000 KM. This indicates the existence of adequate expenditure control, keeping expenditures within the available revenue level.

Along with an increase of the budget, the ratio of administration costs and grants (to NGOs, citizens' Associations, social cases, etc.) changed to the better. Thus, the share of administration costs reduced from 38 % in 2004 to 32 % in 2006, enabling, in the same period, grants to increase from 44 % in 2004 to 51 % in 2006. During the same period the share of capital investments stayed almost the same (18 % in 2004 and 17 % in 2006).



Share of administrative, capital investment costs, and grants in 2004 and in 2006

Revenue management

Budget planning is based on realistic revenues estimation. Besides tax revenues, which represent significant budgetary funds but are out of municipal control, the municipality has focused on the collection of non-tax revenues (NTRs). These are its own revenues and can be influenced by the municipal administration. Thus, significant sources of NTR were identified, the necessary decisions on NTR collection were passed and internal procedures to record and collect NTRs were established.

In the period of 2004-2006, the share of non-tax revenues in total budget realization decreased from 1.8 to 1.1 million KM. This is due to the fact that NTRs are used as means for creating more favorable business conditions rather than to increase revenues. Therefore, the Council of Zavidovići reduced its communal and construction usage fees by 25 % in 2005. The same fees were reduced again in 2006 but this time by 50 %, together with communal tax and fee for occupying public surface. The revenue reductions were fruitful, since the trend of relocating businesses to neighboring municipalities stopped.

The municipality is recording all receivables related to NTR. It is worth mentioning that the municipality is using all legally prescribed tools in order to collect outstanding NTRs.

Herewith, the municipality established a good base to implement procedures and mechanisms for timely collection of non-tax revenues as well as for their recording and tracking.

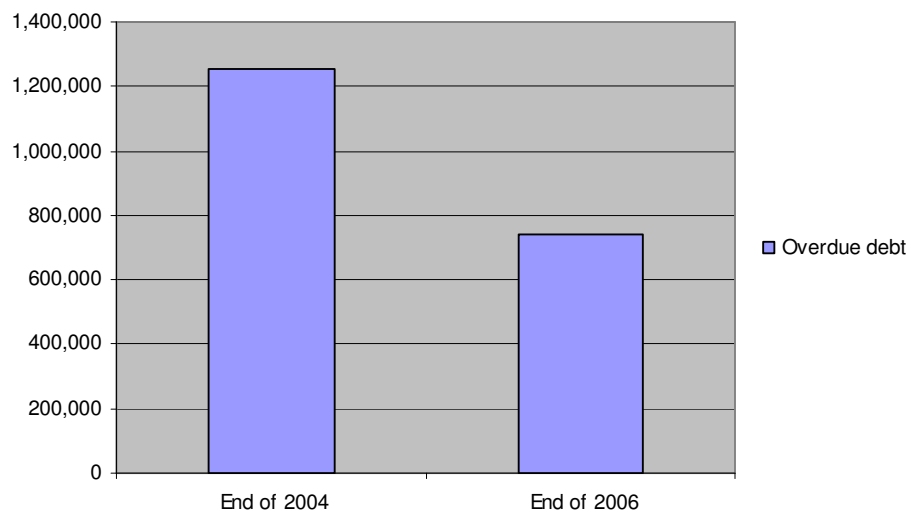
Expenditure control

The municipality of Zavidovići adopted financial procedures/rulebooks that are prescribed by the Federal Ministry of Finance. In addition to that, in 2005 the municipality established an internal control system by introducing the position of an internal controller, which resulted in a higher responsibility of municipal staff.

The Municipal Council is regularly informed on budget realizations, while the reports are also available to citizens through the municipal notice board, municipal official gazette, via the 'one-stop shop' and the municipal website.

The budget realization reports are transparent and in line with all legal requirements. Improvements of budget realization documents are noticeable especially regarding the narrative part of the budget. It gives explanations on actual revenues and expenditures, the discrepancies from the plan as well as the state of current receivables and liabilities. In this way, the budget is understandable to non-experts as well.

Overdue debts are properly recorded. Repayments of overdue debts have been annually planned in the budget at the amount of 200,000 KM for the third year in a row. There also exists a debt repayment plan, created by the Mayor. Together these two measures enabled the municipality to repay approx. 500,000 KM of overdue debts in the last two years. This indicates the financial recovery trend, resulting in a much better financial standing of the municipality.



Overdue debt reduction trend

The budget document

The key proof for transparent budget planning and reporting are the budget plan and realization report, because they are also the key source of information for councillors, administration, budget beneficiaries and citizens.

Nowadays, the budget document of the municipality of Zavidovići fulfills all legal requirements: it records revenues and expenditures properly, includes comparative data on the previous year's budget, has an index column, breaks down bigger budget items and plans the capital investments. It also contains a narrative that explains the budget in a way understandable to citizens.

Citizen participation

Citizen participation in the budget cycle is crucial to build trust between the government and the citizens and to allocate funds according to citizens' priorities.

The citizens, through their MZs and NGOs, are very active in the budget planning process by submitting numerous proposals each fiscal year. In line with defined criteria the municipality takes citizens' proposals into account and allocates budgetary funds to selected projects.

After adopting the draft budget, which would be already based on project proposals from different stakeholders, the municipality organizes the public hearing meeting, sending over 70 invitation letters, together with the draft budget, to local NGOs, budget users, MZs, public companies, council's clubs and citizens' associations. Present are the President of the Municipal Council, the secretary of municipal services, Heads of Departments as well as the budget and finance staff. They present the budget draft, receive further proposals and answer questions. Local cable TV covers the event.

The budget draft is available to the citizens at the info centre, announced in local media (local radio and local cable TV) and distributed to all MZs so that the people are able to prepare for the public hearings.

All proposals from the public hearing are summed up in a detailed report, where each single citizen's input is written down together with citizens' names, exact proposals and proposed amounts. In line with the MC Book of Procedures, the Municipal Council takes each written citizens' proposal into account, responding in written form, giving explanation/reasoning for a proposal's acceptance or rejection. Additionally, in line with the MC Rulebook on procedures, associations, MZs, and other legal entities can request from the Municipal Council to examine the economic effects of any MC decision that might be of concern. Thus, they are able to exercise, to a certain degree, control over possible MC decision which could cause excessive financial burdens.

4. Conclusion

During co-operation with MAP, the municipality of Zavidovići has shown great willingness and commitment for change. The progress achieved is first of all due to the great dedication and professional attitude of the municipal staff, especially the Mayor, the Head of Economy and Entrepreneurship, Head of General Administration, as well as the Human Resources Expert and the Personal Files Clerk, who were leading the reform process.

By successfully completing the Municipal Administration Reform Programme, the municipality of Zavidovići has put in place mechanisms that will secure continuous review and improvement of the functioning of the administration with the aim of providing better services to citizens.