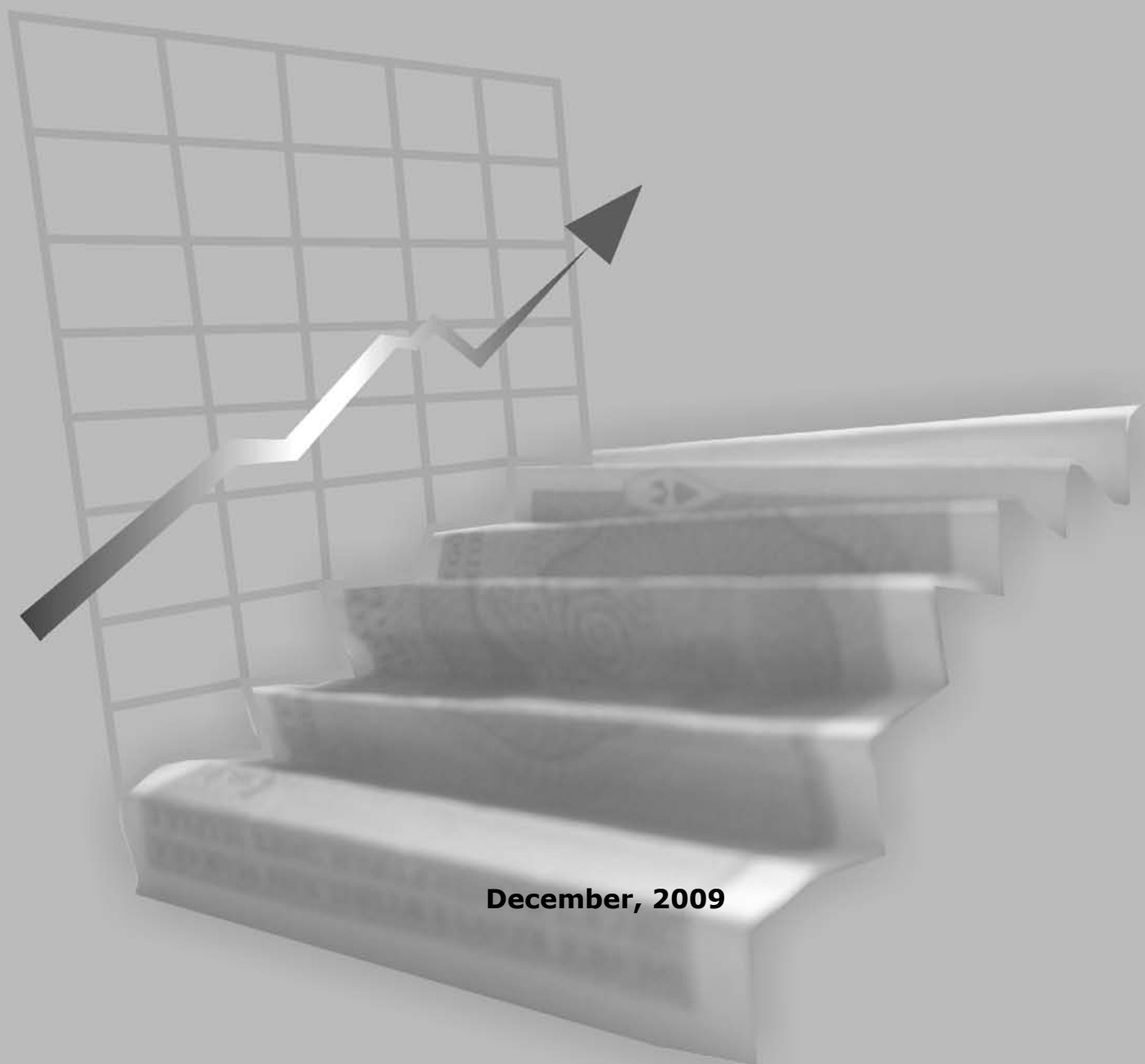


FINANCIAL GUIDE FOR SCHOOL DIRECTORS



December, 2009

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1. Introduction

This guide is a practical document created in response to the need expressed by directors of primary and secondary schools to receive the financial knowledge and skills necessary to help schools provide a quality education for all children. The guide was developed in collaboration with representatives of education ministries and directors of primary and secondary schools. It is intended to become an effective tool for school directors, particularly those just starting their work, to better understand the key financial principles for the daily functioning of the school.

Managing finances may sound rather frightening to those who have not been trained for it. The purpose of this manual is to reduce fears, but also to ease prejudices which directors may have towards financial management. First and foremost, this manual **IS** intended for school directors, since it focuses on the aspects of financial management within their competences and responsibilities. This manual **IS NOT** intended for financial staff such as cashiers, financial administrators, accounting offices and the like, although it would be useful for financial staff members to partially familiarise themselves with the text as it can help them to better understand what sort of school financial management information directors need in order to pass relevant decisions.

This manual deals with the vital components required for school directors to improve their understanding of financial management in schools. Some components include strategic planning, basic budgetary terms, budgetary principles, budget planning liabilities, internal audit and other activities related to financial operations.

The text is guided by international financial and accounting standards. All advice and proposals are in full compliance with valid legislation in the financial field.

We hope that directors of primary and secondary schools will use this manual as a valuable tool in many ways. We should not forget that, in addition to charts, counting and figures, effective financial management also enables the wise use of funds and demonstrates legal compliance. Fiscal responsibility on the part of school administrators also demonstrates to local communities that their schools strive to offer a quality education to each student. Financial management helps school directors reach the best decisions for their schools and set future agendas.

Good financial management affects an entire school; it impacts every employee involved in the education process and, more importantly, influences the quality of education offered to students. Responsible directors must not forget that they must lead their school as efficiently as possible, and a huge part of that responsibility is management of available funds.

2. Glossary of Terms

Reading this chapter will help you understand the following:

➤ **The basic terms used in financial management of schools**

Budget – A numerically specified plan, defined for a certain timeframe, which includes planned income (financial assets) and planned expenditure to be effected within the specified period. This act defines the financial activity plan of a budget user and includes an estimated amount of revenues and a set amount of expenditures over a fiscal year period. A budget consists of general and specific parts in addition to a development programme plan.

Budget users – Ministries and other governmental bodies as well as others included in the budget as budget users (e.g. primary and secondary schools, universities, cultural institutions, etc.).

Budget expenditure – Stipulated by the law and planned in the budget of every budget user according to both type (economic account numbers) and fund sources (budgetary, own, grants and donations, internal transactions).

Budget request – A request submitted by every budget user to its respective ministry and the Ministry of Finance for the necessary approval of funding (gross salaries and benefits for employees, expenditures for materials and services, and capital investments) for the following budget year, developed according to the instruction issued by the Ministry of Finance.

Deposit account in a commercial bank – A bank account opened in a business bank receiving all public revenues and maintained on behalf of the Ministry of Finance. Tax payers make payments to this account. At the end of the working day, the balance of the deposit account must equal zero.

Fiscal year – A budget that is adopted and valid for a fiscal year that starts on 1st January and ends on 31st December.

Financial reporting – A set of information about all financial transactions within the budget for a budget user.

Treasury General Ledger – A systematic recording of transactions and business operations, revenues, receivables, payables and other payments, as well as of property status, obligations and ownership sources that are related to the budget and accrued during the fiscal year or until a certain date, providing information on transactions and business operations in accordance with the prescribed accounting plan and classifications. The Treasury General Ledger with the Treasury Unique Account is the basic system of public expenditure management.

Internal control – Organisation, policies and procedures used for programmes to produce intended results; for funds, used in implementation of these programmes, to be harmonised with goals stated by respective organisations; for programmes to be protected from loss, fraud and poor management; and for reliable information to be timely received, maintained, reported and used in decision making processes.

Internal audit – A review performed by a department or a unit within the Treasury or the Ministry of Finance, whose audit unit is entrusted with assessment of the system and procedures of the [respective] ministry or organisation, aimed at minimising probability of making mistakes, frauds or inefficient practices.

Within the Ministry of Finance, all units for internal audit must be functionally independent and directly responsible to the Minister of Finance.

Public funds – Resources incorporating budget and extra-budgetary funds and spending of taxable and non-taxable revenues, taxes, compensations and other revenues accrued from rendering of public services and activities, loans and grants (non-repayable funds); it is mandatory that all public funds are deposited to and withdrawn from the Treasury Unique Account.

Treasury Unique Account – A collection of financial accounts comprised of a deposit account opened in a commercial bank, an account for investment and safeguarding of assets, one or more transaction accounts and, if needed, transaction cash account. All these accounts must be kept on behalf of ministries of finance. Treasury Unique Account is aimed at centralising control over all public revenues within ministries of finance.

Monthly Operational Plan – A monthly amount of funds needed for coverage of expenditure, which is, upon a budget user's proposal, approved by the Ministry

of Finance and which must be harmonised with the total of the approved funds in the budget of the user for the respective fiscal year.

Own revenues – Revenues earned on the market by budget users through the rendering of services to third parties. The revenues, earned by budget users through interrelated activities at the same governmental level are regarded as revenues from internal transactions and must be planned in the budget on the budget user account.

Treasury – A basic organisational unit within ministries of finance, where, in accordance with this law and other regulations, activities related to planning and implementation of the budget are done by enforcing accountancy and accounting policies, managing money and maintaining the Treasury Unique Account, debt repayments, guarantee issuing, new indebtedments, unspent funds and property management.

Transactional account – Bank accounts opened in business banks by the Treasury, kept on behalf of the finance ministries, where daily transactions connected to budget users' expenditures are made.

3. Legal Framework

Reading this chapter will help you understand the following:

- **The basic competences of the Treasury**
- **The purpose of budget legislation**
- **What budget implementation legislation regulates**

The treasury has already been explained as a term in the Glossary, mentioning that it is a unit within every ministry of finance. Nonetheless, treasury legislation regulates the competences of the treasury in more detail. The treasury competences include the following:

- Opening and maintaining every account within the Treasury Unique Account system;
- Allocation of public revenues from the public revenue account to transactional accounts;
- Pooling resources within the Treasury Unique Account system;
- Meeting obligations, making settlements and transfers of funds on behalf of and for budget users, or direct transfers to budget users in line with decisions on budgets or in line with financial plans;
- Setting up accounting and reporting systems and accounting records in compliance with international accounting standards for the public sector;
- Setting up internal and external control procedures for management of funds and accounting;
- Setting up information and functional procedures for the management of financial information.

The Law on Budgets regulates preparation, planning, development, adoption and execution of entity, canton, town and municipal budgets and financial plans for extra budgetary funds, debts, guarantees and debt management, accounting, reporting, oversight and revision of budget and other budget users.

Legislation for the execution of state/entity/cantonal/municipal budgets is passed at their respective levels. The law regulates the structure of revenues/receivables and expenditures/payables within the budget as well as its implementation, payment priorities, scope, indebtedments and guarantees, management of public debts and financial and non-financial property, rights and obligations of budget fund users, competences of the government, Ministry of Finance and Minister of Finance with regard to execution of the budget in the current year, fines for failure to implement obligations and other issues related to budget execution.

4. Strategic Planning

Reading this chapter will help you understand the following:

- **Starting up the strategic planning process**
- **Role of the school director in strategic planning**
- **Defining the mission, vision and objectives**

Strategic planning is an organised method of moving an organisation from its current situation to one it would like to find itself in in the future. It is a process of setting objectives and then developing and implementing the plans for reaching those objectives. A strategic plan also facilitates the development of working plans that ensure that employees receive clear guidelines and objectives that are related to their work and accordingly evaluated.

4.1. What is strategic planning?

Strategic planning is a management tool that ensures that all employees work for the same objectives. This process is meant to be a continuous one, aimed at facilitating evaluation and tuning of objectives to the ever-changing environment.

A strategic plan with clear objectives helps define what a priority is and what is not during periods of difficult decision making. It is an important tool for decisions regarding allocation of resources. Strategic plans can be developed for different objectives.

The most efficient form of strategic planning is participation.

Strategic planning:

- ensures focus on future objectives,
- harmonises local conflicting interests,
- identifies any discrepancy between current and desired activities,
- provides a basis for measuring progress,

- increases the effects of investment in scarce public resources,
- recognises and defines responsibilities,
- strengthens the sense of involvement in public activities.

The strategic planning process is designed to provide a method for decision making for:

- what should be done,
- why should it be done, and
- how to do it?

A budget is one of the key instruments for realisation of a strategic plan because it ensures that resources that are needed to carry out activities in achieving objectives are included in the strategic plan.

4.2. Starting up a strategic planning process

Prior to starting any strategic planning process, it is important to confirm that those affected by the process understand and are committed to reaching the same objective. Whoever starts the strategic planning initiative must explain the objective, each participant's role, their expected commitment and the price and benefits of working on such a project.

4.3. The director's role in strategic planning

School directors must ensure that the required technical support and assistance is available throughout the preparation for, development and realisation of the school strategic plan. They must also

provide an adequate environment for the development of the strategic plan by encouraging a transparent process that involves the entire school community.

4.4. Assessing the current situation

Analysis is necessary in the strategic planning process. Without probing the current situation in a school community, it is almost impossible to change or improve the situation. This entails collecting data and facts from various sources and verifying the accuracy of the information, as well as recognising and checking any presumptions. Collected information should then be organised and thoroughly explored through an analysis of the strengths, weaknesses, opportunities and threats (SWOT) in order to identify any comparative advantages to the community in which the school is located.

4.5. Identifying critical issues

The SWOT analysis should indicate the school's critical issues, which can be both positive and negative. The team that works on the analysis must address these issues - if not, they will hinder fulfilment of the school's mission.

4.6. Defining the mission

The mission specifies the purpose of the school's existence and its dominant orientation in education activities, pointing out values it recognises and spreads. The mission defines the long-term vision of what a school should become. Defining the mission allows participants to observe progress and portray the distinctiveness of the school.

A mission ensures that a school is focused on the community's needs and not simply on its own internal affairs. Consequently, schools become externally and not internally oriented in their work. The mission is a guiding principle that connects employees by giving them shared objectives to implement. There is no single way to write a good mission, but it is useful to consider how other missions are written and to use the best examples

from those missions. In doing so, one should realise that a well-defined mission must be unique, based on competency, and realistic.

4.7. Character of the mission

A successful mission must be unique, i.e., specific enough to be different from other missions. The activities that one performs can make a project unique, but a successful mission must also clearly define to whom it is targeted. Some of the most-used words for defining a mission are clients, quality, value, employees, stake-holders, development, environment, success and best. Words such as commitment, community, characteristics, respect, excellence and team work are also significantly present.

Organisations work as a whole to realise a mission's overall goal, but the mission also guides the management in decision making. The mission outlines a long-term vision by stating what it wants to become and to whom it wants to serve. It answers the following questions: Who are we? What are we doing? Why are we here? What for? What type of organisation are we today and what do we want to become in future?

A mission is spelled out in a official statement. A school mission is a message indicating the school's characteristics in terms of its desires and specific needs as well as its resources and technologies to meet the needs of all of its students. The mission statement is a brief summary of the vital purpose of the school, what it actually wants to do and in which way it wants to communicate with the outside world.

A primary school's mission:

We are a primary school that focuses all of its activities on the student's needs. Caring and cordial teachers offer the knowledge required for life, particularly for enrolment in secondary school, with rigorous assessment criteria. In our school, students will acquire important social, and, particularly, intercultural skills in a safe environment.

A primary school's vision:

We want to become a school where unity in diversity would be seen as an advantage, and knowledge and goodness as the highest values.

4.8. Defining objectives

SWOT analysis results help define objectives. An organisation uses its available strengths and identified opportunities. Successful objectives must be clearly written, briefly worded and easy for both employees and the community to understand.

Namely, only unambiguous objectives, precise and written in a style acceptable to everyone, can be motivating objectives. An outlined objective must include all employees in its implementation and in the achievement of success.

Each set objective should answer the following questions:

- What do we want to achieve?
- How much do we want to realise?
- What is the timeframe?

4.9. Characteristics of objectives

Objectives have four key characteristics. In addition to their established hierarchy, they must be measurable, stable and realistic. The hierarchy acknowledges objectives of different importance, where, brought together, each objective must be shaped in a way that facilitates the realisation of the key goal.

Clearly formulated objectives are quantitatively defined. When it is not possible to quantitatively define an objective, the objective still needs to be supported with several qualitative terms which are also measurable. This

characteristic of objectives is particularly important when introducing a system of control in implementation of objectives. Namely, the control is more successful if deviations may be quantitatively expressed.

Objectives must be stable and follow one another. It is not prudent to incorporate one's own unrealistic desires into objectives. Each school has its own specific strengths and weaknesses that should be taken into consideration when establishing objectives. Use objectives that draw on a school's assets.

A primary school's objectives:

All our students will be enrolled in desired secondary schools

- At cantonal competitions, to place among the first ten in all fields and among the first three positions in cultural fields
- In the field of mathematics and physics, to enter the first three positions at the FBiH level
- Achieve co-operation with several schools in the area, the region and the world
- Have trained and highly motivated teachers along with strong and collaborative parent and student councils
- Continue to equip the school with sophisticated technology
- Fully adapt the school building
- Realise increase in own revenues

5. Budget as a document

Reading this chapter will help you understand the following:

- **The definition of a budget**
- **Types of budgets**
- **Principles in good budget planning**

5.1. What is budget?

Budget (from *Latin bulga* "leather bag", allegedly originating from the Gallic language), in the Old French *bougette*, transferred to England as *budget*, where, in parliamentary language, it meant the leather bag in which a minister of finance held a proposed law on state finances. In this light it was first mentioned in 1760, passing back to France in this form and meaning by the end of 18th century, and then spreading across Europe. Nowadays, "budget" denotes a document that contains data on state revenues and expenditures together with authorisation for the government to be allowed to carry on revenues and expenditures, within financial legislation, i.e. budget implementation legislation. Thus, a budget presents a plan of revenues and expenditures within a specific time-frame. In school, a budget demonstrates the organisation of school life and work in financial terms.

5.2. Budget types

A budget can be a personal, state, or enterprise/institutional budget.

- **A personal (or family) budget** shows all sources of income, identifies all expenditures and balances those earnings and expenditures.
- **A state budget** is a summarised plan of potential governmental revenues and expenditures. In Bosnia and Herzegovina, authorities at every level have their own budgets,

adopted by legislative authorities. The budget in the Federation of BiH is regulated in compliance with the Law on Budgets of F BiH (*Official Gazette of F BiH*, No. 19/06), and in the Republika Srpska with the Law on Budget System of RS (*Official Gazette of the Republika Srpska*, No. 96/03, 14/04, 67/05 and 34/06). Generally, a budget is valid for a fiscal year¹. Recently, budgets for a longer time-frame are adopted, often for 3-5 years, but they are not as detailed as the annual ones.

- **The budget of an institution** is also developed annually. Drafting the budget almost always requires special effort and is regarded as a financial plan for a new business year. If a business successfully implements the plan during the business year then the enterprise/institution is considered to have successfully fulfilled its financial plans and reached its set objectives and vice versa.

5.3. Budget principles

There is a set of principles to which one should adhere in drafting a budget. The most important include:

- **Principle of balance:** Budgetary revenues and expenditures must be balanced. This means that the revenue sum equals the expenditure sum.

¹ In most of European countries including Bosnia and Herzegovina, fiscal year overlaps with the calendar year (1st January - 31st December); however, the USA passes budgets for the period starting from 1st October of the current year until 30th September of the subsequent year.

- **Principle of completeness:** All revenues and expenditures should be presented in the budget. If revenues increase, non-existent expenditures must not be created.
- **Principle of clarity:** A budget must be clearly spelled out and present a reader-friendly overview of all budgetary revenues and expenditures, thus enabling clear insight in financial operations. Legal control of public revenue spending should also be facilitated and ensured.
- **Principle of uniqueness:** All revenues and expenditures included in the budget should be listed in a single document that provides a comprehensive picture of the financial situation and facilitates fast and easy control of revenues and expenditure.
- **Principle of accuracy:** Revenues and expenditures must match the foreseen values exactly. To exclude manipulation, information is collected from financial bodies – tax offices, statistics institutes, etc.
- **Principle of precedence:** A budget must be adopted prior to the start of the period it is adopted for. If this does not happen, there must be a reserve plan (interim financing), which would be valid until the budget is adopted. (According to law, in BiH all budgets must be adopted no later than 31st March of the current year).
- **Principle of openness:** All debates and discussions about a budget's adoption must be public.

6. Budget Planning – General Guidelines

Reading this chapter will help you understand the following:

- **Activities prior to budgeting preparations**
- **How a budget cycle runs**
- **How a budget calendar looks**
- **What happens if a budget is not adopted in time**

6.1. Budgeting preparations

Budget users are expected to plan their activities for the coming year(s) and to set down costs accompanying implementation of their activities. Public revenues are estimated in the Ministry of Finance on the basis of the revenue collected in the previous year and a prediction of its increase based on taxable and non-taxable revenues, while schools make an estimate of their own revenues.

Planning revenues and expenditures must be interactive and must respect:

- the past,
- the present,
- the future.

When developing new policies and plans, interactive planning must respect past and present circumstances to realise a desired future.

6.2. Budget cycle

A budget cycle is a recurring process which seeks to answer five significant questions:

- What would you like to try to achieve in the future (identifying development goals)?
- What is the best way to accomplish a goal (identifying activities, programmes and measures for reaching the goal)?
- What is to be used to reach the goal (space, personnel, equipment, knowledge)?

- How much will activities cost (policies and programmes implementation phase)?
- How will progress be monitored (performance and evaluation monitoring)?

A director, with his school co-workers, will prepare a request for financing of expenditures and payables and a proposed capital investment programme plan (capital investment) in accordance with the prepared instructions for a request issued by the finance minister.

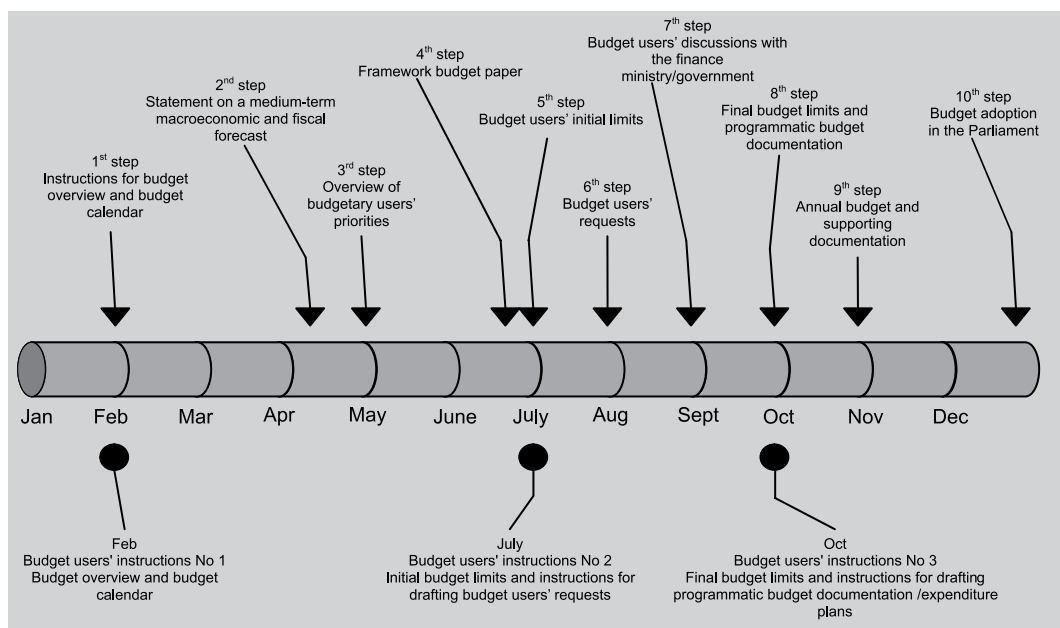
Then the school board adopts a financial plan in compliance with the law on primary and secondary education.

After collecting school requests and requests from other budget users within its competences, the Ministry of Education develops a joint proposed expenditure and payables' plan and a proposed capital investment programme plan. Usually, on behalf of the budget users within its authority, the Ministry of Education also negotiates with the Ministry of Finance over the amount of resources in the plan for each budget user.

The budget cycle in BiH is based on the "10 steps" budget planning approach - a concept of the medium-term approach to budget planning - and is harmonised with the budget processes at all governmental levels in BiH. Each step depends on all actors, who, in each of the key stages of the process during the budget cycle, provide adequate information and issue recommendations and decisions.

Therefore, effective medium-term budget planning requires the commitment and discipline of every actor involved in the budget process, including the governments of entities, cantons and municipalities, the Council of Ministers, Parliament, ministries and all other budget users.

Graph #1: Medium-term budget planning and preparation in BiH in 10 steps



Done by the Strengthening Public Finances Management Project in BiH, implemented by the British consultancy house PKF, and funded by DFID

6.3. Budget calendars in the F BiH and the RS

Entity budget laws regulate the budget development calendar.

The budget calendar in the Federation of BiH begins on the 1st of February.

- Until the **1st of July**, the Ministry of Finance is obliged to distribute to budget users instructions for the preparation of requests for allocation of funds from the budget, deadlines for submission of requests for allocation of funds and a limitation of expenditures for the subsequent year.
- Until the **1st of August** of the current year, budget users are obliged to submit their requests to the Ministry of Finance.
- Until the **1st of October** of the current year, the Ministry of Finance compiles budget requests, produces a draft budget for the subsequent budget year and passes it to the canton government.
- Until the **1st of November** of the current year, the prime minister submits to the parliament or assembly a proposed budget for the subsequent year and a framework budget document as the informational basis for the development of the budget.
- Until the **31st of December**, the parliament or assembly adopts the proposed budget.

The budget calendar in the Republika Srpska starts in **June**, when the Ministry of Finance prepares a preliminary Memorandum.

- Until the **1st of July**, the Ministry of Finance issues instructions to the budget users regarding the method for and elements of the development of the draft budget for the subsequent fiscal year.
- Until the **1st of September**, budget users submit their budget requests to the Ministry of Finance for the subsequent fiscal year.
- **1st of October** – the Government of the Republika Srpska adopts a Final Memorandum that is updated within the macroeconomic framework.
- **15th of October** – the Ministry of Finance submits a draft budget to the Government of the Republika Srpska for the subsequent fiscal year.
- **5th of November** – the Government of the Republika Srpska adopts the draft budget for the subsequent fiscal year and submits it to the RS National Assembly for adoption.
- **15th of November** – the RS National Assembly adopts the draft budget for the subsequent year.
- **1st of December** – the Government of the Republika Srpska adopts the proposed budget for the subsequent fiscal year and submits it with the final Memorandum to the RS National Assembly.
- **15th of December** – the RS National Assembly adopts the budget for the subsequent fiscal year.

However, if the proposed budget is not adopted by the legal deadline - 31st of December of the current year for the subsequent year – a decision regarding interim financing may be passed, but for no longer than 31st of March of the new current fiscal year. The decision is adopted by the parliament or assembly. Interim financing is done in proportion to the funds spent in the same period of the preceding year, i.e. up to the maximum of the three-month average for the previous fiscal year.

Budget users may not start any new or extended programmes and activities until the budget is adopted.

If the budget is not adopted before 31st of March, with the exception of loan repayments, there will be no expenditures after 31st of March until a budget is adopted. If, during the budget year, expenditures and/or payables are increased due to new obligations or changes in economic trends, or revenues and/or receivables are reduced or increased, the government then proposes to the parliament or the assembly to amend the budget (rebalance). The procedure conducted is the same as adoption of the budget.

7. School Director and Finances

Reading this chapter will help you understand the following:

- The competences and responsibilities of a school director in the field of finance
- A school director's activities prior to school budget preparations

7.1. A school director's competences in the field of finances

A school director manages all aspects of school affairs and represents a school to third parties. He is a pedagogical leader and responsible for complying with the law. The director is also responsible for the implementation of financial plans and reports education results to the school board along with school financial operations.

Apart from other activities prescribed by laws and bylaws, within his 40-hour work week, the school director performs the following financial and legal tasks:

- monitors and implements legislation,
- initiates, monitors and participates in the development of new school legislation,
- identifies elements for developing the school's financial plan,
- reviews and verifies accounting documentation and annual account statements,
- monitors the timely collection of receivables of its own revenues and its fulfilment in line with current legislation,
- monitors the formation of school expenditures in compliance with its own operational budgetary and revenues plans,
- organises internal control,

- co-operates with its respective ministry and treasury,
- co-operates with both the non-governmental and governmental sector with regard to the provision of additional funds for capital investments,
- reports to the respective ministry and school board.

The proposed school budget is drafted by the school director and his co-workers, keeping in mind the execution of payables for gross salaries and benefits for employees, payments of materials and services and capital investment in the previous budget year, the number of classes, the annual school operation plan, the 40-hour work week for employees, holiday bonuses, retirements, sick-leaves, travel costs, meal allowances, etc. in compliance with the law and the Ministry of Finance's instructions for drafting budget requests for the subsequent year.

7.2. What should be done prior to school budget preparations?

A school's basic activity is education. A primary school director's tasks include planning revenues and expenditures in the school budget in order to guarantee that a school fulfils its set objectives and runs smoothly.

In order to plan school revenues and expenditures in a timely and qualitative manner, a number of preparatory actions are needed, including:

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- Check the most recent amendments to laws and bylaws (rulebooks, instructions);
 - Review school financial legislation and confirm if it is harmonised with the current valid legislation;
 - Analyse operations carried out in the last four years, particularly in regards to the implementation of school revenues and expenditures;
 - View the number of inflow students in previous years;
 - Analyse implementation of the global – four-year plan of work thus far;
- Make a realistic estimate of capital investment priorities, as well as potential financial sources for reconstruction or new buildings, equipment, teaching aids, furniture and building maintenance. Also asses the need for staff trainings, improving conditions for work with children with special needs, school public appearances, student competitions, etc.

8. School revenues and expenditures

Reading this chapter will help you understand the following:

- **What budget user requests should contain**
- **The sources of school revenue**
- **To which expenditures revenues may be distributed**
- **What to do when a school has unplanned revenue**
- **A detailed scheme of all expenditures including expenditures for capital investments**

8.1. Budget user requests

School budget requests are the ways that schools (budget users) show their estimated revenues and expenditures. In accordance with Article 17 of the F BiH Law on Budget and Article 20 of the RS Law on Budget System, the budget user request should contain the following:

- revenues (also including those items which are considered as the own-revenue of the budget users) and expenditure covered by all sources of revenue; planned expenditure for budget year per categories as it is regulated by the budget,
- a short overview of the staff structure,
- an explanation of estimated needs that enables the relevant ministry to review and analyze all school proposals (budget users),
- request proposals connected with future obligations and long term expenditures including investment projects as well as any needs submitted separately from expenditure estimation reports every other year,
- capital projects with estimated amounts that will burden the budget after completion of the project.

The Ministry of Finance then analyzes the requests of each budget user and proposes a draft budget to the Government.

8.2. School Revenue Sources

The process of budget preparation begins with an estimation of revenue, meaning that planned expenditures must be adjusted to the available funds. Schools can plan revenue from the following sources:

- Entity/ Cantonal budgets
- Municipal budgets
- Revenues from public services and internal transactions
- Grants and donations
- Other sources

8.3. Entity/Cantonal and municipal budgets as sources of revenues

Revenues from entity/cantonal and municipal budgets are allocated in line with the following items. A detailed review of each item is placed at the end of this Chapter in table form.

8.3.1. *Expenditure for gross salaries and other benefits of school employees (accounts 6111, 6112 and 6121)*

This expenditure projection mostly depends on the quality of the developed annual work program of the school. Special attention should be given to the following factors:

- the optimal number of classes and students;
- a rational distribution of subjects per teachers;
- a rational distribution of extra-curricula activities (hobby groups, classes, form-masters)

- the number of employees in a school is legally regulated, therefore it is necessary to constantly monitor changes and fill every post with the required workers in order to avoid special service agreements;
- the distribution of work for non teaching staff (assistant director, pedagogue, psychologist, special teacher, secretary, finance assistant, cleaning ladies, building manager, fireman, night watcher) should be in line with pedagogical standards and the rules for school financing;
- all instructions from the ministries of finance for development of the budget requests;
- collective agreements in the field of education;
- the prices for public transportation;

8.3.2. Material and service expenditures and capital investments (6130 and 8210)

Revenues for material and service expenditures and capital investments are transferred to schools based on the budget for the previous year or from a certain percentage of gross salaries and entitlements, therefore the director has limited influence on those items. However, a director *can* do the following:

- prepare at least three projects for school building reconstruction and investment maintenance,
- prepare timely grant requests for improvement of the education process: means of instruction, equipment, furniture, teachers' training, etc.

Planning expenditures for energy supply (6132), utilities (6133) and hiring equipment (6136) for the next year should be based on contracts and invoices for the utilisation of mentioned services.

In order to monitor and control expenditures schools should introduce rules for water and power consumption (per m² per m³, per employee and etc.), and limit the costs for landline and mobile telephones at the school and ministry level.

Other expenditures for materials and services (6131, 6134, 6135, 6137, 6138 and 6139) should be planned based on existing regulations for business trip allowances, the rules for the use of both private and official vehicles for official purposes, insurance costs for the number of employees and vehicles, costs for material, maintenance and contracted services in the previous period, the current and planned future number of special service contracts and the instructions from the Ministry of Finance for the development of the school budget request.

The supply of goods, services and works from the budget and the school own revenue must be carried out in accordance with the provisions of the BiH Law on Public Procurement. Acquiring appropriate books and records should be in line with existing accounting regulations aimed to monitor the flow of material sources.

Sub-ledgers regulated by the Rulebook on Accountancy are as follows:

- account receivable sub-ledger
- account payable sub-ledger
- warehouse sub-ledger
- inventory sub-ledger
- inventory of the capital property
- petty cash sub-ledger
- salary records

The content and keeping of these sub-ledgers is regulated by the rulebook on bookkeeping. Apart from obligatory sub-ledgers, budget users may keep other books for their own purposes.

Requests for capital expenditures should include a detailed amount of capital expenditures, the purpose of a single expenditure and a valid analytic bank account number. Requests should also include a detailed explanation of the type and scope of planned investment along with all suspended investment programs.

A school director must initiate capital investments without waiting to receive instructions from someone else.

8.3.3. *Expenditures for student transportation and textbook procurement*

Expenditures for students' transportation and textbook procurement for primary school students should be planned in accordance with available entity and cantonal budget funds and in accordance with the Law on Primary Education. In order to do so effectively, the following should be done:

- make an analysis of the number of students who used the transport service in the previous year;
- collect written statements from parents with children travelling over prescribed limit;
- collect bids from at least three transportation providers with estimated prices for all transportation distances;
- for textbook procurement it is necessary to enrol first grade students first and then estimate the number of other students for whom textbook procurement is approved.
- collect tenders from the authorised textbook publishers.

8.4. Revenues from other government levels and NGOs

In order to plan revenues from other government levels and NGOs effectively, the following should be done:

- monitor a project's preparation and application to other government levels and NGOs;

- Prepare projects to be funded by other ministries in the governments

8.5. Revenues from public services

Revenues from public services include own revenues, revenues from services to citizens and revenues from services to legal entities. Current support will be shortly explained following this subtitle.

8.6. Own revenues

Own revenues are the revenues budget users realise through performance of their basic activities and additional market activities. Those revenues are spent by budget users in line with regulations on the type of the own revenue and methods and time lines for their distribution ("F BiH Official Gazette" 11/07 and 73/07), including cantonal regulations as well.

Budget users are obliged (on the basis of planned own revenues) to plan expenditures and costs to be covered from that revenue.

8.6.1. Public services which represent the own revenues of the budget user

When payment is executed for the revenue from a provided service which represents the own revenue of the budget user, the analytical bank account of the revenue should be filled in the column titled 'type of revenue' on the payment order as follows:

For the Federation of Bosnia and Herzegovina:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	722600		REVENUES FROM PUBLIC SERVICES
2.		722631	Own revenues of the budget users

For the Republika Srpska:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	722500		REVENUES FROM PUBLIC SERVICES
2.		722511	Revenues from the organizations in republic

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For example, the type of revenue models in the field of primary and secondary education can be the following:

- revenues collected from renting gyms and sports fields,
- revenues collected from fees for procedures such as issuing certificates and other documents from the official records of the budget user,
- revenues from education of third persons,
- revenues from part-time students,
- revenues collected from selling products developed at the school workshop, school farms and services provided by the practical work of the students,
- revenues from payments from parents/guardians and other legal persons for student accommodation in dormitories and with guardian families,
- revenues from enrolment fees (secondary schools)

- revenues from publishing school papers,
- revenues from compensation for co-financing junior assistant employment.

The own revenues mentioned above are used by budget users to cover expenditures resulting from the performance of such works, material expenses, capital investments, salary payments in line with the valid regulations on method of statement and payment of the budget user salaries.

8.6.2. Public services which do not represent own revenues of the budget user

Revenue collected from the services provided to citizens and legal entities are public services which do not represent the own revenue of the budget user. When payment is performed for the revenue which is not the own revenue of the budget user, the analytical bank account for revenue should be filled in the column titled 'type of revenue' on the payment order as follows:

In Federation of Bosnia and Herzegovina:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	722600		REVENUE FROM PUBLIC SERVICES
2.		722611	Revenues from services to citizens
3.		722612	Revenues from services to legal entities

In Republika Srpska:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	722500		REVENUES FROM PUBLIC SERVICES
2.		722521	Revenues from the municipal governments
3.		722591	Other revenues from public services

8.6.3. Revenues planned from donations and grants

In the cases of payments of the own revenue of the budget user, revenue from the public service providing, grants and donations, the column "budget organisation" of the payment order must be filled, for example « 2303067» or « 08140010» in the Republika Srpska.

When payment of planned grants and donations is performed, the bank analytical account should be entered in the column "type of revenue" of the payment order as follows:

8.6.4. Unplanned grants and donations

Unplanned donations and grants imply donation and grants paid on deposit accounts which are not planned in the budget for the fiscal year. Payment of unplanned donation and grants means payment made to the deposit account of the treasury, under the revenue code 722751 and the number of the school budget organisation (for example 2403067).

Use of unplanned donations and grants is usually defined by the instruction on payment method and the use of

In the Federation of Bosnia and Herzegovina:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	730000		CURRENT SUBSIDIES
2.		731111	Aid from abroad
3.		732111	Grants received from the state
4.		732112	Grants received from Federation
5.		732113	Grants received from Republika Srpska
6.		732114	Grants received from cantons
7.		732115	Grants received from cities
8.		732116	Grants received from municipalities
9.		731117	Grants received from local communities
10.		732121	Donations from physical entities
11.		732122	Donations from the legal entities

In the Republika Srpska:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	730000		CURRENT SUBSIDIES
2.		731111	Aid from abroad
3.		731221	Grants received from the state
4.		731222	Grants received from Federation
5.		731223	Grants received from municipalities
6.		731224	Grants received from city
7.		731225	Grants received from local communities
8.		731226	Grants received from legal entities and other institutions
9.		731227	Grants received from Republika Srpska
10.		731228	Donations from physical entities

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unplanned donations and grants by budget users or by the law on budget execution. After payment of an unplanned donation or grant to the deposit account of the treasury, the school then submits a request seeking approval for the use of the unplanned donation or grant to the Ministry of Education. The decision for allocation of an unplanned donation or grant to the school budget for the

fiscal year should be proposed by the Ministry of Finance and adopted by the government.

A bank analytical account should be entered into the column "type of revenue" of the payment order for payment of unplanned grants and donations, as follows:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	722700		UNPLANNED PAYMENT – REVENUES
2.		722751	Received specified donations unplanned in the budget

After payment of own revenues of the budget users, revenues from the public service providing, grants and donations, it is necessary to fill in the column of the payment order titled 'budget organisation', for example: «2303067».

8.7. Donations and grants

Generally, raised funds can be divided into two general categories: grants and donations from different sources.

A *grant* is financial aid provided by donors. A donor may be a government institution (for example, the Ministry of Culture), an international organisation (the UN Development Program), an organisation dealing with philanthropy (the Soros Foundation or "Bill and Melinda Gates" Foundation), a part of a corporation dealing with philanthropy (Pepsi program aimed to support youth activities), or similar organisations.

Grants may be provided to support specific activities or many different activities or to support operational costs. The amount of the grant is published so that the beneficiary knows the value of the grant.² Grants as a whole may be allocated to organisations in several instalments agreed to in advance or after receipt of the account with a detailed description of the resulting costs of implementation.

Donations come from all other sources. This may refer to money obtained through certain sponsorships, money gained through activities or sales and through individual or group donors' contributions. Non-grant donations are activities aimed to fund raise.

² However, there is always the possibility that a donor may suspend a grant/donation prior to full payment due to donor financial difficulties or poor performance of the beneficiary.

8.8. A detailed table of all expenditures including expenditures for capital investments

In the Federation of Bosnia and Herzegovina:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.			SALARIES AND OTHER BENEFITS FOR EMPLOYEES
2.	611100		Gross salaries and benefits
3.	611200		Other expenses for employees
4.		611211	Transportation allowances
5.		611221	Meal allowances
6.		611224	Holiday allowances
7.		611225	Retirement allowance
8.		611226	Awards
9.		611227	Death and disability allowances
10.	612100		Contributions of the employer
11.			EXPENDITURES FOR MATERIAL, SMALL INVENTORY AND SERVICES
12.	613100		Travel costs
13.		613114	Accommodation costs for business travel in country
14.		613115	Per diem allowance in the country
15.		613124	Accommodation costs for business travel abroad
16.		613125	Per diem allowance abroad
17.	613200		Energy expenses
18.		613211	Energy used
19.		613212	Heating
20.		613213	Heating fuel
21.		613214	Coal
22.		613215	Wood
23.	613300		Expenses for utility services
24.		613321	Expenses for water and sewers
25.		613322	Telephone and postal services
26.		613323	Expenses for garbage collection
27.		613325	Expenses for watchman services
28.	613400		Expenses for material and spares
29.		613411	Expenses for forms and papers
30.		613412	Expenses for computer material
31.		613413	Expenses for professional proficiency of employees
32.		613416	Small inventory
33.		613419	Expenses for other administrative material
34.		613483	Expenses for food supplies
35.		613484	Expenses for cleaning material

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36.		613491	Expenses for small inventory written off
37.	613500		Expenses for transport services and fuel
38.		613511	Petrol
39.		613512	Diesel fuel
40.		613523	Motor vehicle registration
41.		613524	Expenses for transport
42.	613600		Expenses for Renting and Leasing Services
43.		613611	Renting of premises or buildings
44.		613621	Renting of equipment
45.	613700		Expenses for current maintenance
46.		613711	Material for refurbishing and maintenance of the school building
47.		613712	Material for refurbishing and maintenance of the school building
48.		613713	Material for repair and maintenance of vehicles
49.		613721	Repair and maintenance of the building services
50.		613722	Repair and maintenance of the equipment services
51.		613723	Repair and maintenance of vehicles service
52.	613800		Insurance expenses
53.		613811	Property insurance
54.		613813	Vehicle insurance
55.		613814	Insurance of employees – Life insurance
56.	613900		Expenses for contracted and other special services
57.		613911	Media services
58.		613912	Printing services
59.		613914	Representation services
60.		613922	Professional training services
61.		613924	Certification exam services
62.		613971	Expenses for special service agreements
63.		613974	Allowances for the work of commissions
64.		613983	Special compensation for protection from natural and other disasters
65.		613986	Health insurance contributions
66.		613987	Retirement contributions
67.		613988	Income tax for independent activities
68.			Current Grants
69.	614100		Grants to other government levels
70.	614200		Individual grant opportunities
71.	614300		Grants to non-profit organisations
72.	614800		Other grants – grant rebate and other

CAPITAL EXPENDITURES in line with development programs

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	821100		Acquisition of land, forest and years-long plants
2.	821200		Acquisition of buildings
3.	821300		Acquisition of equipment
4.		821311	Furniture
5.		821312	Computer equipment
6.		821319	Other office devices
7.		821321	Motor vehicles
8.		821331	Library and school books
9.		821332	Equipping of classrooms and library
10.		821361	Machines, devices, tools and installations
11.		821391	Catering equipment
12.	821600		Reconstruction and investment maintenance
13.		821614	Buildings reconstruction

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In the Republika Srpska:

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.			SALARIES AND OTHER BENEFITS FOR EMPLOYEES
2.	611100		Gross salaries and benefits
3.	611200		Other expenses for employees
4.		611211	Transportation allowances
5.		611221	Meal allowances
6.		611224	Holiday allowances
7.		611225	Retirement allowance
8.		611226	Awards
9.		611227	Death and disability allowances
10.	612100		Contributions of the employer
11.			EXPENDITURES FOR MATERIAL, SMALL INVENTORY AND SERVICES
12.	613100		Travel costs
13.		613114	Accommodation costs for business travel abroad
14.		613115	Per diem allowance in the country
15.		613124	Accommodation costs for business travel abroad
16.		613125	Per diem allowance abroad
17.	613200		Energy expenses
18.		613211	Energy used
19.		613212	Heating
20.		613213	Heating fuel
21.		613214	Coal
22.		613215	Wood
23.	613300		Expenses for utility services
24.		613311	Expenses for water and sewers
25.		613312	Telephone and postal services
26.		613313	Expenses for garbage collection
27.		613315	Expenses for watchman services
28.	613400		Expenses for material and spares
29.		613411	Expenses for forms and papers
30.		613412	Expenses for computer material
31.		613413	Expenses for professional proficiency of employees
32.		613416	Small inventory
33.		613419	Expenses for other administrative material
34.		613483	Expenses for food supplies
35.		613484	Expenses for cleaning material
36.		613491	Expenses for small inventory written off

37.	613500		Expenses for transport services and fuel
38.		613511	Petrol
39.		613512	Diesel fuel
40.		613514	Insurance for vehicles
41.	613600		Expenses for Renting and Leasing Services
42.		613611	Renting of premises or buildings
43.		613621	Renting of equipment
44.	613700		Expenses for current maintenance
45.		613711	Material for refurbishment and maintenance of school buildings
46.		613712	Material for refurbishment and maintenance of equipment
47.		613713	Material for repair and maintenance of vehicles
48.		613721	Services for repair and maintenance of school buildings
49.		613722	Services for repair and maintenance of the equipment
50.		613723	Services for repair and maintenance of vehicles
51.	613800		Insurance expenses
52.		613811	Property insurance
53.		613813	Vehicle insurance
54.	613900		Expenses for contracted and other special services
55.		613911	Media services
56.		613912	Printing services
57.		613914	Representation services
58.		613922	Professional training services
59.		613924	Certification exam services
60.		613971	Expenses for special service agreements
61.		613974	Allowances for the commission membership
62.		613983	Special compensation for protection from natural and other disasters
63.		613986	Health insurance contributions for special service agreements
64.		613987	Retirement contributions f
65.		613988	Income tax for independent activities
66.			Current Grants
67.	614100		Grants to other government levels
68.	614200		Individual grant opportunities
69.	614300		Grants to non-profit organisations
70.	614800		Other grants – grant rebate and other

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CAPITAL EXPENDITURES in line with development programs

Ordinal number	Economic code – main group	Bank analytical account	DESCRIPTION
1.	821100		Acquisition of land, forest and years-long plants
2.	821200		Acquisition of buildings
3.	821300		Acquisition of equipment
4.		821311	Furniture
5.		821312	Computer equipment
6.		821319	Other office devices
7.		821321	Motor vehicles
8.		821331	Library and school books
9.		821332	Equipping of classrooms and library
10.		821361	Machines, devices, tools and installations
11.		821391	Catering equipment
12.	821600		Reconstruction and investment maintenance
13.		821614	Buildings reconstruction

9. Reporting budget execution

Reading this chapter will help you understand the following:

- **What happens during school budget execution**
- **How and where to make entry accounts for business changes**
- **When a school pays a value added tax (VAT)**

9.1. School budget execution

Budget sources will be allocated to the budget users that are defined as holders of sources per separate items. The school can only create obligations and use sources exclusively for the purposes foreseen by the budget and for the planned amounts. Schools (budget users) are responsible for the full and timely collection and payment of their own revenues and compensations to the treasury unique budget account, as well as the legality, efficiency and economical use of the budget sources.

Once the budget is approved, the Ministry of Finance should, through the relevant ministry, inform a school (a budget user) of the approved budget funds and allocations of the budget funds within an operational plan.

The budget user executes its budget in line with its annual financial plan and dynamic set up by quarterly and monthly plans approved by the Minister of Finance on the basis of money flow by which all settlements from the treasury single account are projected. Budget users are obliged to submit operational plan proposals based on the instructions provided by the Ministry of Finance.

Budget users are not allowed to create obligations i.e. expenditure if such expenditure is not approved by budget allocations for that budget user. The period for unused budget appropriateness i.e. unspent budget funds expires on 31 January of the next fiscal year and cannot be transferred to the next budget year.

The Ministry of Finance may, at the school's proposal, make a decision for internal reallocation of planned funds within the frame of the overall approved funds in the scope and type foreseen by the law on the budget execution. Urgent and unforeseen expenditure in the course of the budget year will be settled from the funds of the contingency reserves set up by the budget in line with criteria stipulated by the Law on the Budget Execution.

Spending budget funds must be in accordance with regulations and procurement procedures in line with the BiH Law on Public Procurement.

The Ministry of Finance prepares and submits quarterly reports on budget implementation to the government. Each report includes:

- fiscal status;
- a comparative review of the approved and actual revenue and expenditure;
- a proposal of measures for improvement if necessary.

Schools are also obliged to develop an annual statement of their financial plans in compliance with the law for the previous year and submit it to the Ministry of Finance and relevant institutions by the end of February of the current year at the latest.

9.2. Bookkeeping documents

The entry of business charges into the school general book and sub-ledgers is conducted on the basis of a bookkeeping document which must be authentic, clearly written and must include all needed information for the entry of certain transactions.

Authenticity of the accounting document means that the document is stamped by the school director or a person with written authorisation who does not diminish the director's responsibility for either obligation creation or proper and legal entry of business changes. In cases where a bookkeeping document is developed electronically, the signature on the document may be the facsimile of the signature or an electronic signature.

Before signing, the settlement of the document must be done, i.e. its substantial and computational review must be done. The review includes confirming the existence of a legal basis for receipt and issuing a bookkeeping document, and then its authenticity is ensured by discovering whether or not the financial transaction really happened and whether the document contains all of the elements for bookkeeping and eventual necessary computational actions.

Once signed the bookkeeping document may not be corrected. Correction of the bookkeeping document is only allowed in cases when errors are obvious and correction of such errors is conducted by crossing off the incorrect data and writing the correct data above it. Correction is only conducted by the authorised person. Such person must place their signature alongside any corrections.

Empty places in the bookkeeping documents must be crossed out in order to prevent additional entries or possible abuse. The schools and treasury must ensure that all procedures from issuing or verifying of a received document to its recording in the book should be as short as possible.

9.3. Petty cash

At the beginning of the budget year, a school board or relevant ministry makes a proposal decision on the maximum cash amount for that budget year in line with the approved budget and quarterly plans. The final decision or approval of the cash maximum decision proposal for each school (budget user) is made or approved by the Ministry of Finance. This decision also determines the person responsible for taking cash.

Based on the maximum cash amount decision, each budget user may only have as much money in its cash box as the maximum cash amount decision allows at the end of the day.

Replenishment of the cash box to its maximum amount is conducted when necessary and in line with all previous justifications of expenditures.

If it becomes necessary to take more money than established by the maximum cash amount, the form "Entry of Group Invoices" should be filled out and attached to the decision of the appropriate body explaining the purpose for taking extra cash (for example, per diem for a business trip). This extraordinary payment requires the prior approval of the cantonal minister of finance that funds are planned and available at the treasury unique account.

The following operations are conducted by the cash office:

- advance payments,
- settlement and payment of travel orders,
- settlement of the advance payments,
- petty cash up to KM 100.00.

9.4. Schools and the value added tax (VAT)

The Law on Value Added Tax entered into force on 1 January 2006 (BiH Official Gazette, no. 9/05). According to this Law, schools are also taxpayers if, apart from their basic activity, they conduct some additional activities that bring them a profit higher than KM 50,000 (for example, compensations for catering activities, driving schools, renting of premises, etc.).

Therefore, the school can circulate goods and services which are subject to taxation but if such circulation exceeds

the threshold limit of KM 50,000 then the school must be registered at the BiH Indirect Taxation Administration as a VAT payer (within the meaning of Article 57 of the Law on Value Added Tax).

Tax exemption under Article 24, paragraph 1, Item 4 of the Law refers to education services (pre-school, primary, secondary and higher education) and professional training including circulation of goods and services connected with them provided by persons registered for performance of those activities and under condition that such services are conducted in line with regulations regulating that field.

10. Public procurement

Reading this chapter will help you understand the following:

- **Procedures for public procurement**
- **Who is entitled to conduct procedures for public procurement**
- **What happens when the value of the contract falls below domestic threshold values**

Procurement procedures of capital assets and services must be conducted in accordance with the BiH Law on Public Procurement². Public procurement refers to procurement of goods, services and works. This procedure is conducted by contracted authorities that may be any administrative body at all levels of government in BiH, every public entity or business established to meet needs of public interest and which acts as legal body and draws the majority of its financing from the state or local level of administration as well as every public company or enterprise that performs insurance activities or any networks that aim to provide public services.

10.1. Threshold values

A contracting authority estimates the value of a public procurement contract at the beginning of the procurement procedure – in this case the contracting authority is the school. That value determines which Law provisions will be applied to the award procedure:

Domestic threshold values:

- when the contract value amounts to or exceeds KM 50,000.00 in the case of goods and services or KM 80,000.00 in the case of works
- when the contract value is lower than KM 50,000.00 in the case of goods and services or KM 80,000.00 in the case of works.

If the contracts exceed KM 50,000.00 and KM 80,000.00, the contracting authority **must** establish a Procurement Commission for the execution of a procurement procedure while if the contracts amount to KM 50,000.00 and KM 80,000.00, the contracting authority **may** establish a Procurement Commission for the execution of the procurement procedure.

International threshold values:

- When the contract value, in the case of goods and services, amounts to or exceeds KM 500,000.00 for state authorities or KM 700,000.00 KM for local authorities or public entities, or, in the case of works the value amounts to or exceeds KM 2 000,000.00, the procedure will be opened to international competition.

The value of a public procurement contract is the estimated total amount, net of applicable taxes, which is to be paid by the contracting authority for the object of the contract.

10.2. Types of Award Procedures

A contract for the public procurement of goods, services or works is awarded by one of the following procedures:

- an open procedure
- a restricted procedure with pre-qualifications

³ BiH Official Gazette, 49/04, 19/05, 52/05, 8/06, 24/06, 70/06 and 12/09.

- a negotiated procedure with the publication of a procurement notice
- a negotiated procedure without publication of a procurement notice
- a design contest

10.3. Tender Documents

The contracting authority provides, in the tender documents, comprehensive information about a contract's conditions and award procedures. A tender document contains the following information:

- the contracting authority
- the chosen award procedure
- a description of the products, services and works concerned; amount, extent or quantity
- bills of quantity, technical specifications, terms of reference;
- place of execution, performance of works or delivery
- information on tendering for lots
- time frame for completion, delivery of the objects of the contract or duration of the contract
- whether variants are allowed or not
- the selection criteria establishing the minimum requirements for the qualifications of candidates or tenderers and required information for assessment thereof
- the contract award criteria fixed as "most economically advantageous tender" or "lowest price only"
- the terms and conditions of the proposed contract
- the tender validity period
- tender security, performance security, and any other securities required for interim payments
- the place, date and hour for receipt of request to participate
- the place, date and hour for receipt of tenders
- the place, date and hour for opening of tenders

- currencies
- price breakdown
- language requirements

10.4. Tender Validity Period

The tender validity period is specified by the contracting authority and can not be shorter than that set in the tender documents and, in no event, shorter than 30 days.

10.5. Tender Security and Security for the Performance of the Contract

A contracting authority may request that the effectiveness of tenders be guaranteed by appropriate tender securities. Tender securities shall not exceed 1-2% of the contract value. The contracting authority may also request that the performance of the contract be guaranteed by the appropriate performance securities. Performance securities shall not exceed 10% of the contract value.

10.6. Minimum Time Limits for the Submission of Requests and Tenders

The contracting authority specifies the place, date and hour for the submission of requests to participate in a restricted or negotiated procedure and for submission of tenders. In the event a request or tender is received after the specified date and hour it will be returned to the supplier unopened. The minimum time limits for the receipt of requests or tenders starts from the date when the procurement notice is published in the "BiH Official Gazette" and can not be shorter than the following periods set by the Law:

- In the case of an opened procedure, the minimum time limit may not be less than 28 days from the date of the publication of the procurement notice in the "Official Gazette of BiH",
- In the case of a restricted, accelerated or negotiated procedure the final time limit fixed for receipt of requests to participate can not be

less than 18 days from the date of the publication of the procurement notice in the "Official Gazette of BiH"

- The final time limit fixed for receipt of requests of tenders in the case of the restricted procedure may not be less than 28 days from the date of dispatch of the invitation to tender to the pre-qualified candidates (Article 21)

10.7. Opening of tenders

Tenders are to be opened at a public tender opening immediately after the expiration of the time limit for submission of the tenders as indicated in the tender documents. Tenders shall be opened at a meeting of the Procurement Commission on the day and hour specified in the tender documents. All suppliers or their representative who submitted tenders in time have the right to be present during the tender opening procedure. Envelopes are to be opened by the Chairperson of the Procurement Commission.

The outcomes of the opening procedure will be recorded into the minutes of the meeting in accordance with the templates for the meeting minutes prepared by the Public Procurement Agency³. The meeting minutes from the opening procedure should be submitted to all tenderers presently or not later than three days following the time when the tenders were opened.

10.8. Contract award criteria

The criteria on which the contracting authority shall base the award of contracts shall be the follows:

- Either the most economically advantageous offer for the contracting authority based on stipulated evaluation criteria identified in accordance with the nature and scope of the subject matter of the public contract in question, for

example: quality, price, technical merit, functional and environmental characteristics, running costs, cost-effectiveness, after sale service and technical assistance, delivery date and delivery period or period of completion)

- Or the lowest price of the technically compliant offer

10.9. Informing candidates and tenderers about results

The contracting authority will simultaneously inform candidates or tenderers, having submitted requests or tenders in time, in writing about the decision reached concerning pre-qualification, the evaluation of the tenders, or the cancellation of the procedure, no later than within 7 days of the decision. When sending rejection letters it is mandatory to state the reasons why the offer was rejected.

10.10. Types of award procedures below the primary threshold values

A supplies, services or works contract, the value of which is estimated by the contracting authority to an amount lower than the primary threshold value, may be awarded in one of following procedures:

- Open procedure
- Restricted procedure with prequalification
- Negotiated procedure with or without publication of a procurement notice
- Design contest
- Procedure of competitive request

A supplies, services or works contract, the value of which is estimated by the contracting authority at an amount equal or lower than KM 6,000.00 may be awarded by direct agreement. The contracting authority must ensure that the annual total value of each purchase does not exceed 10% of its total annual procurement budget.

⁴ <http://www.javnenabavke.gov.ba>

10.11. Competitive requests for quotations

A competitive request for quotations is a procedure in which the contracting authority addresses a request for quotations for the supply of goods and services (the value lower than KM 30000) or works (the value lower than KM 60000) to a number of service providers or contractors, but no less than 3 suppliers. The request for quotations includes adequate and sufficient information for suppliers to prepare their offers indicating the exact time limit and place for receipt of quotations. The award of the contract should be based on the best price of a technically compliant offer.

Where there are less than three responsive quotations, the contracting authority shall cancel the procedure and launch a repeat procedure.

10.12. Direct agreement

Direct agreement is a procedure in which the contracting authority solicits a price proposal or quotation from a single supplier, service provider or contractor and negotiates or accepts that price as a condition for the final agreement. The procedure of direct agreement will be applied to the supply of goods and services or works for which the value is estimated by the contracting authority at an amount equal or lower than KM 6000. The contracting authority must ensure that the annual total value of each purchase does not exceed 10% of its total annual procurement budget. The procedure of direct agreement is defined by the Book of Rules on Direct Agreement Procedure ("BIH Official Gazette" no. 53/06).

11. Inventory

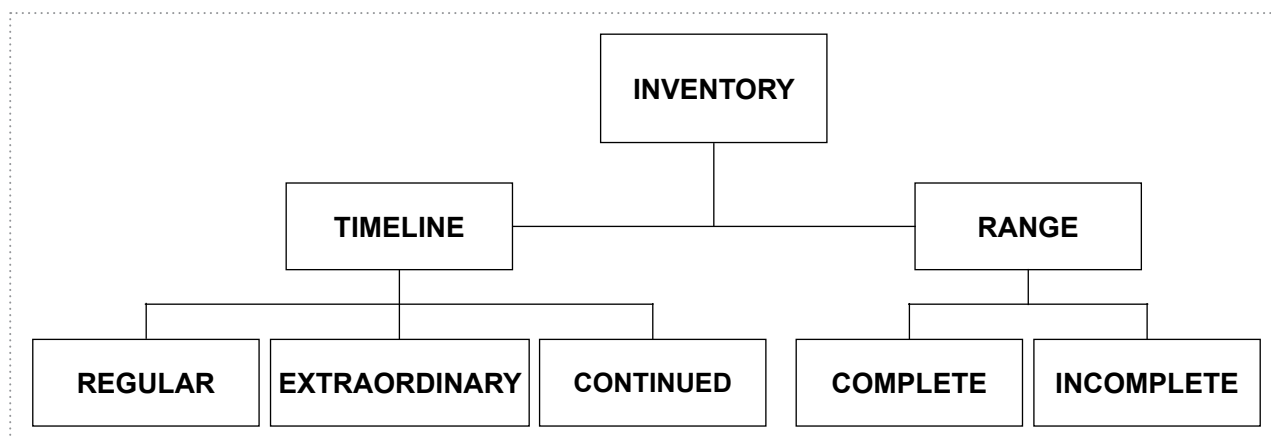
Reading this chapter will help you understand the following:

- **Definition of inventory**
- **Types of inventory**
- **How to keep an inventory**
- **Who reports the inventory completion and how**

11.1. What is the inventory?

Inventory represents the verification of material and nonmaterial property including the debit and credit of the school during a certain period of time. Inventory can not be replaced by any other procedure. The key function of the inventory is to ensure true and fair recording of school property.

11.2. Types of Inventory



11.3. Preparations for inventory

In order to keep an efficient timeline of inventory records it is necessary to do the following:

- form an inventory commission;
- develop a work plan with specified responsibilities and timelines especially for a commission and persons holding material responsibility;
- charge for sub-ledgers and general book records;
- ensure inventory material (lists, decisions, proposals, etc.);
- prepare property for inventory (sorting, identification number checking, quantity measuring, documents comparing);
- develop instruction – rule books on inventory with an emphasis on property commission.

11.4. What is the subject of the inventory and how to keep an inventory?

Work of the inventory commission includes:

- establishing the exact property quantities to be registered by measuring, counting, estimating and similar procedures, describing items of inventory and entering data into inventory lists;
- recording the actual status of property in inventory lists;
- identifying factual differences between the state of inventory and state of bookkeeping;
- entering the prices of inventoried property;
- finding the values of registered items of property;
- issuing reports on inventory completion;

The legal entity recording the quantity and value of the entry and exit of stocks as well as the state of inventory on 31 December may enter their bookkeeping status under the condition that the inventory commission makes an inventory of stocks at least once per year and that any surplus or shortage found by an inventory is properly booked based on the decision of the competent body of the legal entity after the completion of the inventory.

Undamaged property packed in the original packing should be recorded based on a declaration and any other valid documents (invoices, delivery and receipt note, etc.).

Property that is reduced in value due to damage, faulty operation, or is out-of-date should be entered on separate inventory lists or separate columns of the inventory list in order to determine any surplus or shortage.

Property which, on the day of inventory, was not found at the legal entity (delivery process, property borrowed, lent, stored

or given to repair) should be placed on a separate list based on valid documents if the legal entity who keeps such property failed to send an inventory list prior to completion of the inventory.

Cash inventory, like petty cash, securities and foreign exchanges, is carried out by counting and sorting different banknotes and entering the found amounts into separate inventory lists.

Cash and securities for accounts and deposit accounts should be registered on the basis of the report on the state of those funds on the day of an inventory.

An inventory of financial marketing, demands and obligations is carried out in accordance with the business books under the condition that their balancing with debtors and creditors is done at least once per year and that a valid document exists. Financial marketing, demands and obligations for which valid documents do not exist are to be registered in a separate inventory list by the inventory commission.

11.5. Reporting on the inventory

The inventory commission develops a report on the inventory completion that includes:

- the actual and bookkeeping state of property;
- the difference between actual inventory records and bookkeeping records;
- any reasons for disagreements between inventory records and bookkeeping records;
- a proposal for the liquidation of incurred discrepancies (offset of deficits and surpluses established according to the exchange, the way of reimbursement of shortages and earned surpluses, write-off of unused funds, correction of catching and doubtful debts, write-off of obsolete debts and earning of obsolete obligations);
- a way of booking;

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➤ suggestions and explanations for affected workers, i.e. that are in charge of material and monetary values about defined discrepancies, as well as other suggestions and proposals by the Inventory Commission regarding the inventory;

The inventory report is submitted to the officials, school director and school board and to the person for internal legal control, no later than 30 days before the day of compiling of annual report, i.e. no later than 30 days after conducting an inventory throughout the year.

12. Internal control

Reading this chapter will help you understand the following:

- **The definition of Internal control**
- **A school's obligations in the process of internal control**
- **The elements of the internal control system**

There are many definitions of internal control but all of them define internal control as the set of procedures shaped by administration, leaders and other employees aimed at improving the efficiency of business operations, the reliability of financial reporting and harmonisation with applicable laws and regulations.⁵

The system of internal control includes a wide range of specific procedures such as control of accounting systems, procurement, division of competences, and financial reporting. According to the above, internal control is the set of all activities aimed at reaching the goals of the organisation.

Every activity of the budget user, including the school, is based on decisions resulting from planning and established activity objectives. While implementing such activities, school management and the director should make decisions on a daily basis. Optimal decision making should be grounded on objective information. Schools should establish functional internal controls in the school by a clear organisational structure, authorisation, and management control aiming to manage activities and reduce risk efficiently.

12.1. School obligations in the process of internal control

Schools are obliged to arrange systems of internal control in line with internal control standards and the F BiH Law on Budgets, RS Law on Budget System and other regulations. The ministries of finance develop instructions to establish and conduct internal control systems, thus schools as all budget users are obliged to adopt internal acts for their systems of internal control (Book of Rules on Internal Control and Internal Control Procedures, Book of Rules on Accounting and Principle of Bookkeeping, Book of Rules on Inventory).

12.2. Elements of the internal control system

Internal control covers a wide spectrum of an institution's activities. An institution's system of internal control will be reflected in the organisational structure of the overall environment and individual employee characteristics including integrity, ethics and responsibility. The basic elements of efficient internal control are as follows:

- environment control;
- administrative control procedures;
- accounting control procedures;
- risk assessment procedures;
- information procedures;
- communication procedures;
- supervision procedures;

⁵ William F. Messier, Jr. Auditing, Handbook for auditors and students

12.2.1. *Environment control*

Environment control means the activities, policies and actions of the school director, secretary and accountant. The school director, secretary and accountant are obliged to ensure undisturbed work conditions, flow of information needed for timely and proper performance of activities, impartial division of responsibilities, appropriate management policies, as well as act and enable subordinates to act in line with norms and codes of ethics.

The school director, secretary and accountant should ensure that public procurement contracts are awarded in a way that guarantees efficiency, transparency, impartiality, equal relations with all parties and competitors in accordance with laws and by-laws.

12.2.2. *Internal administrative control procedures*

Administrative control procedures are organisational plans, policies, procedures, records and other measures that ensure work performance in accordance with an organisation and classification of school operations. These procedures include the following:

- procedures of goods and material procurement, service providing and investment activities that are performed by a school director, secretary, accountant and commission appointed by the school board in accordance with the law;
- contracting of goods and services, service providing or investment maintenance that should be signed by the director or a person authorised by the director;
- a school director reviews bills for electricity, water consumption, tests fire-fighting equipment and coal purchase previously signed by school janitor;
- a secretary stamps entry bookkeeping documents on the day of the receipt and transfers them to the accounting office to be entered into the Invoice Entry Book;

- the director or the assistant director in his absence verifies and signs entry bookkeeping documents as proof that goods are received, i.e. that the service was carried out within three days of the date of receipt;
- the cashier performs cash withdrawals and cash payments with the prior approval of the accountant and director;
- the director verifies travel authorisations and then submits them for payment three to five days after travel completion, depending on the instruction by the authorities;
- calculation of earnings and other entitlements to be conducted and signed by the accountant and cashier and, depending on the document's importance, verified by the director or person authorised by him;
- the accounting office should develop annual and periodical financial reports on the basis of instructions received from the relevant ministries and all necessary financial-accounting documentation should be verified by the director's and accountant's signature or a person authorised by the director.

12.2.3. *Internal Accounting Control Procedures*

Internal accounting control procedures are the established procedures for receipt, reviewing, processing and bookkeeping of the documents related to operational changes and methods of payment for expenditures in accordance with valid laws on accounting, laws on budget execution, rule books on accounting policy, rule books on the application of the international accounting standards for the public sector and instruction on annual account statements.

Internal control procedures and methods of schools include the following:

- calculation of salaries and benefits that is conducted by the chief

of finance or the cashier or by a centralised procedure within the Ministry of Finance based on work attendance records, signed and submitted by the school secretary. Attendance records for the previous month should be submitted by the 3rd or 5th day of the current month at the latest, depending on the legislation and instructions in force;

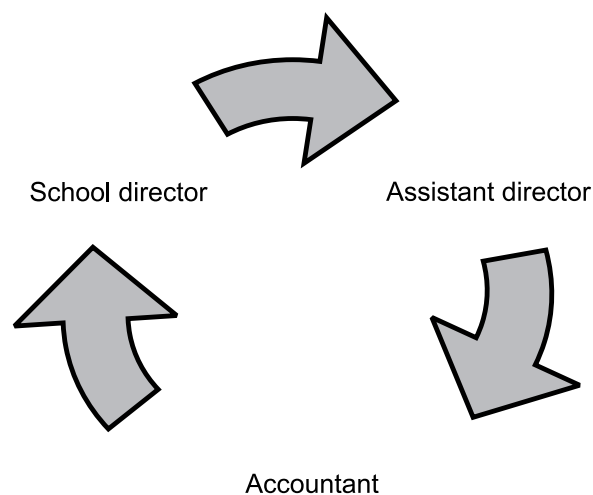
- before calculating salaries each month, the chief of finance and cashier should harmonise employee records with personnel office records. Calculation of taxes and contributions and other entitlements is conducted according to legislation by the head of the accounting office, the cashier or the Ministry of Finance;
- settlements for contracts based on service agreements are carried out by the cashier based on the individual contract for employment signed by the director and the employee;
- the cashier fills out earning and other employee entitlement forms;
- the accountant and cashier develop lists of earnings and other employee entitlements to be signed by the accountant and the director. After registering the lists in the Finance Information Management System they are submitted to the banks for payment;
- cash office operations are performed in line with petty cash handling procedures;
- at the beginning of the fiscal year, the accountant, with the prior approval of the director, determines the maximum petty cash amount for the current year or as required by the instructions in force;
- the school director or the person authorised by him verifies that the cash office documents were previously checked and signed by the accountant.

12.2.4. Information procedures

Information procedures are internal procedures that refer to the administrative and accounting internal control procedures in items 12.2.2. and 12.2.3.

12.2.5. Communication procedures

Communication is performed in line with the following principle:



Communication may be performed by the person replacing above mentioned. Communication is conducted for concrete business events.

Final decisions are made by the school director

In urgent and emergency situations the line of communication can be lowered to someone on the next level below the school director.

12.2.6. Supervision procedures

Procedures for supervision of internal control are conducted by the school director or a person authorised by him.

The school director may establish provisional commissions that supervise one or more internal control procedures.

Internal control and provisional commissions should develop minutes on supervision of the internal control procedures, record potential failures of responsible persons and propose measures for quality control. Two copies of the minutes should then be submitted to the school director.

13. Public advocacy

Reading this chapter will help you understand the following:

- **What is public advocacy**
- **Lobbying techniques for public advocacy**
- **Planning and preparation for lobbying**

13.1. What is public advocacy?

One of the definitions of public advocacy is the set of organised efforts and activities of citizens or their associations which, by democratic instruments, form and implement standards and laws aimed to create a just society.

Public advocacy is the social process for reaching social change. Lobbying starts with a small group of people who share similar concerns on certain problems and who are ready to devote their time, skills and available resources in order to reach a set of goals.

Public advocacy is composed of a series of activities undertaken in order to change policy, practices and attitudes. Whether the goal is to amend a law that does not treat certain social problems properly or to create an urban plan, *public advocacy may help fulfil goals*.

13.2. Lobbying

Lobbying is one advocacy technique. Lobbying can be described as the art of conviction that exerts influence on decision makers. Lobbying is written or oral communication that tries to convince a person who holds a certain position to use their political power to realise specific goals. Lobbying techniques can help directors and local communities identify the key persons for reaching a goal instead of pressuring all decision makers in all sectors.

This should be done for two reasons: to solve the existing problem and to make changes. Lobbying means establishing contact with authorities like state bodies and local officials as well as representatives of international governments or organisations. Before starting the lobbying process it is important to understand the problem and become familiar with the decision making process, i.e. know the key persons to be lobbied.

13.3. Planning and lobbying preparation activities

The following items are the foundations for efficient lobbying but should not be used at the same time or by an established order since every situation requires a unique strategy:

- form the group that will address the problem
- identify the problem and set objectives
- research reliable data
- develop a strategy
- determine who the related decision makers are
- establish coalitions
- work with the media
- collect case studies for lobbying activities

APPENDIX

APPENDIX 1

LEGAL FRAMEWORK

1. INTERNATIONAL LEGISLATION

- International accounting standards (IAS/MRS)
- International financial reporting standards (IFRS/MSFI)
- International accounting standards for public sector (IASFPS/MRSJS)
- International auditing standards (IRS/MSR)
- Instructions of the Standards Board of the International Federation of Accountants

2. BiH LEGISLATION

- Law on Accountancy of BiH, 42/04
- Law on Public Procurement of BiH, 49/04
- Book of Rules on Direct Agreement Procedure ("BiH Official Gazette" no. 53/06)

3. REPUBLIKA SRPSKA LEGISLATION

- Law on Budgetary System of the Republika Srpska (*Official Gazette of RS* No. 96/03, 14/04, 67/05, 34/06, and 128/06)
- Law on Salaries (*Official Gazette of RS*, 118/07)
- Law on Accountancy (*Official Gazette of RS*, 67/05)
- Law on Inspections (*Official Gazette of RS*, 1/08)
- Law on Lowest Labour Price (*Official Gazette of RS*, 5/08)
- Special Collective Agreement in the Area of Education (*Official Gazette of RS*, 17/08)
- Law on Exercise of Retirement Age Right (*Official Gazette of RS*, 33/08)
- Law on Pension and Disability Insurance (*Official Gazette of RS*, 33/08)
- Rulebook on the Type of Qualifications of Teachers and Expert Associates, (*Official Gazette of RS*, 49/08)
- Rulebook on Earning of Salaries During Temporary Prevention to Work (*Official Gazette of RS*, 63/08)
- Law on Primary Schools (*Official Gazette of RS*, 74/08)
- Law on Financing of Primary Schools (*Official Gazette of RS*, 5/09)
- Law on Teaching Load (*Official Gazette of RS*, 5/09)

4. LEGAL FRAMEWORK IN THE FEDERATION OF BOSNIA AND HERZEGOVINA:

- Law on Budgets in the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BiH*, No. 19/06),
- Law on Accountancy and Audit in the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BiH*, No. 32/05)
- Decree on Budget Accountancy in the Federation of Bosnia and Herzegovina (*Official Gazette of Federation of BiH*, No. 10/07),

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- Decree on Establishment of Own Income, and Method and Timelines of Allocation (*Official Gazette of the Federation of BiH*, No. 11/07)
- Rulebook on Budget Bookkeeping in the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BiH*, No. 15/07)
- Rulebook on Budget Bookkeeping in the Tuzla Canton (*Official Gazette of the Tuzla Canton*, No. 13/07)
- Law on Public Revenues in the Federation of BiH (*Official Gazette of the Federation of BiH*, No. 22/06)
- Rulebook on Type of Payment of Budgetary Public Revenues and Extra-budgetary Funds on the territory of the Federation of BiH (*Official Gazette of the Federation of BiH*, No. 29/06, 46/06, 8/07, 30/07, 82/07, 97/07 and 9/08)
- Law on Treasury in the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BiH*, No. 58/02,19/03 and 79/07),
- Instruction on Implementation of Budget from the Treasury Unique Account (*Official Gazette of the Federation of BiH*, No. No: 94/07),

5. BRČKO DISTRICT LEGAL FRAMEWORK

- Law on Revenue Authority of BD, 2/01
- Law on Payment Transactions, 5/01
- Law on Financial Operations, 5/01, 19/07
- Law on Budget of BD 16/01
- Law on Accountancy and Audit of BD, 6/06
- Law on Amendments to the Law on Accountancy, 19/07
- Law on Amendments to the Law on Treasury ,19/07
- Law on Amendments to the Law on Salaries, 19/07
- Law on Amendments to the Law on Budget,19/07
- Rulebook on Budget Accountancy of BD, 25/07
- Rulebook on Method of Payment of Salaries to Budget Users, 25/07
- Rulebook on Financial Report and Annual Statement of Account
- Law on Amendments to the Law on Treasury, 2/08
- Law on Education in Primary and Secondary Schools, 10/08
- Law on Amendments to the Labour Law, 25/08
- Law on Budget in BD, 34/08

6. LEGAL FRAMEWORK IN UNA-SANA CANTON

- Una-Sana Canton Law on Budget
- Una-Sana Canton Law on Execution of the Budget⁶
- Una-Sana Canton Law on Primary and Secondary Education, 5/04

7. LEGAL FRAMEWORK IN POSAVINA CANTON

- Posavina Canton Law on Budget
- Posavina Canton Law on Execution of the Budget⁷
- Posavina Canton Law on Primary Education, 3/04, 4/04
- Posavina Canton Law on Secondary Education, 3/04, 4/04

⁶ These laws are published annually in Una-Sana Canton Official Gazette.

⁷ These laws are published annually in Posavina Canton Official Gazette.

8. LEGAL FRAMEWORK IN TUZLA CANTON

- Tuzla Canton law on Budget
- Tuzla Canton Law on Budget Execution⁶
- Instruction on Implementation of the Budget from the Treasury Unique Account of the Tuzla Canton, No. 07/1-14-4262/08 dated 09/09/2008
- Instruction on Cash Office Operations
(*Official Gazette of Tuzla Canton*, No. 13/04)
- Instruction on Processing of Transactions Based on Changes in Fixed Assets, Reserves, Financial Claims and Cash Office Operations,
No. 08-02-7478-2/03 dated 28/08/2003
- Decree on Type of Own Income and Methods and Timelines of Allocation
(*Official Gazette of the Tuzla Canton*, No. 15/07, 4/08 and 8/08),
- Instruction on Procedures for Payment of Own Revenues, Revenues from Provision of Public Services, Grants and Donations
(*Official Gazette of the Tuzla Canton*, No. 2/08 and 5/08),
- Rulebook on Procedures for Utilization of Revenues Earned from Core Activities (*Official Gazette of the Tuzla Canton*, No. 5/08),
- Rulebook on Procedures for Utilization of Special Purpose Revenues, Donations and Grants (*Official Gazette of the Tuzla Canton*, No. 5/08)
- Instruction on Processing of Transactions from Internal Business Relations of the Cantonal Budget Users (*Official Gazette of the Tuzla Canton*, No. 5/08),
- Accounting Policies for Budgetary Users and Treasury of the Tuzla Canton,
(*Official Gazette of the Tuzla Canton*, No. 09/08),
- Law on Civil Service in the Federation of Bosnia and Herzegovina
(*Official Gazette of the Federation of BiH*, No. 29/03, 23/04 and 54/04, 67/05 and 08/06),
- Law on Employees in Civil Services Bodies in the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BiH*, No. 49/05)

9. LEGAL FRAMEWORK IN ZENICA–DOBOJ CANTON

- Zenica–Doboj Canton Law on Budget
- Zenica-Doboj Canton Law on Budget Execution⁷
- Instruction on Payments and Utilisation of Grants and Donations for Budget Users (*Official Gazette of the Zenica–Doboj Canton*, No. 11/07)
- Decision on Establishing Criteria for Financing of Primary and Secondary Schools and Student Dormitories in the Area of the Zenica–Doboj Canton
(*Official Gazette of the Zenica–Doboj Canton*, No. 09/09).

10. LEGAL FRAMEWORK IN BOSNIA – PODRINJE GORAŽDE CANTON

- Bosnia-Podrinje Canton Goražde Law on Budget
- Bosnia-Podrinje Canton Goražde Law on Budget Execution⁸
- Bosnia-Podrinje Canton Goražde Pedagogical Standards for Primary Education (BPC Goražde Official Gazette 5/04, 6/09)
- Bosnia-Podrinje Canton Goražde Pedagogical Standards and Norms for Secondary Education (BPC Goražde Official Gazette 13/04)
- Bosnia-Podrinje Canton Goražde Law on Primary Education
(BPC Goražde Official Gazette 5/04, 6/09)

⁸ These laws are published annually in Tuzla Canton Official Gazette.

⁹ These laws are published annually in Zenica Doboj Canton Official Gazette

¹⁰ These laws are published annually in Bosnia-Podrinje Canton Goražde Official Gazette.

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- Bosnia-Podrinje Canton Goražde Law on Secondary Education (BPC Goražde Official Gazette 5/04)
- Rulebook on salaries and other benefits that are not included in salary⁹

11. LEGAL FRAMEWORK IN CENTRAL BOSNIA CANTON

- Central Bosnia Canton Law on Budget
- Central Bosnia Canton Law on Budget Execution¹⁰
- Central Bosnia Canton Pedagogical Standards and Norms (CBC Official Gazette 15/02)
- Rules on salaries and other benefits that are not included in salaries for all budget users (CBC Official Gazette 9/08)
- Collective agreement for primary-secondary education in Central Bosnia Canton (CBC Official Gazette 1/02)
- Contract on changes and amendments to collective agreement for primary-secondary education (CBC Official Gazette 3/07)
- Regulation on benefits that are not considered as salary (CBC Official Gazette 2/06)
- Regulation on reimbursement of travel expenses (CBC Official Gazette 1/05)

12. LEGAL FRAMEWORK IN HERZEGOVINA – NERETVA CANTON

- Herzegovina-Neretva Canton Law on Budget
- Herzegovina-Neretva Canton Law on Budget Execution¹¹
- Herzegovina-Neretva Canton Law on Primary Education (HNC Official Gazette 5/00, 4/04, 5/04)
- Herzegovina-Neretva Canton Law on Secondary Education (HNC Official Gazette 5/00, 4/04, 5/04)
- Instruction on calculation of salaries and other benefits in Primary Education
- Instruction on calculation of salaries and other benefits in Secondary Education

13. LEGAL FRAMEWORK IN WEST-HERZEGOVINA CANTON

- West Herzegovina Canton Law on Budget
- West Herzegovina Canton Law on Budget Execution¹²
- West Herzegovina Canton Law on Primary Education (WHC Official Gazette 6/04, 8/08, 14/08)
- West Herzegovina Canton Law on Secondary Education (WHC Official Gazette 6/04, 8/08)

14. LEGAL FRAMEWORK IN SARAJEVO CANTON

- Sarajevo Canton Law on Budget
- Sarajevo Canton Law on Budget Execution¹³
- Sarajevo Canton Law on Primary Education (SC Official Gazette 10/04, 21/06, 26/08)
- Sarajevo Canton Law on Secondary Education (SC Official Gazette 10/04, 34/0)

¹¹ Each school in the Canton adopts its own rulebook.

¹² These laws are published annually in Central Bosnia Canton Official Gazette

¹³ These laws are published annually in Herzegovina-Neretva Canton Official Gazette

¹⁴ These laws are published annually in West Herzegovina Canton Official Gazette.

¹⁵ These laws are published annually in Sarajevo Canton Official Gazette.

15. LEGAL FRAMEWORK IN CANTON 10

- Canton 10 Law on Budget
- Canton 10 Law on Budget Execution¹⁴
- Canton 10 Law on Primary Education (Canton 10 Official Gazette 12/04)
- Canton 10 Law on Secondary Education (Canton 10 Official Gazette 12/04)

16. SCHOOL BY-LAWS

- Rulebook on Accounting and Accounting Policy,
- Rulebook on Inventory
- Rulebook on Internal Control
- Rulebook on Posts

¹⁶ These laws are published annually in the Canton 10 Official Gazette.

APPENDIX 2

GRANTS AND DONATIONS

Before thinking about the roles that grants and donations have in your budget, it would be useful to reconsider some of their advantages and disadvantages.

Grant sources: ADVANTAGES

- Grants can usually be fairly large, providing significant support.
- Grants from regional and international donors are usually “immune” to the specific economic difficulties that can hamper fund raising from local sources.
- An open invitation for project proposals can create suitable ground for innovative ideas that can be strongly competitive.
- Grants provide a specific amount of support for a known, determined period of time, thus facilitating easier budget and programme planning.

Grant sources: DISADVANTAGES

- Strong donors, particularly big international organisations, have a habit of providing financial aid to organisations in regions considered to be “problematic”.
- Competition can be strong.
- Donors who do not stay within a single region of operations probably will not understand the region or the local situation well enough to reach good decisions on proposed activities in the field.
- Grants usually have numerous specific conditions that dictate their usage. Directions for their usage can be in-flexible and, usually, changes to the originally proposed programmes are not allowed (even when it is suitable for a changing social environment).

Donations: ADVANTAGES

- Through the sponsorship of specific activities, or by general programme and operational costs, non-grant fundraising can provide large donations for short- or long-term periods.
- The strategic combination of activities for non-grant fundraising can facilitate the diversity of funding sources, making them more resistant to decreases in a specific, targeted sector.
- The only limitations to potential non-grant donations are energy supply and resources available.

Donations: DISADVANTAGES

- It is harder to precisely predict the funds that can be collected through different methods of non-grant fundraising, making budget development more difficult.
- Non grant fundraising techniques may require a lot of time and resources that demand a lot of planning and implementation efforts.
- Non-grant donations often come in small amounts, making fundraising a cumulative process.
- Competition for non-grant donations in the community can be strong, especially if there is a limited number of donors.

There are three key target groups that can provide funds: individuals, businesses and organisations.

INDIVIDUALS

It can be easy to underestimate the potential of individual donors while developing a fundraising strategy. Directors may ask themselves, why waste time looking for the support of one person with one salary? However, *never underestimate the power of an individual*. A person walking down the street can potentially give a contribution in various ways. More importantly, by pooling the individual resources of 10, 20 or 50 people, it is possible to build an *ad hoc* basis for fundraising that was not available before.

BUSINESSES

Businesses can be an especially profitable source of direct and indirect support. Targeted businesses can be local entrepreneurs and service providers, as well as larger regional, national and international companies.

ORGANISATIONS, ASSOCIATIONS AND GROUPS

It is possible to contact other organisations for financial support. Here, the term "organisation" is being used for any kind of organised group of citizens, including professional associations, diplomatic missions, philanthropy groups, unions, citizens' associations, scout associations, women's clubs, etc. This may seem strange at first. How could *one* organisation ask for financial support from *another* organisation? However, this is exactly the spirit of cooperation needed for strong civil society.

APPENDIX 3

FUNDRAISING IDEAS

Fundraising techniques can consist of sponsorship, direct appeals and fundraising activities. These suggestions for activities and fundraising events are related to ideas used elsewhere which can be adapted to Bosnia and Herzegovina. Use these suggestions not only as examples of specific ideas, but also as a framework for discussing possible fundraising activities that would be suitable in the school and community.

TEN IDEAS FOR FUNDRAISING ACTIVITIES

Activities and events could be a good method of fundraising from a high number of potential donors - individuals, businesses and organisations. Organising events can have several purposes. First, it can provide a place where it is possible to collect funds through pledging provisions of funds, ticket sales, etc. Secondly, events usually ensure a forum which can strengthen a school's influence in the community through promotional activities prior to the event, but also through the event itself. Thirdly, fundraising activities can become community development activities, gathering people who enjoy the event while simultaneously raising funds.

- Group races / walks
- Sport activities
- Art performances / talent presentations
- Community development activities
- Concerts
- Meetings with celebrities
- Social cooperation
- Sales
- Fairs and bazaars

APPENDIX 4

PROJECT PROPOSAL KEY ELEMENTS

BiH has mainly depended on donors' assistance since 1996, particularly in the period immediately following the war, when money was available but relatively few organisations existed to receive and effectively distribute the provided aid. Project proposal writing was usually informal under such circumstances because there was no real competition and inadequate resources for expanding the number of organisations.

However, many changes have happened in the past several years. Grant availability is reduced because donor organisations have moved to other "volatile" areas or they started to feel "donor fatigue" in BiH.

These changes have made the grant allocation competition process more serious and difficult, and the project proposal application process is now more important. Proposals must have innovative ideas and a proved capability to implement the planned program to compete effectively for limited donations.

"The art of project proposal writing" is a separate topic; there are many internet resources that can help with writing a successful proposal. However, a strong project proposal answers the following basic questions.¹⁵

- What is the school's name, address and contact information as well as who is the point of contact for any project related questions?
- Which community needs does the project cover?
- What is the school's location and where are the communities that the project serves located?
- What is the amount of financial support sought?
- What does the proposal suggest to do with the requested donation? Will the donation be used for any specific activities (include a detailed budget)?
- How will the suggested activities be implemented? What is the timeline?
- How will the success of the program be measured? What evaluation plans are being considered?
- What services and programs have been implemented in the community in the past? What are the suggested plans for the short- and long-term future?
- Who are the key persons in the organisation? What skills do they have?
- Have past programmes been successful? How is it known that they were successful? What donor organisations have cooperated with the organisation before?

¹⁷ The quantity of information you can write in a project proposal will be limited in number of pages, set as a limit in the Guide for Proposal Writing.

A FEW "GOLDEN RULES" OF PROJECT PROPOSAL PREPARATION

A great idea does not guarantee an excellent project proposal. Keep the following in mind:

- Follow all instructions. Some project proposal invitations will include very specific application directions, such as what information must be included, page limits, recommended submission requirements, as well as some other requirements. Other invitations may be unclear and might provide little or no suggestion on how to fill out an application. Be sure to follow any instructions, including limitations on the number of pages. Call a donor organisation and ask for any additional clarification.
- Be specific. Explain exactly what the project plans to do, how it will be carried out and who will be involved. Research everything and be sure to understand everything you have done recently. Also consider the mission and interests of donor organisations in order to show strong similarities with them.
- Include an evaluation component in each proposal in order for a potential donor to understand how the success of the programme will be measured. Many applications will specifically request evaluation plans. Therefore, even if it is not required, a brief but precise summary of the evaluation plan (for example – an evaluation in the middle and at the end of the project) will show that the proposal is not only focused on completion of the project, but also its success.
- Be sure that the application is neat, "clean", organised, professional and reader friendly. Instead of having a long and detailed description of the organisation and project proposal it is more important to remember that each proposal is just one among many that will be considered. Furthermore, be sure that the project proposal is readable so that the person who is going to read it can easily find all of the required information.
- Be very aware of the deadline for submission of the application and respect it. In the worst case, late applications will not be considered by a donor, but in the best case late submissions will still reflect badly on the project's organisation and managerial practices. After submitting an application, contact the donor to confirm its receipt.

After submitting a project proposal, remember to call the donor to follow the status of the review process and offer to answer any answers that they may have. This will demonstrate a serious interest in competing for funding and will increase the personal contacts between the donor organisation and the school.