



Ministry of Finance
of the Slovak Republic



*Empowered lives.
Resilient nations.*

Public Finance for Development:

Strengthening Public Finance Capacities in the Western Balkans and the Commonwealth of Independent States

Programme Description

Public finance, good governance and human development are strongly interconnected. **Good practice in public finance is critical** in order to combat corruption, alleviate poverty and guarantee effective use of government resources. To be successful, reforms in this area need to be comprehensive and strategic. They should focus on both: 1) developing the institutional and human capacities for sound and effective management and, 2) the advancement of public debate and opinion.

Public finance reform is widely regarded as one of the most successful areas in Slovakia's economic transition. In light of this, in 2009 **the UNDP Bratislava Regional Centre and the Ministry of Finance of the Slovak Republic** (MF SR) signed an agreement to implement the **"Public Finance for Development"** programme as part of Slovakia's official development assistance effort. With the interest to continue its successful implementation, MF SR entered into partnership with UNDP and MFEA SR in the new project **'Slovak Republic and UNDP Partnership for Results in the International Development Cooperation'**. Public Finance programme implementation continues within the framework of this project and is planned until December 2016.

Main Objectives and Activities

The objective of the programme is to **enhance sound and effective public financial management** by raising awareness, developing analytical capacities and sharing good practice with regard to reforms implemented in Slovakia and elsewhere. Activities include policy advice to government partners, capacity assessment, institutional development, training, small grants, workshops, study visits, and professional exchange schemes, etc. The selections of areas of cooperation, and the design of activities, are demand driven. These decisions are conducted in a participatory manner with programme beneficiaries. Aid effectiveness principles are followed.

Programme planned results

- **Activity result 1 – Countries public finance needs and priorities identified**, demand for technical assistance mapped, projects' **activities** coordinated, **monitored and evaluated**.
- **Activity result 2 – Analytical capacities and skills** in the area of public finance enhanced and strengthened (government beneficiaries).
- **Activity result 3 – Understanding and awareness** of public finance concepts increased (non-government stakeholders).
- **Activity result 4 – Knowledge shared**, information disseminated, and outreach improved.

Programme Beneficiaries

Among the government institutions, the programme targets finance ministries and other central and local public authorities in beneficiary countries. To ensure comprehensive and complex approach, the programme aims to engage with non-government stakeholders, such as non-governmental organizations (NGOs), research institutes, universities and think tanks. Reports on lessons learned derived from the reforms implemented in Slovakia were prepared and shared with partners and stakeholders in beneficiary countries and across the region.

Programme Fact Sheet

Duration

July 2009 – December 2016

Programme budget

USD \$ 2,121,000

Donor

Ministry of Finance of the Slovak Republic

Implementing organization

UNDP Regional Centre for Europe and the CIS, in cooperation with UNDP country offices

Partners

Ministry of Foreign and European Affairs of the Slovak Republic (MFEA SR), Slovak Agency for International Development Cooperation

Beneficiary countries

Moldova, Montenegro

Project in Moldova

Capacity building for program based budgeting

Projects in Montenegro

Macroeconomic and fiscal analysis and forecasting
Improving public sector accounting and reporting systems
Strengthening capacities for public debt management

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Programme Achievements

Moldova

The Strategy of the **Ministry of Finance of Moldova** to **implement program based budgeting** (PBB) nationwide is supported through activities jointly designed with the beneficiary finance ministry. After assessing capacities for PBB and analyzing the legal and methodological framework for PBB in 2011, the comprehensive capacity development plan was agreed upon with MF Moldova. Training materials on PBB for central and local public authorities were prepared. These were used to train 39 trainers from MF Moldova and CPAs in November 2012. Around 95 policy makers, high state officials and presidents of districts learned about the PBB concept and its introduction in Slovakia at the workshop organized in November 2012 with the objective to increase their engagement and political support for budget reform in Moldova.

Roll-out of PBB trainings in April 2013 on the central government level, with Moldovan trainers, was facilitated through coaching provided by Slovak consultants. Application of theoretical concepts learned during trainings was supported through on-the-job training to review and improve the quality of program budgets prepared by 5 CPAs. That activity was organized in June 2013, engaging both budget and policy specialists. In August 2013, consultants worked closely with MF Moldova budget specialists on reviewing CPAs program budget submissions, preparation for budget consultations and improving budget documentation. A study visit was organized in 2013 to learn about PBB implementation and existing challenges in Slovakia. In March 2014 capacities of local public authorities were strengthened via training of 70 trainers, followed by on-the-job training in 3 LPAs in June 2014. Monitoring and evaluation methodology was finalised for MF Moldova in August 2014. Strengthening capacities for PBB is planned to continue until 2016.



Strong Moldovan ownership and commitment to the budget reform is a key factor driving successful co-operation with the SlovakAid project.

Montenegro

The Financial Policy Institute (FPI) of the Ministry of Finance of the Slovak Republic serves as a model for institutional and capacity building in the Sector for Economic Policy and Development (SEPD) at the **Ministry of Finance of Montenegro** (MF MN). The SEPD organizational structure has been changed to mirror the structure of FPI. Models for macro-economic and fiscal forecasting were prepared for SEPD. The quality of reports produced by the Sector's specialists has improved. Next phase of cooperation will aim to further strengthen analytical and forecasting capacities of SEPD staff and to put into operation effective system of macro-economic and fiscal forecasting.

Cooperation with the Treasury Sector of MF MN in the first phase resulted in preparation of a road map for adoption of the ESA 95 methodology and designing the medium-term strategy for transition to accrual accounting. In the next phase the project aims to provide support to MF Montenegro with gradual transition to accrual accounting and reporting in accordance with IPSAS and ESA standards.

In the area of debt management, a clear action plan for capacity building in the medium-term was prepared and agreed with the MF Montenegro. Study visits to Slovakia were organized in the area of cash and debt management and macro-economic and fiscal forecasting to share the experience with the public finance professionals at FPI and the Debt and Liquidity Management Agency.

Regional activities

Sharing knowledge and experience with Slovakia was supported by presenting lessons that can be derived from implemented reforms. Reports on lessons learned in Slovakia were prepared and disseminated in the region on the following topics: i) Financial Policy Institute at the Ministry of Finance of the Slovak Republic; ii) reform of the public sector accounting and reporting system; iii) adoption of ESA95 methodology in Slovakia; iv) budget reforms in Slovakia; v) implementation of programme budgeting in local government of Slovakia; vi) fiscal decentralisation in Slovakia.

Project in Moldova

Area of cooperation

- **Capacity building for program based budgeting** - aims to support implementation of program budgeting across the public administration of Moldova and to create conditions for sustainable capacity development.

Duration

April 2011 – December 2016

Funding

USD \$ 640,000 for PBB project (government beneficiaries)
USD \$ 60,000 (non-government stakeholders)

Beneficiaries

Ministry of Finance of the Republic of Moldova
Central and local public authorities in Moldova (CPAs, LPAs)

Projects in Montenegro

Areas of cooperation

- **Macroeconomic and fiscal analysis and forecasting** - aims to build capacities for and establish credible macro-fiscal forecasting function.
- **Improving public sector accounting and reporting systems** – aims to support gradual transition to accrual accounting and reporting in accordance with IPSAS and ESA standards.
- **Strengthening capacities for public debt management** - aims to strengthen the institutional framework and capacities for this function.

Duration

June 2010 – December 2016

Funding

USD \$ 480,630 (for all projects – government beneficiaries)
USD \$ 55,000 (non-government stakeholders)

Beneficiary

Ministry of Finance of Montenegro