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# FUNCTIONAL ANALYSIS OF THE PROCUREMENT SECTOR IN THE MINISTRY OF DEFENCE OF BOSNIA AND HERZEGOVINA



CENTRE FOR INTEGRITY  
IN THE DEFENCE SECTOR

Oslo, August 2017



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## ABOUT THE CENTRE FOR INTEGRITY IN THE DEFENCE SECTOR

The Centre for Integrity in the Defence Sector (CIDS) is promoting integrity, anti-corruption measures and good governance in the defence sector. Working with Norwegian and international partners, the centre seeks to build competence, raise awareness and provide practical means to reduce risks of corruption. CIDS was established by the Norwegian Ministry of Defence in 2012.

# FOREWORD

This report introduces the findings of a public procurement study conducted by the Centre for Integrity in the Defence Sector (CIDS) within the Ministry of Defence of Bosnia and Herzegovina (MoD BiH). The study is part of an effort promoting integrity and good governance in South East Europe funded by the Norwegian Ministry of Foreign Affairs.

The report describes room for improvement widely acknowledged by the MoD BiH. The aim of the report is to give practical advice and useful tools to the Ministry in their work to improve the procurement system in the defence sector.

The MoD BiH might not share all of the views presented in the report. Thus what is important is that the report can serve as a basis for continued efforts to reform the MoD of BiH. I see the report as a solid basis for advancing central issues related to procurement management.

I would like to thank our regional experts Damir Ahmetovic and Anela Duman. Also a great thank you to CIDS local expert in Sarajevo, Ahmet Alibasic. Without the expertise of our international expert, Svein Eriksen, this report would not have been made possible. Finally, I would like to thank CIDS production coordinator, Åse Marie Fossum, for her work.

The views expressed in this report is the sole responsibility of CIDS. They do not in any way present the views of-, nor should they be attributed to the Norwegian Ministry of Defence.

Oslo, August 2017



**Per A. Christensen**  
Director

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# 1. INTRODUCTION

This report presents the findings and recommendations of a review (“functional analysis”) of procurement procedures and practices in the Ministry of Defence of Bosnia and Herzegovina (MoD BiH). The analysis was carried out as part of a technical assistance project funded by the Norwegian Government and managed by the Norwegian Centre for Integrity in the Defence Sector (CIDS) in cooperation with the MoD BiH.

The data on which this report is based, was gathered by means of desk research of already available, written,

materials, as well as interviews conducted with some 30 officials at various managerial levels in the Ministry. Previous versions of the report were submitted to the Ministry for its comments and proposed corrections. The received suggestions have been carefully considered during the preparation of the final report. The final version has been submitted to the MoD BiH, but no comments have been received by CIDS. All evaluations, conclusions and recommendations contained in this document rest the sole responsibility of CIDS.

## 2. METHODOLOGY

The work on the functional analysis began with a desk review of relevant written materials produced by both the domestic authorities (i.e. Public Procurement Agency, State Audit Office) as well as the international authorities (i.e. the Norwegian Agency for Public Management and eGovernance, Difi, the North Atlantic Treaty Organization NATO, the European Union, EU, and SIGMA, Support for Improvement in Governance and Management,). The reviewed material has been consistent in pointing out the scope and the character of problems presented in the field. The general conclusion was that the 2014 Public Procurement Law, together with the supporting by-laws, is largely in line with the 2004 EU Public Procurement Directives.<sup>1</sup> In addition, the activities conducted in 2015 as part of the CIDS-led public procurement project in the BiH MoD revealed that those working on procurement matters support the changes brought by the new state-level legislation. Furthermore, the MoD has been active in developing a set of internal regulations to complement the higher-level legislation<sup>2</sup>.

However, the question that ought to have been asked was whether the improvements in the regulations alone, no matter how necessary they may be, would bring the desired impact to the end-result? Difi's 2014 Gap Analysis of the MoD's procurement function, together with the experience gained via the three-year technical assistance project in the Human Resources and Management (HRM) area, indicated that the weaknesses related to the general management system and the sub-optimal management of personnel in particular, represents one of the root causes of many problems in the Ministry. This belief has had a strong influence on the development of the methodology for the functional analysis.

The data-collection process was designed to be as inclusive as possible and to offer an insight into insiders' and outsiders' views on the procurement function. An internal interpretation

of the procurement-related issues came from the managers and key non-managerial staff in the procurement sector. They were all interviewed on a one-on-one basis using two custom-made questionnaires. The first set of questions dealt with various aspects of the procurement function (i.e. general management practices, decision-making procedures, HR management, work processes, organizational structures and support organizational culture). The second questionnaire served the purpose of examining the workload of staff with a daily involvement in the procurement process (see both questionnaires in Annex I). The first round of interviews covered a total of 7 heads of department and another 16 civil servants from different departments within the Logistics and Procurement sector. Interviews were carried out in October 2015 and they lasted between 45 and 90 minutes each.

The outsiders' view was obtained via a second round of interviews involving managers from other areas of the MoD whose work is relevant for this analysis. Six top managers (out of the eight designated) took part in the process (i.e. the secretary of the MoD, four assistant ministers, the internal auditor, the head of budget and programming, as well as a programme manager). The interviews centred on the following three topics: a) An overall perception of the efficiency in carrying out procurement related activities in the MoD. b) Deficient technical specifications as the alleged main stumbling block in the procurement process- c) Direct experience in receiving services from the procurement staff.

Overall, the replies received in the data-collection process proved to be relevant and useful. However, it was again demonstrated that people are generally much better at identifying problems than solutions. Nevertheless, we did receive some valuable proposals for possible improvements. Finally, it was interesting to learn that the insiders' response to the procurement issues was much more critical than that of the managers outside the sector. This is very encouraging to hear because the path to a solution begins by admitting that there is a problem.

<sup>1</sup> SIGMA, *The Principles of Public Administration: 2015 Baseline Measurement Report for Bosnia and Herzegovina*, p. 84.

<sup>2</sup> In the last twelve months, the BiH MoD has developed a set of guidelines for both procurement planning and execution of contracts. In addition, the draft Rulebook on Contracting has been prepared in November 2016.

## 3. THE MAIN FINDINGS OF THE FUNCTIONAL ANALYSIS

The findings are divided into two main categories:

- A. Systemic or general (covering matters that go beyond the boundaries of the procurement sector);
- B. Specific (matters which largely fall within the remit of the procurement function in the Ministry).

The specific findings are further divided into the following sub-categories:

- The procurement process;
- Adequacy of general management practices;
- Organizational issues;
- Human resources management
- Support functions.

### 3.1. Systemic / general findings and observations

#### Authority and responsibility are fully centralized

The current system of administrative decision-making in BiH is strictly centralized with ministers approving almost every expenditure from helicopter parts to hand soaps. Until recently, the minister was required to approve every proposal for a business trip and afterwards sign the papers for paying per diem allowances linked to that same business trip. The approval of per diems is now delegated to the function of assistant defence ministers.

The typical MoD procurement process, not involving rounds of complaints, includes some 50 formal steps (see Annex II). Roughly, one third of these steps – 16 – are exclusively in the hands of the political leadership or the members of their cabinets. The actual involvement of ministers or deputy ministers may be even greater than these numbers suggest. According to some interviewees, it is not infrequent that members of ministers' cabinets informally indicate to civil servants how matters shall be handled, i.e. the choice of suppliers.

The current extent of centralization of authority in the MoD of Bosnia and Herzegovina is not in line with generally accepted international standards and practices regarding public procurement. Governments cannot effectively meet today's challenges – in public procurement as well as in all other policy areas – unless authority is delegated to government officials. There are several weighty reasons for this argument:

The *volume and complexity of Government's workloads* makes it impossible for the political leadership to be involved in all issues at all times. A form of political loyalty, which means that all matters, important and less important, are submitted to the top leaders entails major risks of inefficiency and politicization and would blur the lines between politics and administration.

Given the increasingly complex system of public procurement, top leaders do not have, and cannot be expected to have, sufficient expertise to decide all procurement related issues on their own. Keeping in mind the generally weak control arrangements and accountability mechanisms in the BiH governance system, the current procurement practices in the MoD must be said to imply risks of insufficient professionalism and arbitrariness.

Moreover, the strong centralization of authority prevents ministers from spending time tackling strategic issues and it reduces managers such as assistant ministers to routine administrators. In addition, the extent of centralization causes managers to be reluctant to assume their responsibility. Half of the interviewees believe that managers tend to shift their responsibilities to the person immediately above them in the ministerial hierarchy.

Accepted international practices suggest that decision-making authority should be decentralized to the lowest competent level there is. Furthermore they should be consistent with the risks associated and the budget

funds allocated, be regulated by internal regulations, as well as define as precisely as possible the accountability arrangements for each single decision. The need to delegate authority is widely recognized in the MoD. More than 90 per cent of the respondents interviewed for this study express such a viewpoint.

Good practices can be found in the region, for example in the Ministry of Defence of the Republic of Croatia. In this case the sector for Procurement and Logistics is placed under the direct supervision of the Minister (see Annex III). Delegation of authority is clearly defined by internal regulations. However, delegation of authority has some limits and it has not been fully transferred to the Head of sector for Procurement and Logistics. The minister authorizes procurement procedures, initiation, selection and contract award, above the value of 1 million Kuna (EUR 123,000).

It is common practice that the chief administrative officer, the secretary general of the contracting authority, has the overall responsibility to approve initiation of procurement activity, appoint authorized officers for the procurement activity, nominate project managers for contract execution, nominate the tender evaluation commission and signs only high value contracts together with the head of institutions, the minister, and the Head of the Procurement Department. Management of procurement procedures below international thresholds, the common threshold is EUR 125,000 for goods/services and EUR 500,000 for works, falls under the responsibility of the Head of the Procurement Department or for small value contracts under the direct responsibility of the procurement officer.

A similar practice should be introduced in the MoD of BiH: Delegation of authority according to the value of the procurement procedure. To start with, for all small value contracts of up to KM 6,000, direct agreements should be delegated to the end users or to the heads of units/ departments. This will significantly reduce the workload of the Procurement and Logistics sector bearing in mind that direct agreements represents 1/5 of the total MoD BiH procurement procedures. Also for procurement procedures below international thresholds, authority should be delegated to the head of the Procurement and Logistics sector, and only high value contracts should be placed under the authority of the Minister.

The contracting authority, should delegate procurement authority to the head of the Procurement Department who is accountable to the head of Institutions - for example, a minister. Delegation of authority to a trained procurement professional helps to ensure that budget funds are awarded in accordance with one of the key public procurement principles: Best value for the money.

To understand this principle, a clear distinction between procurement, signature, and budgetary authority should be made:

- Procurement authority includes design of procurement policies and regulations, selection and management of procurement procedures, contract negotiations, contract drafting, power to award or to approve a contract award on behalf of the contracting authority.
- Signature authority is limited to the authority to “execute” or sign, a written, legally binding contract on behalf of the contracting authority. It is important to emphasize that signature authority does not include the power to manage or conduct procurement procedure or to approve a procurement selection and contract award.
- Budget authority is created when a contracting authority appropriates funds to be spent, and specifies individuals authorized to approve expenditures within the budget. An approved budget, however, does not produce a contract, authorize selection of procurement procedure or contract award – that is clearly under procurement authority.

Contracting authorities should have a central procurement division, as within the MoD BiH and the armed forces (AF) but the same division should be empowered with the procurement authority, including the possibility to further delegate given authority to trained staff, ensuring that procurement is conducted in a manner that is fair, transparent, accountable and ethical.

Structured, centralized, and narrow delegation of procurement authority to a professional procurement department provides the benefits of establishing a unit that has special knowledge of public procurement principles, processes and best practices.

A professional procurement staff dedicated to the sole purpose of procuring goods, services and work is proven to be the most effective institutional model for maximizing value for money, maintaining clear lines of authority, accountability and control. Procurement professionals with proper training, certification, knowledge, and experience make a substantial contribution in terms of cost savings through, among other things, strategic procurement planning and the effective use of competition.

However, in a country like Bosnia and Herzegovina, where the tradition of centralization of authority is long-established and deep-seated, the question of delegation has to be well thought through. It is important to give careful attention to, for example, the following considerations:

The Ministry must make sure that:

- The scope of delegated powers is precisely defined;
- That officials given wider responsibility have the necessary qualifications, and
- That proper mechanisms are introduced to monitor, and if necessary adjust, the way in which the system of delegation actually works.

### Politicization

By the term 'politicization' we mean a situation where 'A politicized state's structures are captured by political competitors such as interest groups or political parties. Administration and regulations can then be shaped by the ad-hoc needs of political agents rather than by a priori policy objectives aimed at providing public goods. Legal enforcement favours private interests, whereas policy favours resource extraction for private ends, see rent seeking. Such rents can consist of jobs, contracts, or financial transfers. Political loyalty, rather than merit, is the criterion for obtaining them.'<sup>3</sup>

In BiH, economic transactions made by public sector bodies are generally seen as politicized and marred by corruption. In its resolution of 14 April 2016 on Bosnia and Herzegovina,<sup>4</sup> the European Parliament 'deplores the fact that corruption, including corruption at the highest level, continues to be widespread and (...) calls for improvements in the track record of effective investigation and prosecution in high-profile corruption cases involving politicians, high-level officials and regulatory institutions, and in the framework of public procurement and privatization.' More recently, on 8 December, 2016, the US Deputy Assistant Secretary Hoyt Brian Yee noted that corruption is the leading problem in Bosnia and Herzegovina: "Corruption is present in the judiciary, government institutions, legislative institutions and in the economy. It is not something that can be resolved overnight. It is necessary to ensure good management. This country needs leaders who are committed to fight corruption, but notably it needs institutions that can withstand and suppress corruption", stated Hoyt Brian Yee.<sup>5</sup>

These statements refer to the general situation in Bosnia and Herzegovina. We cannot automatically assume that they apply equally to each individual public institution.

As suggested above, interviewees report extensive political interventions in the work of MoD civil servants. While such interventions in principle may be fully legitimate, interviewees report incidents of non-transparent, and what can be interpreted as inappropriate instructions. Several respondents expressed the concern that behaviour which may warrant disciplinary action occurs as a result of directives which come from above. Or in the words of the respondents: *How do you expect someone who enjoys protection from above to be punished?*

Interviews conducted in the course of the present study indicate that one of the main problems in the MoD procurement system is the insistence on 'ethnic balance' in the awarding of contracts. Even more serious, interviewees allege that often, ethnic balance is simply used as an excuse for allocating contracts to business people who are party loyalists.

<sup>3</sup> See for instance Anna Grzymala-Busse, 'Political competition and politicization of the state in East Central Europe', *Comparative political studies*, 10/36 December 2003, p. 1125.

<sup>4</sup> European Parliament, 2015 Report on Bosnia and Herzegovina.

<sup>5</sup> <http://vijesti.ba/clanak/338235/hoyt-yee-korupcija-problem-broj-jedan-u-bih>.

Apparently, MoD employees view such practices as a normal, an almost unalterable reality of Bosnian society. Such a point of view is problematic for several reasons: 1) Article 3 of the current Public Procurement Law (PPL) clearly states that bidders must not be subjected to any kind of discrimination. What are the chances of upholding the 'non-discrimination principle' if those whose duty it is to safeguard it think of 'ethnic criteria' as normal? 2) The procurement process is essentially an economic activity and, as such, should be viewed in the context of economic parameters such as quality, price, delivery time, etc. 3) Circumvention of key provisions of the PPL will have a negative impact on the quality of goods and services purchased, which will jeopardize the performance of BiH defence institutions and, eventually, diminish the country's ability to effectively participate in international defence cooperation.

While the above statements seem to indicate serious shortcomings in the MoD procurement system, the CIDS review team cannot vouch for the veracity of the findings. It is outside the mandate of this review to examine the reliability of interviewees' statements beyond what follows from the analytical method we used, searching to establish whether or not MoD contracts are awarded in inappropriate ways. Our task consists of collecting, presenting and to some extent interpreting information provided by MoD officials.

However, regardless of the accuracy of the perceptions cited above, the fact that they exist and seem to be widespread is in itself a problem. The idea that public procurement is an area where mismanagement is rife and civil servants exposed to improper instructions may threaten professionalism in public procurement, i.e. by making it difficult to attract and retain competent people and by weakening employees' morale, motivation and integrity.

### 3.2. Specific findings

#### The procurement process

**Adequacy of steps in the procurement planning process**  
The procurement process is based on Public Procurement Law (PPL) and a number of by-laws. As mentioned earlier in the report, the 2015 SIGMA assessment of BiH points out that these legal documents are largely in line with EU

principles so the procedure in procuring goods, services and works (as one of the respondents puts it) '*...is much better than our capacities to use it*'.

According to interviewees, a key problem is the lack of reliable and well-timed information. More than half of the respondents (56 per cent) believe that the information required for adequate decision-making is not available to managers at the right time.

Moreover, respondents highlighted the need to sort out the procurement planning function. It seems clear that the planning process lacks proper market analysis and is generally carried out *pro forma*. It is difficult to determine why it is so. Some respondents stated that this is due to lack of competence among those required to carry out analytical work. Others believe that the current number of people available for such work is insufficient. However, deficient planning, lack of competent individuals, insufficient resources or job-attitude problems are indications of a deficient system of management in the MoD. Managers do not manage and are not given the opportunity to manage.

The strong centralization of the procurement process whereby the Minister is expected to sign off every single purchase contributes greatly towards the current situation. As long as the Minister is required to put her own signature on every little expenditure in the MoD, managers below can relax and adopt the (in)famous '*make no waves*' philosophy. In the end, there is a risk that regular civil servants can get away with anything.

#### **Adequacy of interaction between organizational units involved**

**Cooperation with other units in the Ministry is considered as far from being satisfactory; interviewees report dissatisfaction with services received from IT, personnel and legal departments.**

Close to half of those interviewed believe that the cooperation between procurement and other sectors in the Ministry is not good enough. As for the support which the procurement sector receives from the legal, personnel and IT units, the results indicate considerable dissatisfaction among those interviewed. The majority of respondents hold that MoD's IT infrastructure includes little more than a very basic internet connection and an average PC. Close to 80%

expressed disagreement with the statement that '*...services provided by personnel enable fast and efficient employment based on principle of merit*' while more than 50% report that requests for training courses are not met.

Similarly, 92 % are unhappy with the legal services of the Department of Legal Affairs. The respondents claim that the Ministry has lost a number of court cases due to inadequate legal support in the preparation of contracts.

### **Adequacy of general management practices**

#### **The role of managers**

**People believe that the unity of purpose and dedication of the management is intact but they also report that the end-result is often missing.**

**Interviewees report that work objectives are unrealistic and/or unattainable. According to respondents, work negligence, a missing sense of urgency among officials and lack of competence stand in the way.**

The majority of respondents are aware of their work objectives but less than half of them (47%) believe that these objectives are realistic and attainable. The prevailing view is that, on paper, the objectives set are realistic, but according to interviewees they remain out of reach due to problems like work negligence, individual indifference (lack of urgency in carrying out tasks) and lack of competence among those involved in the work process.

#### **Efficiency in the use of resources is reported to be poor.**

Less than a third of those interviewed believe that the use of human, financial and material resources is sufficiently efficient to ensure implementation of the strategic goals. It has also been identified that managers in the procurement area tend to act as administrators rather than managers. They like to drift away from the typical managerial work (i.e. planning, organizing, leading and controlling) into technicalities and routine day-to-day duties. None of the managers interviewed made any mention of the need to regularly set objectives and strive to achieve them.

#### **Team work and goal setting**

Interviewees also report that managers' horizons do not stretch beyond the boundaries of the units they manage. This does not improve the situation because

five or six units whose tasks are interrelated but which do not cooperate can achieve very little. Managers have to contribute to the goal-setting process at the sector level because those goals will have a key influence on identification of sector, department and even individual goals. Furthermore, it is the duty of the top management to motivate sector and department heads to act and behave like a team; to show understanding for issues and problems in other sectors and departments and, if possible, offer help.

*To improve the situation, the Minister should ask assistant ministers to come up with objectives for their sectors; assistant ministers should require the same from departmental heads. Monthly progress reports should be prepared by each manager.*

*The assistant minister for procurement should ensure that department heads cooperate and assist each other.*

### **Organizational issues**

#### **Adequacy of current organizational structure**

##### **Organizational structure is in need of an overhaul**

Half of those interviewed believe that the organizational structure of the procurement sector does not reflect the needs of the Ministry and, as such, represent an obstacle in achieving the objectives set. What regards work processes in the sector, only 26% of the respondents claim that these processes enable efficient work of the organizational units.

#### **Allocation of tasks**

Apart from the need to improve the current set of job descriptions (see below), managers in the procurement sector should conduct some kind of skills inventory in their own organizational units because the functional analysis shows that 74% of people disagree with the statement that '*...our best people work in jobs where they can give their maximum*'. One of the worst things that can happen to any organization is to underutilize the talent they have. If average employees end up conducting work assignments that does not suit them, it represents a serious managerial problem. If the best employees end up doing a job where they cannot give their best, then managers have not done their work properly. Talent is too precious and too expensive to be allowed to go to waste or to be underutilized. Therefore, the procurement sector should get a green light from the Minister to make the necessary internal reshufflings needed in order to minimize

the extent of mismatch between the job demands and the skills of incumbents.

Speaking of this mismatch, it is worth mentioning that close to two-thirds of respondents in the functional analysis disagree with the statement ‘...our decision-makers possess necessary skills and abilities to make the right decisions’. Thus people have obviously serious doubts about the ability of their managers to make the right decisions.

## Human resources management (HRM)

### Staff planning

#### Inadequate job description

Half of those interviewed believe that the procurement sector does not have a critical number of competent individuals. We cannot make a proper analysis of the reasons for such responses here, but there are some obvious deficiencies: 1) The MoD has taken large groups of people straight from the former entity defence ministries without any competitive procedure. 2) Selection panels often lack the necessary technical expertise, thus undermining the principle of merit. 3) Decisions in the selection process motivated by factors other than merit.

The process of reducing competency gaps in the procurement sector should start with a revision of job descriptions. A total of 70% of respondents feel that current job descriptions are inadequate (i.e. they poorly reflect the real content of work posts in the procurement sector). As long as job descriptions (including the part which details the competency profile of the incumbent) fail to describe the duties and responsibilities of the post accurately, even a panel of procurement experts would find it hard to select the right person (let alone the panel which includes no procurement professionals at all). Two years ago, the MoD benefited from a technical assistance project in the HRM area which, among other things, worked on analysing posts in the civilian component of the MoD<sup>6</sup>. In this way, data collected formed the basis for the revision of current job descriptions. However, the mentioned changes are yet to be enforced due to delays in amending the book of regulations on internal organization. Given the circumstances, the procurement sector can use the delays to revisit the issue of job descriptions (and to make all necessary additional changes in their content) utilizing the

resources of the ongoing Norwegian technical assistance project. It is not only that changes in the scope and nature of tasks are needed; other job-related matters such as the competency profile of incumbents, adequacy of job titles, or in some cases even the purpose of posts should be reviewed and, if proven inadequate, changed.

*In a nutshell, the procurement sector needs people with new competencies. Although several respondents made vociferous calls for additional manpower, the overall impression is that the primary concern of MoD management should be to maximize the use of knowledge and skills of those currently in place.*

#### Temporary Transfers

Attempts to fill permanent competency gaps in the procurement sector via *ad hoc* internal transfers should be abandoned as a quasi-permanent solution. Transfers may prove to be useful when the regular job holder is temporarily absent (i.e. maternity, long-term sick leave, etc.) but it makes little sense to use it in situations where the need for a full-time professional is obvious. The transfer of two legal professionals from the AF to the procurement sector is a case in point.

In principle, if transfers are the result of proper HRM planning, they can make a positive difference for the institution. The Ministry has already taken an important step in changing the current personnel planning practice by adopting the policy on the development of modern HRM planning.<sup>7</sup> This was done two years ago during the Norwegian HRM project but further steps should be taken as soon as possible. A possible measure is to conduct a job-satisfaction survey giving employees the chance to freely express their feelings about the work that they do. Those who see themselves doing another type of work (or the same work but in another organizational unit) should state so. Logically, the responses received would be the basis for transfer decisions in the Ministry.

This is in principle how transfers should be handled. However, in some exceptional cases, circumstances may force the Minister to order a transfer in order to protect the interests of the Ministry. These situations are quite rare and the duration of such transfers is usually very limited. *Temporary internal transfers are not the solution to fill permanent competency gaps.*

<sup>6</sup> Project Support to Capacity Building in the BiH Ministry of Defence was a three-year long initiative implemented by the Norwegian Difi from 2011 to 2014. The main aim of the project was to assist the Ministry in modernizing HRM procedures and practice.

<sup>7</sup> Policy document developed jointly by sectors for personnel and policy and planning in cooperation with CIDS. It was adopted in June 2015.

### Recruitment and selection

The selection process for jobs in the procurement sector is conducted without a member of the procurement staff on the panel.

A retrospective look into procurement-related recruitments in the Ministry (in the period of 2013–2015) reveals that a total of seven vacancies have been filled. Only in one of those processes has the selection panel included a representative of the procurement sector. Hence, often repeated complaints from procurement staff members about not being able to influence the recruitment process, have been confirmed as 100% valid. It is against the standard HR practice to carry out testing procedures without securing the necessary technical competence of those in the panel. Besides exposing the Ministry to unnecessary risks (of selecting the less competent candidate), this practice does not help the selected candidate either. Among his/her new colleagues he/she will always be someone who has been selected by people with no procurement experience.

It is true that vacancy notices rarely contain one single post. Usually, three or even four posts (often from different sectors in the MoD) are advertised while the assessment is always carried out by one single panel. However, it is hard to explain why the Ministry is so consistent in pursuing this approach when it is perfectly clear that combining more vacancies kills the chance for the employer to have a technical expert in the panel. Whatever the case, this practice is unhealthy and should be abolished as soon as possible.

### Performance management

Half of the respondents stated that the availability of relevant training opportunities for the procurement staff, does not offer optimal opportunities. This is more or less expected not only due to budgetary constraints but also because of the limited attention managers pay to performance appraisal. There can be no serious analysis of training needs without thorough monitoring of individual performances.

The main assistance in the procurement-related training continues to come from NATO and from several bilateral partners. The participation of MoD officials in various EU projects is also worth mentioning but most of these efforts

are more or less supply driven. There are still very few initiatives developed inside the MoD as a result of strategic analysis of the organizational needs.

As for the performance appraisal, more than half of people interviewed view this managerial tool as something dysfunctional. Such a response is hardly a surprise considering that the majority of managers see this exercise as a pure formality. One out of four respondents believes that their immediate supervisor does not appraise them in an objective manner while a further 25 % stated that they do not have a clear opinion on the matter.

### Organizational culture

Organizational culture is a set of beliefs, values and behaviour that employees share in an organization. It influences the formal and informal expectations of individuals who are part of an organization and it affects how people interact with each other. In practice, organizational culture manifests itself through what is desirable or undesirable, appropriate or inappropriate in an organization.

This functional analysis has revealed some positive and some negative characteristics of the organizational culture in the MoD BiH. These findings have been gathered primarily from those working in the procurement sector but they probably apply to the whole ministry. The positive characteristics of the organizational culture include: 1) Trust in immediate supervisors/managers. 2) The ability to notice and express one's own weaknesses. 3) Freedom of expression.

More than 90% of procurement staff trusts the professional abilities of their department heads. In addition, the overwhelming majority of respondents saw their own departments as places where camaraderie and a positive working atmosphere are the norms. It is unfortunate that the attitude people seem to show in their own organizational units does not extend to other departments/sectors of the Ministry. Department heads and assistant ministers should play the key role of ensuring that this 'tribal' attitude is gradually overcome.

It is positive to learn that people are ready to make a critical assessment of their own work. Again, there is a tendency among respondents to praise the work of their

own organizational units but, generally, people do not close their eyes to problems that surround them. In fact, not only do they notice the problems, they also seem to have no major problem speaking freely about them. This has been confirmed not only through the responses received during the course of our functional analysis, but also through the comments and suggestions made during meetings, trainings, etc. Certainly, these positive aspects of the Ministry's organizational culture should be preserved and nurtured since they constitute a solid foundation for the introduction of necessary changes both in the procurement area and in other parts of the Ministry.

### **Support functions**

#### **IT Support**

Respondents are critical of the IT support they receive. Only 30 % believe that the IT solutions in place enable fast and efficient running of work processes, while 57 % say they are unhappy with the IT infrastructure in place. Special software is non-existent. It is quite apparent that it is of crucial importance for the procurement system to rely on efficient IT support. The whole process of

public procurement entails the use of various forms and documents, and the flow of these papers between various posts/individuals involved in the process is the key for a good end result. Everyone involved in the process should know who is holding the document and who is doing the job within the deadlines set. The Ministry should consider the need to expedite the process of acquiring software designed to ensure efficient document management.

#### **Physical work conditions**

Finally, the procurement sector is finding it increasingly problematic to fit all the people and documents into available office space. This is best visible in the case of the contracting department where six people operate in an office no bigger than 30 square meters. The desks are literally crammed with loads of files and, apart from looking quite uninspiring (to say the least) for those who work there, such disorder guarantees problems with retrieval of documents. *Insufficient office space is far from a trivial problem.*

## 4. RECOMMENDATIONS FOR IMPROVEMENT

### 4.1. General recommendations

1. The MoD should employ the practice of delegating authority (from the Minister to Assistant Ministers) to speed up and improve the quality of the decision-making process in the area of procurement and to enhance accountability among top level managers. The new decision-making system should be transparent with in-built appropriate checks and balances to prevent inappropriate behavior in the case of lower level officials.

### 4.2. Specific recommendations

1. Procurement planning should be further developed; training is needed for all staff members involved in the planning process. Market research methodology has to be developed and market research regularly conducted.
2. The procurement sector should get the green light from the Minister to make the necessary internal reshufflings in order to minimize the extent of mismatch between the job demands on one hand and the skills of incumbents, on the other.
3. Managers should pay special attention to identification and resolution of problems related to: 1) work negligence, 2) lack of urgency in carrying tasks; and 3) incompetence. These problems stand in the way of better overall performance of the procurement sector and should be addressed immediately.
4. The procurement sector should be reorganized so that its internal set-up more adequately reflects the tasks following from the new Law on Public Procurement. Moreover, key functions covering budget (planning, analysis and reporting) and legal assessments should be strengthened.

The Procurement sector should build on the result of the job analysis exercise (conducted in 2014) and make an in-depth review of changes made (with a possibility of making further improvements).

5. Future recruitment and selection processes in the procurement sector should ensure greater involvement of relevant professionals from the sector. Selection panels should contain at least one competent procurement professional.
6. Performance appraisal must be based on sound and realistic work objectives. Additional training should be provided for managers on how to set and appraise individual performance goals.
7. Managers must be aware of the larger organizational goals and vision for the MoD. Building this awareness should be one of the key priorities for the Minister and her closest associates. The Ministry should have regular 'team-building' seminars for the managerial staff. Problems arising in the procurement sector should be dealt with by the relevant manager, and submitted to the Minister for decision. The analysis should include an outline of: 1) the causes of the problem; 2) the measures that should be taken to rectify them (including sanctions administered); 3) recommendations to prevent the same problems occurring in the future.
8. Decision makers must be provided with timely and sufficient information. A document management system must be developed as soon as possible in order to enable fast and reliable tracking of document circulation in the Ministry. The same goes for logistics software.
9. The contracting department needs to be given more office space for their activities.
10. Comprehensive analysis of the procurement related training needs should be conducted (on an annual basis). Based on such analysis, an annual training plan should be prepared.

Training needs identified during the course of CIDS project include:

- Identification of procurement needs in the Ministry;
- Development of technical specifications;
- Contract management
- Evaluation of offers (for the members of tender committees).

## 5. CONCLUSIONS

The functional analysis has clearly shown that the MoD's ability to make timely and economically viable purchases of goods, services and works is seriously compromised. The main problem is not in the legislative framework. The main problem is in the absence of efficient management. Centralized decision-making, politicization, lack of leadership, unclear responsibility arrangements, risk-aversion among mid-level management staff, lack of cross-sectorial cooperation, work negligence at a non-managerial level and hesitation to investigate and sanction non-performance impairs the procurement function in the Ministry.

However, although serious, the listed problems are solvable. An element in the change process is the ability of the current managers to stop behaving like administrators and start behaving like managers. But this change will not come unless it is instigated and led by the Minister herself. The encouraging signs in 2016 (i.e. timely adoption of the procurement plan) indicate that certain positive processes have commenced already. However, if not supported by systematic and thorough changes, the positive signs could quickly disappear.

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