

PROGRAMME DOCUMENT

PUBLIC FINANCE FOR DEVELOPMENT Strengthening Public Finance Capacities in the Western Balkans and Commonwealth of Independent States

Brief Description

Good practices in public finance are critical in combating corruption, alleviating poverty, and guaranteeing an effective use of government resources. However, only the presence of a vigilant public opinion can guarantee the sustainability and efficiency of a reformed public finance. Therefore the attention should be devoted to capacity development activities both for governmental organizations and for researchers, media and non governmental think-tanks. There is a need in the Western Balkans and Commonwealth of Independent States region to address capacity gaps in public finance from a multidimensional perspective that puts people at the centre. The experience from countries that entered the European Union should be used to identify key lessons learned and to encourage later comers to follow an inclusive growth path.

Public finance reform is widely regarded as one of the most successful areas in Slovakia's economic transition. This is proven by the fiscal consolidation realized during the current decade, the reductions in taxation, the ease with which Slovakia was able to meet the Maastricht public deficit and debt criteria for its entry (January 2009) into the Euro Area, the decentralization of public finances, and the alignment of fiscal and social policy reforms.

In light of the importance of Slovakia's experience for other transition economies, and the priorities of Slovakia development cooperation, the Strengthening Public Finance Capacities in the Western Balkans and Commonwealth of Independent States programme (hereinafter referred to as programme) will promote Slovak public finance experience through the engagement of Slovakia's Ministry of Finance (in cooperation with the Ministry of Foreign Affairs and Slovak Aid) and other experts. The programme will be implemented by UNDP Bratislava Regional Centre during a three-year period. It will focus on Slovakia's official development assistance priority countries of Europe and the CIS (hereinafter referred to as "priority countries"). Objectives include: (1) Development of analytical capacity and building skills in the area of public finance reform for poverty reduction, jobs creation and social inclusion; (2) Increasing awareness and understanding of public finance concepts for poverty reduction, human development and social inclusion; and (3) Knowledge sharing, dissemination of information, and improved outreach.

Key activities ensuring achievement of the programme objectives include: *thematic trainings* for professionals, policy makers, researchers, and NGO representatives from Slovakia's priority countries on public finance reform; *joint research*, designed and implemented jointly by teams of researchers from Slovakia and priority countries; *small grant research schemes* for junior researchers specializing in public finance reforms; *contests* for the best diploma work in the public finance dimensions of poverty reduction; *support for conference participation* for scholars/researchers/policy makers from Slovakia and priority countries on public finance and development topics, located both in Slovakia and abroad; stand alone *lectures on public finance* and Slovak reforms in universities of the region; *support to the translation*, publication and dissemination of research works promoting Slovak public finance reforms; *professional exchange* to strengthen inter linkages between researchers and policy makers in Slovakia and priority countries.

Programme Number:
 Programme Title: Public Finance for Development:
 Strengthening Public Finance Capacities in the Western
 Balkans and Commonwealth of Independent States
 Programme Site: Eastern Europe and CIS
 Source of funds: Ministry of Finance
 of the Slovak Republic
 Estimated start date: July 2009
 Estimated end date: July 2012

Total resources required: 1,050,000 USD
 Total allocated resources: 1,050,000 USD

- Regular
- Other:
 - Donor 1,050,000 USD
 - Government

 Unfunded budget:
 In-kind Contributions

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Agreed by Ministry of Finance of the Slovak Republic:

 Ján Počiatek, Minister Date

Agreed by UNDP:

 Jens Wandel, UNDP Regional Centre Director Date

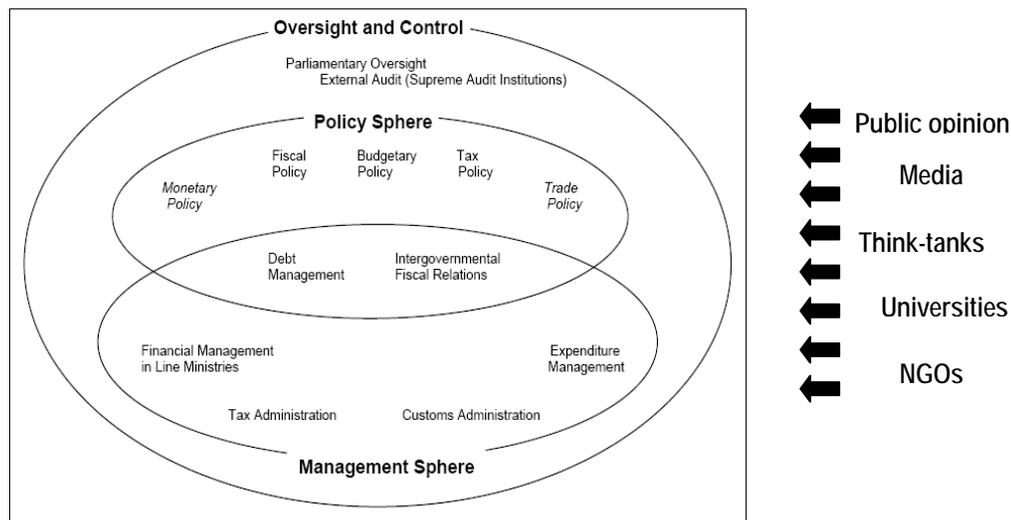
I. Background and situation analysis

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.

In the most advanced democracies, a balanced system of checks and balances form the core of good governance. The incentives that motivate public servants and policy makers are rooted in national accountability frameworks, with public finance playing an essential role. Furthermore, efficient public sector management practices and transparent approaches in government spending are key elements for achieving social inclusion. Many countries in transition, however, continue to live with weak governance systems that permit rent seeking behaviours, inappropriate resource allocation, and the maintenance of inefficient tax collection systems. Misappropriation and misallocations of public funds translates into poor delivery of social services and inadequate social transfers to the poor and most vulnerable groups, as well as into underinvestment in infrastructure development, agriculture, and industry. Large shadow or grey economies are strongly related to poor governance and weak public finance.

Figure 1 Public Finance Diagram¹



Public financial management concerns the taxing and spending of government, which in turn influences resource allocation and income distribution. A traditional public finance diagram is described in Figure 1. Public vigilance can guarantee the sustainability and efficiency of a reformed government budget. Therefore the programme will not only be devoted to line ministries or governmental organizations as main actors, but also to target capacity development activities for independent researchers, journalists, students and non governmental think-tanks. This wider approach to public finance, which is participatory by definition, will be guaranteed through the whole implementation of the programme.

¹ Adapted from GTZ (2006) Capacity Development in Public Finance Reforms: The Approach of GTZ.

Need for strengthening public finance in Western Balkans and Commonwealth of Independent States (CIS)²

While public finance reform is often perceived as a technical issue, experience shows that technical innovations without political support and institutional changes are of little value. Independent policy research and policy monitoring are still underdeveloped in many countries of CIS and Western Balkans and control mechanisms (e.g., from an independent press) are often too weak to contribute to policy making. Opinion networks, forums, open policy debates, and discussion platforms are not effective in delivering effective policy options. Therefore knowledge sharing and awareness raising activities are in need.

The World Bank's world governance indicators provide good proxies for assessing the effectiveness of governance systems (Figure 2), including public finance. Countries from the former Soviet Union fall in the 2nd lowest half (<50%) for both indexes and many—especially in terms of voice and accountability—are among the worst performers. While performance in the Western Balkans is somewhat better (with some exceptions), it is still far behind Eastern European countries. There is also a marked difference in terms of voice and accountability between the two sub-regions. These indicators suggest that Belarus, Tajikistan, and Uzbekistan are in particular need of stronger governance reform efforts.

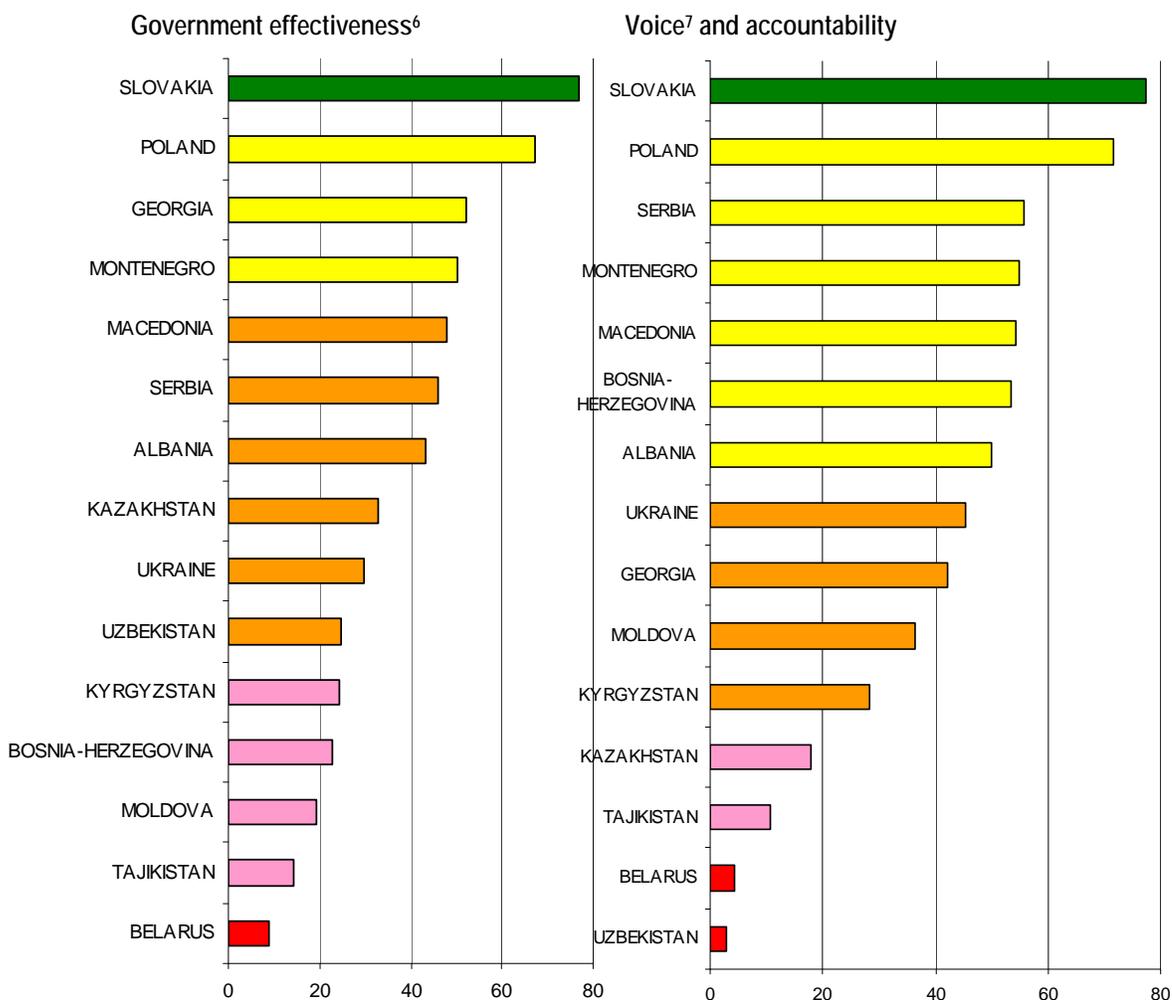
Among transition countries public finance reforms proceeded faster in some areas (e.g., treasury systems) than in others (e.g., budget formulation), and in some countries (e.g., Croatia) than in others (e.g., Belarus, Bosnia and Herzegovina [BiH]). Common features in the Balkans and CIS include widespread budget over-commitments, unrealistic allocations, over expanded public sector expenditures, and poor mid-term fiscal planning. The centralized government structures inherited by most of these countries made fiscal decentralization necessary, but fiscal decentralization has meant severe organizational and cultural challenges. Even in countries where decentralization is relatively advanced (e.g., BiH, the Former Yugoslav Republic of Macedonia³), there is a need to strengthen financial literacy and accountability. Despite remarkable progress in recent years, problems in the budget cycle—especially in terms of revenue forecasts and budget comprehensiveness—persist. Finally, capacity for internal audit and budget control functions in several countries (e.g. Macedonia) remains inadequate.⁴ These difficulties and a general lack of transparency limit the ability of civil society and the media to monitor public expenditures.

² This situational analysis is based on a desk review of relevant publications, such as World Bank country financial accountability assessment and public expenditures review, International Monetary Fund (IMF) public financial management assessment and Organization for Economic Development and Cooperation (OECD) country and regional reviews. Country fiches on public finance needs assessments were provided by UNDP Bratislava Regional Centre (UNDP BRC) and Country Offices for 7 countries.

³ Hereafter: "Macedonia".

⁴ UNDP 2007, 2008 – Country fiches Macedonia.

Figure 2 World Governance Indicators⁵



In the Western Balkans tax administration remains weak, with specialized agencies often operating with insufficient resources and personnel. Tax inspection authorities reportedly conduct too many tax inspections and appeals procedures are lengthy and costly for entrepreneurs. Weak institutional mechanisms create bottlenecks for business and impede sustainable growth, even in countries with very low corporate and personal income tax rates. Similar and even more significant challenges are faced by the poorest countries in Central Asia.⁸ In many countries public revenues are threatened by large informal or shadow economies, reducing fiscal space for social interventions and other development measures. Estimates indicate that the shadow economy (percent of GNP) reached 68% in Georgia and 54% in Ukraine.⁹ Albania, BiH, Macedonia, Montenegro and Serbia share the prospect of accessing the EU. Even if the path, timing and agenda are country specific, the importance of the preparation process is self-evident. The programme acknowledges these efforts and, consequently, the support provided will be aligned with each country's accession roadmap.

Donor technical assistance and Slovak experience in structural reform implementation

⁵ <http://info.worldbank.org/governance/wgi/index.asp>, data in percents

⁶ Government Effectiveness – measuring perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

⁷ Voice and Accountability – measuring perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

⁸ By Central Asia we understand, the following countries of the former Soviet Union: Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan.

⁹ OECD (2008)

The public finance reforms introduced in Slovakia sought to rationalize institutional structures, enhance personnel skills, and streamline procedures and decision-making mechanisms. These reforms focused on five main areas: a) transparency, including tax reform; b) strategic planning and resource allocation with the introduction of results-based budgeting; c) definition of a medium-term public finance framework; d) effective debt management and treasury systems; and e) fiscal decentralization. Since 2000 progress in public finance reform guaranteed the achievements of important goals, including the accession to the European Union and then the Euro-zone. Among key achievements having good potential for replication, one can indicate:

- compliance of public finance management reporting with EU and IMF standards;
- mid-term expenditure framework;
- debt and liquidity management;
- better management and progressive reduction of the public deficit, including the accounts of local administration and social protection funds;
- budgetary management process and interfaces between budgeting sections;
- the pilot introduction of results-based budgeting;
- and strengthening independent internal audit systems.

Slovak Official Development Assistance

In 2007, the Slovak Agency for International Development Cooperation was established, and in 2008 the Act on Official Development Assistance (ODA) entered into force, creating the legal framework for development activities. The Middle-Term ODA Strategy for 2009-2013¹⁰ lists “economic development, building of market environment, strengthening the macro-economic environment, public finance management and support of small and medium-sized enterprises” as one of the four ODA priority areas, while the countries of interest (as regards two priority regions of the programme) are: Albania, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Montenegro, Serbia, Tajikistan, Ukraine, and Uzbekistan. The programme can be instrumental for the process of institutionalizing Slovak line ministries interventions in development cooperation. The final evaluation will include lessons learned and recommendation in this regard.

II. Strategy and objectives

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 Performance Measurement Framework¹¹ identifies the critical dimensions of performance of an open and orderly PFM system as follows: 1. **Credibility of the budget** - The budget is realistic and is implemented as intended. 2. **Comprehensiveness and transparency** - The budget and the fiscal risk oversight are comprehensive and fiscal and budget information is accessible to the public. 3. **Policy-based budgeting** - The budget is prepared with due regard to government policy. 4. **Predictability and control in budget execution** - The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds. 5. **Accounting, recording and reporting** - Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes. 6. **External scrutiny and audit** - Arrangements for scrutiny of public finances and follow up by executive are operating.

The emphasis of the programme will be 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.

¹⁰ <http://www.slovakaid.mfa.sk/en/index.php/article/articleview/97/1/1>

¹¹ PEFA - PFM Performance Measurement Framework, June 2005

While the geographical coverage includes countries from the Western Balkans and the CIS, the programme will implement specific capacity development activities country by country based on a needs driven approach. Regional and sub-regional activities, including knowledge sharing, joint research and professional exchanges will facilitate the flows of ideas and create a community of experience. Should the countries that already started the process of EU accession be chosen during the Component 0 of the programme, special attention will be dedicated to the provision of technical assistance and its alignment with the support UNDP and other development partners are providing to EU applicants (including prospective applicants).

The Ministry of Finance of the Slovak Republic will participate 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) will participate in steering the programme activities to provide for its alignment with Slovakia ODA and foreign policy priorities. The duration of the programme is 36 months. It will include the following components:¹²

Component 0

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

This situational analysis is so far based on a desk review of relevant publications, such as World Bank country financial accountability assessment and public expenditures review, IMF public financial management assessment and OECD country and regional reviews. Country fiches on public finance needs assessments were provided by UNDP BRC and CO for 7 countries (Albania, Belarus, BiH, Macedonia, Montenegro, Serbia and Ukraine).

In the first stage of the programme implementation brief country profiles on public finance for at least half of the identified beneficiary countries will be elaborated. The profile will include up-to-date information on public finance management (PFM) (political situation, undergoing reforms, government commitments and strategies, donors' involvement, stakeholders' identification). Feedbacks from UNDP country offices and public finance focal points in government institutions will be used.

Based on the profiles, priority countries for the programme will be identified and the demand for technical support and capacity development will be mapped. Complete needs assessment will be conducted for selected countries (two to four), taking into account complementarity of the assistance, its relevance, and coherence with the short and middle-term strategies. The capacity assessment will be designed using the UNDP default methodology for institutional capacity assessments¹³. Concrete areas of intervention will be identified in a participatory manner with beneficiary institutions and in line with the capacities of the Slovak Republic in the area of public finance. Subsequently all the activities will be aligned with these areas of interventions. Based on 0 Component results, the possible regional activities shall be identified involving other countries from the regions not included in the programme. Part of the assistance will be offered centrally mainly to government institutions to fill in identified shortages in this area, part will be demand driven and will be focused on support of the most committed stakeholders. During this phase the roster of experts from Slovak institutions (Ministry of Finance of the SR, other public institutions, think-tanks, consultancy companies, universities, etc.) shall be compiled. Creation of the expert roster will be coordinated with and possibly feed into similar efforts and initiatives of the Ministry of Foreign Affairs of the SR, Slovak Aid and other actors.

Component 1

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

While public finance reform is often perceived as a technical issue, experience shows that technical innovations without political support and institutional changes are of little value. Widespread budget over-commitments, unrealistic allocations, over expanded public sector expenditures, and poor mid-term fiscal planning are common features in the region. Even in countries where decentralization is relatively advanced, there is a need to strengthen financial literacy and accountability. Despite remarkable progress in recent years, problems in the budget cycle persist. Policy makers, analysts, researchers are considered as key stakeholders. Possible activities include:

¹² The Programme Board (see Section III: Management Arrangements) will identify recipient countries and exact areas of thematic focus through consultations held at the level of individual countries and regionally based on needs assessment provided by programme manager. Such consultations will ensure a direct, two-way link between decision-makers and partners. The Board will consult key actors, mainly national governments and, international and multinational organizations involved in public finance reforms in target countries. Consultations with key national counterparts shall continue during programme implementation in order to align activities with those planned by the recipient country governments and promote local ownership of the project results. If relevant and feasible, program manager and Advisory Board could be involved.

¹³ http://www.capacity.undp.org/index.cfm?module=ActiveWeb&page=WebPage&s=capacity_development

- 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.

Component 2

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

Good practices in public finance are critical in combating corruption, alleviating poverty, and guaranteeing an effective use of government resources. The presence of a vigilant public opinion can guarantee the sustainability and efficiency of a reformed public finance. Therefore the attention of part of the programme activities shall be devoted to activities focused on increasing awareness of key stakeholders and on their understanding of relationship between poverty reduction and sound PFM. 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; and
- Publication of the results of research conducted in CIS countries in *Problems of Economic Transition* (<http://www.mesharpe.com/mall/results1.asp?ACR=pet>).

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:

- Creation 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; and
- The translation into beneficiary country languages of relevant manuals and research works on priority topics, including works from Slovakia's leading experts.

Details of these activities will be fine-tuned in the implementation phase based on needs assessments conducted at the beginning of the programme in the target countries.

Coordination and partnership strategy

The programme reflects a partnership between the MF SR and UNDP, 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. The selection of beneficiary countries and country specific initiatives will build on COs' experience in the field and identified development needs. UNDP COs will assure that the initiatives financed by the programme are implemented in line with country priorities and coordinated with other donors. On a country level

existing (country specific) donor coordination mechanism will be used. Ad-hoc agreements will be reached with the country offices of beneficiary countries. UNDP BRC will assure donor coordination at the regional level.

The programme will coordinate with the UNDP *Regional Centre for Public Administration Reform (RCPAR)*¹⁴ and its established network of public finance focal points as well as with the existing UNDP's human development networks, which supports initiatives to improve understanding of the economic aspects of human development, social inclusion and strengthening regional cooperation in South Eastern Europe and the CIS and provides a platform to initiate, implement, and coordinate actions focused on capacity development in the area of economics, human development and social inclusion in countries under-going economic transition.

In the process of implementation of Component 0, the Center for Excellence in Finance¹⁵ in Slovenia, the Public Expenditure Management Peer Assisted Learning Network, the World Bank regional office, the International Monetary Fund regional office, the Asian Development Bank, the European Commission, and all other relevant partners will be contacted to avoid duplication and maximize synergies. The objective is to assign the programme a distinctive niche. In addition, the programme aims to implement joint initiatives with international and regional development banks (which have historically financed public sector reforms) and the European Commission (which is particularly active in the Western Balkans and in the countries covered by the European Neighbourhood Policy).¹⁶ If countries selected applied for membership to the EU, technical assistance will include the transfer of the Slovak Republic experience from the accession process in the area of public finance. The results of initial mapping and needs assessments will be used to fine-tune the programme activities and to assure a wider participation in the programme design because part of the assistance will be offered mainly to government institutions to fill in identified shortages in this area. Part of the assistance will be demand driven and will be focused on support of the most active and the most committed stakeholders. UNDP has already gained experience on pro-poor public finance reforms¹⁷ in the countries of the region. This knowledge and networks will facilitate smooth and participatory programme design and implementation. The MF SR will facilitate the access to experiences in public finance with its experienced staff. A network of Slovak established experts from public sector, economic institutes, academia, consultancy companies, think tanks and non-governmental organization will be established to guarantee prompt response to capacity demands from selected beneficiary countries.

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

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 Guide¹⁸. BRC will act as the programme implementing partner (agency) according to DEX, in order to allow both partners (UNDP and the Ministry of Finance of Slovak Republic) to act as flexible as possible within the frameworks of their respective responsibilities, rules and regulations.

The programme will be managed by a *Programme Manager*, who will be responsible for the day-to-day management and decision-making. This person will be supported by UNDP's management support unit and poverty practice programme assistants (*Programme Support*). The Programme Manager responds primarily to the *Programme Board* and secondly to the UNDP designated officer. His/her action is guided by the *Programme Advisory Board*. Figure 3 presents the programme's organizational chart.

Selection of the small grants and of final beneficiaries within demand driven activities in the framework of this programme will be conducted by an independent expert *Selection Committee*.

¹⁴ www.rcpar.org

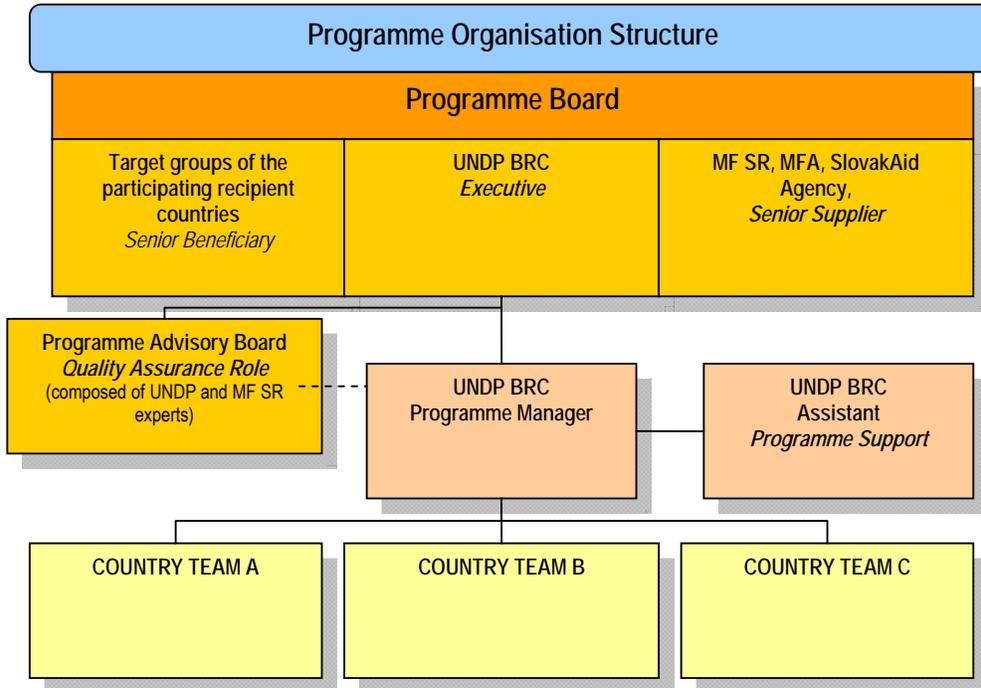
¹⁵ www.cef-see.org/

¹⁶ See Instrument for Pre-Accession Assistance (IPA - http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/index_en.htm) and other programmes including TAIEX (<http://taiex.ec.europa.eu/>) and Twinning (http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/institution_building/twinning_en.htm), European Neighborhood and Partnership Instrument (ENPI - http://ec.europa.eu/europeaid/where/neighborhood/country-cooperation/index_en.htm), Development Cooperation Instrument (DCI - <http://europa.eu/scadplus/leg/en/lvb/l14173.htm>, http://ec.europa.eu/external_relations/central_asia/index_en.htm)

¹⁷ For example see UNDP Uzbekistan <http://www.undp.uz/en/projects/project.php?id=113>

¹⁸ <http://content.undp.org/go/userguide/results/>

Figure 3



The Programme Board (PB)

Composition: one UNDP Senior Advisor, one Ministry of Finance of the Slovak Republic Senior Representative, one Ministry of Foreign Affairs of the Slovak Republic Senior Representative, one Slovak Aid Senior Representative and at least one Senior Representative from beneficiary Countries. The latter will be invited after the implementation of the Programme Component 0 and will be involved in the PB work mainly via videoconference.

Role and responsibility:

- The PB is responsible for making by consensus strategic decisions, including the approval of programme revisions (i.e. changes in the programme document);
- The PB will approve Annual Work Plans and visibility strategy;
- The PB will approve quarterly and annual reports. The minimum requirements of the quarterly and annual reports will be defined by the PB;
- The PB approves Selection Committee's proposals for support (grants, scholarships, etc.);
- The PB ensures continuous networking with partner countries;
- The PB will meet at least twice a year to review the programme strategy, management risks and most relevant issues;
- In addition the PB will meet, during the running of a programme or as necessary, when raised by the Programme Manager or the Advisory Board;
- The PB is consulted by the Programme Manager for decisions when programme management tolerances (in terms of time and budget as per work plan) have been exceeded. The PB defines the tolerances;
- The statute of the PB shall be approved by PB within the first month of the programme implementation. The meeting of the PB can be held also virtually – via teleconference, videoconference, and email debate. Quarterly programme report can be approved by the Board also through email exchange.

The *Advisory Board* (AB)

Composition: The PB will identify the Advisory Board members among experts from UNDP and the MF SR. In addition, during the implementation of the programme the membership can be offered to key external partners. Any change in the AB has to be approved by the PB.

Role and responsibilities:

- The *Programme Assurance role* will be delegated from PB to AB. The AB will support the Programme Manager and the PB by carrying out objective and independent programme oversight and monitoring functions, ensuring that the appropriate programme management milestones are managed and completed.
- The AB should participate in programme monitoring missions;
- The AB should provide the Programme Manager substantial support (advisory) in the implementation of the annual work plan;
- The AB gives opinion on annual work plans and reports prepared by Programme Manager before their submission to the PB;
- AB members can serve as members of the Selection Board for programme hiring (e.g. hiring of consultants);
- AB should assist in joint research topics identification;
- The AB can call for a PB meeting.

The *Selection Committee* (SC)

Composition: The PB will select the Selection Committee members among technical experts nominated by the UNDP from the Bratislava Regional Centre and the Country Offices in the countries covered by the Programme, as applicable.

Role and responsibilities:

- Technical evaluation of small grants and other requests for support;
- Submits selected small grants and other requests for support for the PB approval;
- Upon request, presents, explains and justifies the process and results of the selection to the PB.

Technical specifications and evaluation criteria for selection of small grants will be prepared by the PM in consultation with AB. Technical specifications and evaluation criteria will be submitted for approval to the PB.

Should the SC deem necessary, it can consult with and ask for the opinion the AB. The consultation should determine and contribute to the assessment of the technical feasibility of the proposals.

The *Programme Manager* (PM)

The *Programme Manager* will perform the following functions:

Programme management

- Co-ordination of all activities within the programme, including budget monitoring and financial reporting;
- Provision of substantive inputs (content) to the implementation of programme activities including needs assessment for selected countries, facilitation of training and events, and provision of substantive feedback and advice as required;
- Drafting ToRs, Requests for Proposals, Programme agreements, contracts, etc.¹⁹;
- Preparation of proposals for substantive programme adjustments following the PB and AB recommendations. Implementation of PB and AB recommendations with an objective to improve the programme's implementation and delivery;
- Preparation and implementation of the programme annual workplan;
- Organization of programme related meetings, including AB and PB meetings. Preparation of the background materials for these meetings and their minutes;
- Communication with PB and AB to ensure for information flow and exchange between the programme management bodies.

¹⁹ Technical specifications and evaluation criteria are approved by the PB. UNDP is responsible for the content of agreements, contracts and transparency of selection and evaluation process.

Monitoring and reporting

- Submission of all relevant documents to the PB, the donor, UNDP country offices and Regional Bureau for Europe and CIS;
- Preparation of quarterly and annual progress reports, interim and final reports and financial reports;
- Participation in monitoring missions (as required);
- Updating of management and financial information in Atlas;
- Preparation of ToRs for mid-term review and external evaluation.

Communication

- Representation of the programme vis-à-vis UNDP projects and country offices, governments, and stakeholders;
- Design, in consultation with the AB, of the programme visibility strategy;
- Implementation of the programme visibility strategy and management of relations with the media in Slovakia and in the beneficiary countries;
- Preparation of marketing material, website updates and press releases;

The *Programme Support role* will be performed by the BRC regional poverty reduction practice programme assistants and the Management Support Unit (MSU) to provide programme administration and management support to the Programme Manager as required. At the national level it will be provided by the programme assistant appointed in respective UNDP country offices.

In order to ensure UNDP's ultimate accountability, final decision making rests with UNDP in accordance with its applicable regulations, rules, policies and procedures.

IV. Monitoring and Evaluation

The monitoring and evaluation requirements will be specified in an Annex V to the programme document.

Monitoring

In accordance with the programming policies and procedures outlined in the UNDP User Guide²⁰, the programme will be monitored through the following standard formats:

Quarterly

Based on the information recorded in Atlas, a Quarterly Progress Reports (QPR) shall be submitted by the Programme Manager to the Programme Board, with inputs and feedback from the Advisory Board. The Quarterly Progress Reports (QPR) shall be composed of:

- The technical narrative part (including progress monitoring and quality management based on quality criteria and methods);
- Issue Log (shall be also activated in Atlas²¹ and updated by the Programme Manager to facilitate tracking and resolution of potential problems or requests for change);
- Risk Log (shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the programme implementation);
- programme Lesson-learned log (shall be also activated in Atlas and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the programme);
- Programme Visibility and Communication Log;
- Monitoring Schedule Plan (shall be also activated in Atlas and updated to track key management actions/events.).

²⁰ Latest valid version as of 1 January 2009. User Guide „Programme and Operations Policies and Procedures“ is updated every 12 months.

²¹ ERP system used by UNDP for project management functions

Based on expenditures recorded in Atlas, a Quarterly Financial Report (QFR) shall be submitted by the Programme Manager to the Programme Board.

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Programme Manager and approved by the PB. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level. The Annual Financial Report will be prepared and presented.
- **Annual Programme Review.** Based on the above report, an annual programme review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the programme and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Programme Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.
- **Regular Monitoring Mission Reports.** Based on the Monitoring Schedule Plan periodic monitoring missions will be conducted by agreed on members of the AB and/or PB. Each year at least one mission will be organized.

Mid-term review

- A mid-term review (internal) shall be conducted after 18 months of project implementation. The objective of the mid-term review is to comprehensively review programme implementation set-up, focus, strategy, targets, issues, risks and achieved results. The review team may propose amendments to the programme set-up, work plan, Programme document and provide feedback and guidance for the overall management improvements. The review team should be composed of senior experts from UNDP and MF SR not involved in the programme implementation. Team composition will be proposed by the MF SR and UNDP representatives of the PB and will be approved by the PB.

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.²²

V. Visibility

Appropriate visibility will be assured by Programme Manager. Comprehensive programme visibility and communication strategy will be developed at the beginning of the programme and submitted to the Programme Board for approval.

The programme visibility strategy should include at least:

- website management and online promotion initiatives;
- the creation of a media database (i.e. pictures, video, press-releases, press-kit, logo, etc.);
- the organization of promotion events (e.g. publications launch, best diploma awarding);
- and the management of relations with media in Slovakia and in beneficiary countries.
- Whenever possible, the visibility activities will be coordinated with the MF SR, MFA SR and Slovak Aid Agency.

A lump sum for promotion activities is included in the overall budget. The website and all sponsored initiatives should show the logo of Slovak Aid, Ministry of Finance of the Slovak Republic and UNDP. PM will ensure that media focused on the general public as well as on specific target groups (public, non-governmental, private and academic) will be approached. During the Component 0 implementation minimum targets for the whole program visibility as well as for each partner country visibility shall be specified.

²² Selection of external evaluators will be carried out in accordance with the UNDP rules and guidelines for selection of external consultants.

VI. Archives

Finance, HR-related documents as well as agreements and contracts are archived by UNDP for unlimited period.
Programme-related documents – progress reports, workplans, etc. are archived 5 years.

VII. Legal Context

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.