



PROGRAMME DOCUMENT

PUBLIC FINANCE FOR DEVELOPMENT

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

AMENDMENT no. 1

Programme Number:	Total resources required: 800,000 USD
Programme Title: Public Finance for Development: Strengthening Public Finance Capacities in the Western Balkans and Commonwealth of Independent States	Total allocated resources: 800,000 USD <ul style="list-style-type: none">• Regular• Other:<ul style="list-style-type: none">- Donor 800,000 USD- Government
Programme Site: Eastern Europe and CIS	
Source of funds: Ministry of Finance of the Slovak Republic	
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Estimated end date: June 2014	In-kind Contributions

Agreed by the Ministry of Finance of the Slovak Republic:

Ivan Mikloš, Deputy Prime Minister and Minister of Finance of the SR Date

Agreed by UNDP BRC:

Jens Wandel, UNDP Regional Centre Director Date

I. Background and situation analysis

Public finance for development

The successful completion of a public finance reform requires a comprehensive exercise that requires not only legislative changes, but also investments in institutional capacity, human capital and public participation. The connection between public finance and good governance and human development is strong. Good practices in public financial management are critical in combating corruption, alleviating poverty, and guaranteeing an effective use of internal and external government resources. Increased tax revenues and results-based budgeting may also be key variables for enhancing social policy effectiveness.

The original Programme document was approved by partners – the Ministry of Finance of the Slovak Republic (MF SR) and the United Nations Development Programme Bratislava Regional Centre (UNDP BRC) – on 22 June 2009. The initial stage of the Programme implementation was devoted to identification of country's public finance needs and priorities. The identification phase was based on a needs driven approach, when areas of assistance were selected jointly with beneficiary institutions to ensure that Programme interventions target needs of the highest priority for partner countries and are in line with public finance capacities of the Slovak Republic. Needs identification included the survey conducted among 13 countries in the region that belong to priority countries of the Slovak Official Development Assistance according to The Medium-term ODA Strategy for 2009 – 2013¹ and more detailed profiles of 6 countries (Belarus, Moldova, Montenegro, Serbia, Ukraine and Uzbekistan) were prepared, including initial proposals for areas of assistance to be addressed by the Programme. Based on the assessment of country profiles and by matching country's needs with existing capacities of Slovakia in public finance management (PFM), three countries were selected by the Programme Board (PB) in February 2010 as Programme beneficiaries: Montenegro, Moldova and Serbia. In January 2011 Ukraine was included by the Programme Board among beneficiary countries as well. Since their selection by PB, negotiations with four countries have been conducted in order to better specify their needs and agree on the PFM areas of assistance to be supported by the Programme. The cooperation started in the first half of 2010 within the first Component and has been as follows:

1. **Montenegro**

Four areas of assistance were agreed with the aim to strengthen capacities of the Ministry of Finance of Montenegro (MoF Montenegro) in the following areas:

a) Macroeconomic and fiscal analysis and forecasting

- **Timeframe** – First phase started in June 2010 and finished in June 2011.
- **Results** – the recipient Sector for Economic Policy and Development of the MoF Montenegro adopted the proposed organisational structure (the same like the structure of the Financial Policy Institute of the MF SR); other recommendations for improving operations of the Sector were adopted.
- **Follow up** – the Sector requested continuation of the assistance on a more intensive scale to further improve its institutional build up and staff capacities. Negotiations on the scope and focus are ongoing.

b) Adoption of ESA 95 methodology (methodology for reporting key public finance indicators according to European Union requirements)

- **Timeframe** – First phase started in December 2010 and finished in June 2011.
- **Results** – Proposed roadmap for the adoption of ESA95 by Montenegro was accepted by the Sector for Treasury of the MoF Montenegro.
- **Follow up** – MoF Montenegro approved the proposed roadmap for ESA95; the second phase, as agreed in the implementation plan, is planned to provide consulting services to implement the proposed roadmap.

c) Accounting and reporting

- **Timeframe** – First phase started in December 2010 and is still in progress.
- **Results** – Proposed medium term strategy for transition to accrual accounting by IPSAS² will be discussed in November 2011 with the Sector for Treasury of the MoF Montenegro.
- **Follow up** – MoF Montenegro indicated interest in continuation of assistance in the area of implementation of the proposed medium-term strategy.

¹ Medium-Term Strategy for ODA of the Slovak Republic 2009-2013 approved by the Slovak Government resolution no.170/2009

² International Public Sector Accounting Standards

d) Debt management

- **Timeframe** – First phase started in June 2011 and is still in progress.
- **Results** – Proposed action plan for improving debt management functions and developing risk management model will be discussed in November 2011 with the Sector for Treasury of the MoF Montenegro.
- **Follow up** – MoF Montenegro indicated interest in continuation of assistance in the area of improving its debt management functions.

2. Moldova

One area of assistance was agreed with the aim to strengthen capacities of the Ministry of Finance of Moldova (MoF Moldova) in the area of scaling up the performance based budgeting (PBB) concept in local governments of Moldova:

- **Timeframe** – First phase started in April 2011 and is still in progress.
- **Results**
 - Analysis of the current PBB methodology prepared, recommendations for its improvement will be used by MoF Moldova during the planned amendment of the PBB methodology (confirmed by minister's letter);
 - Assessment of capacities for budgeting is done by consultants in cooperation with UNDP BRC team and will be presented in November 2011 in Moldova.
- **Follow up** – MoF Moldova requested continuation of the assistance in the area of training of trainers and training of the staff of MoF, central public administrations and local governments in the area of PBB concept and methodology. Additional activities to support PBB implementation were proposed in the capacity development action plan and will be discussed with the MoF Moldova in November 2011.

3. Serbia

One area of assistance was proposed with the aim to strengthen capacities of the Ministry of Finance of Serbia (MoF Serbia) in the area of budgeting with particular emphasis on programme budgeting, medium-term budget planning and establishing linkages between strategic planning and budgeting at the national level.

- **Timeframe** – First phase started in May 2010 and was ceased by the MoF Serbia due to lack of capacities to manage assistance as well as due to planned elections.
- **Results** – Study visit of 5 representatives from the MF Serbia was conducted. The presentations were focused on budget process on central and local government levels, programme budgeting, fiscal decentralisation and the budgetary information system.
- **Follow up** – Serbia has at its disposal Programme allocation from the originally approved contribution and only a small increase of this allocation is envisaged.

4. Ukraine

One area of assistance was proposed with the aim to strengthen public financial management at the local level in Ukraine:

- **Timeframe** – First phase should start in 2012. Ukraine has at its disposal Programme allocation from the originally approved contribution and due to potentially higher absorption capacity of the planned project the increase of this allocation is envisaged.

Within the Component 3 case studies were prepared in all areas of assistance to share the experience from public finance reforms in Slovakia and provide recommendations to transition countries (lessons learnt). These will be shared with Programme recipient countries and other countries in the region via the Programme website:

- **Financial Policy Institute at the Ministry of Finance of the Slovak Republic** within the topic "macro-economic and fiscal analysis and forecasting" (submitted to MoF Montenegro);
- **Reform of the public sector accounting and reporting system in Slovakia** within the topic "developing a medium-term strategy for a transition to accrual accounting in Montenegro" (submitted to MoF Montenegro);
- **Adoption of ESA95 methodology in Slovakia** within the topic „Adoption of the European System of Accounts methodology in Montenegro" (submitted to MoF Montenegro);

- **Debt and Liquidity management in Slovakia** within the topic "strengthening capacities for public debt management in Montenegro" (submitted to MoF Montenegro);
- Lesson learned from **budget reforms in Slovakia** within the topic "scaling up the performance based budgeting concept in local governments of Moldova" – the draft was prepared and reviewed; the final case study will be submitted in mid November 2011 to MoF Moldova.

Final case studies on Slovakia's lessons learned have been published on the Programme website: <http://publicfinance.undp.sk/en> and can be publicly accessed.

Activities within **Component 2** will be initiated in 2012.

II. Strategy and objectives

Programme strategy and objectives remain unchanged.

The Programme seeks to strengthen and enhance national capacities in the area of public finance, for governments as well as economic institutes, NGOs, media, researchers, universities in the countries of the region. The Programme design ensures for a needs driven approach, based on professional assessments of each beneficiary country's needs and priorities, as well as the identification of required technical assistance by beneficiaries themselves.

The emphasis of the Programme is on enhancing knowledge, capacity, skills, experience, nurturing creativity, initiative and proactive attitude, and promoting cooperation with counterparts in neighbouring countries. The capacity building character of the Programme ensures sustainability of the Programme results. Programme objectives include:

- (1) Increasing understanding and awareness of public finance dimensions for poverty reduction, human development and social inclusion;
- (2) Development of analytical capacity and building skills in the area of public finance reform for poverty reduction, local development, job creation, and social inclusion;
- (3) Knowledge sharing, dissemination of information, and improved outreach.

The geographical coverage includes countries from the Western Balkans and the CIS.

The Ministry of Finance of the Slovak Republic participates in the whole process (i.e. programme cycle management), thus bringing its expertise and contributing to the effectiveness of the whole Programme. In addition, Ministry of Foreign Affairs of the SR and Slovak Agency for International Development Cooperation (Slovak Aid) participate in steering the programme activities to provide for its alignment with Slovakia ODA and foreign policy priorities.

The original duration of the Programme of 36 months (from July 2009 till June 2012) will be extended by 24 months i.e. period starting from July 2012 until June 2014.

Programme includes the following components

Component 0

Identifying country's public finance priorities and mapping technical assistance demand in a participatory manner

Even though four partner countries which has already been receiving assistance or with which the negotiations on future assistance have already been initiated, had already been approved by the Programme Board, it is inevitable to continuously hold consultations with individual countries on the appropriateness and adequacy of the assistance and/or need for adjustment of its focus, forms or target groups. Such consultations ensure a direct, two-way link between decision-makers and partners in order to align activities with those planned by the recipient country governments and promote local ownership of the project results.

Component 1

Development of analytical capacity and building skills in the area of public finance reform for poverty reduction, jobs creation and social inclusion

Policy makers, analysts, researchers are considered as key stakeholders. Possible activities include thematic trainings for policy makers, analysts, researchers, and NGO representatives from partner countries; long term institutional capacity needs development plans for public institutions (on demand); support costs of participation of public officials from recipient countries in conference(s) and international professional networks, located both in Slovakia and abroad; provision of a needs-driven technical assistance based on priorities agreed with beneficiary institutions during the Component 0; professional short term exchanges to strengthen linkages between policy makers and researchers in different countries (i.e., financing advisory missions of Slovak experts to support public finance institutions in target countries, assisting in strategic documents and legal acts drafting), including study tours in Slovakia; etc..

Component 2

Increasing awareness and understanding of public finance concepts for poverty reduction, human development and social inclusion

Researchers, scholars, teachers, students, journalists are considered as key stakeholders. Possible activities include regional contests for the best postgraduate diploma work; small grant research schemes for junior researchers (including trainings on how to design research proposals); stand alone lectures / programs on public finance in universities of the region; support costs of participation for scholars, from recipient countries and Slovakia, in conferences on public finance topics, located both in Slovakia and abroad; thematic training for journalists and media specializing in economic issues; conduction of a joint research designed and implemented by teams of researchers from Slovakia and beneficiary countries in the area of public finance reform; codification of the lessons learned from Slovakia in managing public finance reforms; publication of the results of research conducted in CIS countries in *Problems of Economic Transition* (<http://www.mesharpe.com/mall/results1.asp?ACR=pet>); etc..

Component 3

Knowledge sharing, dissemination of information, and improved outreach through dissemination of studies, good practices and securing broader outreach through cooperation with other European and developing countries

To ensure sustainability and wider (in terms of number of target group as well as regional coverage) and longer-term (after programme termination) impact of the programme activities, it is necessary to invest in efficient and effective means for sharing and disseminating available knowledge and documents gathered or elaborated during the programme implementation. Possible activities include update of a dedicated section in UNDP knowledge portals to promote knowledge sharing on public finance and strengthen the linkages between the participants of the initiatives supported by the programme. Literature, research works, tools available on public finance will be shown, as will information on the initiatives supported by the programme; the translation into beneficiary country languages of relevant manuals and research works on priority topics, including works from Slovakia's leading experts; etc.

Coordination and partnership strategy

The programme reflects a partnership between the MF SR and UNDP BRC, and is based on their joint commitment and shared objective to advance public finance capacity in Western Balkans and the CIS. The programme will exchange information and coordinate with UNDP country offices in the countries selected.

During the programme implementation, the alignment with the government activities of partner countries and harmonization with other key donor institutions initiatives shall be sought.

III. Management Arrangements

Programme management arrangements remain unchanged.

The programme will be implemented by the UNDP Bratislava Regional Centre (BRC) within the delegated Direct Execution (DEX) authority, in line with UNDP Programme and Operations Policies and Procedures User Guide³.

³ <http://content.undp.org/go/userguide/results/>

BRC will act as the Programme implementing partner (agency) according to DEX, in order to allow both partners (UNDP BRC and the MF SR) to act as flexible as possible within the frameworks of their respective responsibilities, rules and regulations.

The Programme is managed by a **Programme Manager (PM)**, who is responsible for the day-to-day management and decision-making. PM is supported by UNDP BRC's management support unit and poverty practice programme assistants (**Programme Support**). PM responds primarily to the **Programme Board** and secondly to the UNDP BRC designated officer. Her action is guided by the **Programme Advisory Board**.

IV. Monitoring and Evaluation

Programme monitoring and evaluation arrangements remain unchanged.

Monitoring

In accordance with the programming policies and procedures outlined in the UNDP User Guide⁴, the programme will be monitored through the standard formats **quarterly and annually**.

Mid-term review

Second mid-term review (internal) may be conducted after 12 months of extended programme implementation.

Evaluation

External Evaluation

An external independent evaluation will be conducted starting from the last quarter of implementation. The evaluation will review projects results and identify lessons learned.⁵

V. Visibility

Programme visibility arrangements remain unchanged.

Appropriate visibility will be assured by Programme Manager.

The website and all sponsored initiatives should show the logo of Slovak Aid, MF SR and UNDP.

VI. Archives

Programme archive arrangements remain unchanged.

Finance, HR-related documents as well as agreements and contracts are archived by UNDP BRC for unlimited period.

Programme-related documents – progress reports, workplans, etc. are archived 5 years.

VII. Legal Context

Programme legal context remains unchanged.

This Programme Document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement (SBAA) between the Governments participating and the United Nations Development Programme. Providing some areas are not covered explicitly in the SBAA, the relevant provisions of other international conventions/treaties such as Vienna Convention on the law of treaties, Vienna convention on diplomatic privileges and immunities and others will apply.

⁴ Latest valid version as of 1 January 2009. User Guide „Programme and Operations Policies and Procedures” is updated every 12 months.

⁵ Selection of external evaluators will be carried out in accordance with the UNDP rules and guidelines for selection of external consultants.