



Ministry of Finance
of the Slovak Republic



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

FINAL REPORT

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Report prepared by: **Alena Šranková, Programme Manager**

UNDP Regional Centre for Europe and the CIS

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List of abbreviations

Ardal	Agency for Debt and Liquidity Management
CA	Capacity assessment
CALM	Congress of Local Authorities of Moldova
CD	Capacity Development
CEF	Centre of Excellence in Finance
CIS	Commonwealth of Independent States
COs	UNDP Country Offices
CPAs	Central Public Authorities
EC	European Commission
ESA	European System of Accounts
EU	European Union
FPI	Financial Policy Institute of the MF SR
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
JILD	Joint Integrated Local Development
JVI	Joint Vienna Institute
LPAs	Local Public Authorities
LGs	Local governments
MF SR	Ministry of Finance of the Slovak Republic
MFEA SR/MFA	Ministry of Foreign and European Affairs of the Slovak Republic
MF MLD	Ministry of Finance of Moldova
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PB	Programme Board
PBB	Programme based budgeting
PD	Programme Document
PFM	Public Financial Management
PM	Programme Manager
QA	Quality assurance
SAIDC	Slovak Agency for International Development Cooperation
SEPD	Sector for Economic Policy and Development
SIGMA	Support for Improvement in Governance and Management (a joint EU and OECD initiative)
UNDP	United Nations Development Programme
UNDP BRC	United Nations Development Programme/ Bratislava Regional Centre
WB	World Bank

PROGRAMME DESCRIPTION

RATIONALE

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. Significant gaps exist in the area of effective public financial management system in transition countries of the region as they focus on management of public finances as a key element of **good governance and accountability system** and ultimately of enhancing **sustainable development** of the country. As **public finance reform** is widely regarded as one of the most successful areas in Slovakia's economic transition, the Slovak Republic has made public financial management as one of the key areas of its development assistance. In light of this, **the UNDP Bratislava Regional Centre and the Ministry of Finance of the Slovak Republic** have signed an agreement to implement the **"Public Finance for Development"** programme.

OBJECTIVES AND ACTIVITIES

The objective of the programme is to **strengthen and enhance national public finance capacities** by developing **analytical capacities**, raising **awareness** 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 in the design and implementation phase.

COMPONENTS

- **Component 0 – Identifying country's public finance priorities** and mapping technical assistance demand in a participatory manner
- **Component 1 – Developing analytical capacity and building skills** in the area of public finance reform for poverty reduction, jobs creation and social inclusion
- **Component 2 – Increasing awareness and understanding of public finance concepts** for poverty reduction, human development and social inclusion
- **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

BENEFICIARIES

Geographically, the programme targets priority countries of the Slovak ODA from the **Western Balkans, Eastern Europe and the Central Asia** in line with the Medium-Term ODA Strategy for 2009-2013. Institutionally, under Component 1 the programme targets government institutions, primarily **finance ministries** in beneficiary countries. Component 2 focuses on **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 are intended for wider sharing with partners and stakeholders in beneficiary countries and across the region.

KEY FACTS AND FIGURES

Duration ¹ :	June 2009 – July 2014
Programme budget:	1,850,000 USD
Donor:	Ministry of Finance of the Slovak Republic
Implementing Agency:	UNDP Regional Centre for Europe and the CIS, Bratislava, Slovakia
Partners:	Ministry of Foreign and European Affairs of the Slovak Republic, Slovak Agency for International Development Cooperation
Beneficiaries:	Moldova, Montenegro
Project in Moldova:	Capacity development for programme based budgeting
Projects in Montenegro:	Macroeconomic and fiscal forecasting and economic analysis Adoption of the European System of Accounts methodology Improving public sector accounting and reporting systems Strengthening capacities for public debt management
Total expenses 2009-2014²:	1,292,465.23 USD
Thereof in Moldova:	505,533.01 USD
in Montenegro:	256,800.10 USD

¹ The Programme document and the cost-sharing agreement between the Ministry of Finance of the Slovakia Republic and the UNDP BRC were signed on 22 June 2009. The Programme implementation was launched on 7 September 2009.

² The programme was operationally closed on 31 July 2014. Total expenses (preliminary) for 2009-2014 are reported as of 24 September 2014. Financial closure of the programme is expected by the end of 2014. Expenses reported for Moldova and Montenegro are related to Component 1 - technical assistance projects implemented for the Government of Moldova and Montenegro. Detail breakdown of programme expenses is reported in section II of the report.

PROGRAMME HIGHLIGHTS

The **Public Finance for Development programme** is the first development assistance initiative in Slovakia where **programmatic approach** has been applied to its design and implementation. Beyond its direct impact for target countries, the programme can serve as a role model for process of institutionalising Slovak development assistance initiatives of the Slovak government authorities in specifically defined areas (sectors).

The programme was featured by the **Development Cooperation Directorate (OECD)** and the **OECD DAC** (Development Assistance Committee) in its Special Review of the aid programme of the Slovak Republic completed in 2011 as **'good practice to build upon'** in implementation of larger programmes they recommend in the report. („*By contributing to larger programmes supported by other donors Slovakia's visibility within a partner country will be enhanced and increased recognition will be given to the country's role. There is already good practice that can be built upon, including the Ministry of Finance's support for Public Finance Management ...*“)³.

The mid-term review of the Programme conducted at the end of 2011 concluded that *'within the Slovak ODA the Programme on Public Finance for Development is **'the first Programme where programmatic approach** was applied and it should serve as **very positive example for bilateral component of ODA** implemented by SAIDC and MFA.'*⁴

The external evaluation of the programme completed in August 2014, among others, concluded that *'the biggest **comparative advantages of Slovak aid** proved to be the **appreciation of beneficiary countries' needs and responding to these needs** rather than pursuing own needs. Providing assistance on equal grounds (recent similar hands-on experience in similar situation) to respond to specific needs is more appreciated and effective than implementing "one-size-fits-all" best practice.'*⁵

Positive feedback on the **high quality of consultants work, relevance and very good knowledge transfer** was received from beneficiary finance ministry and other government authorities receiving the programme assistance in Moldova. **The finance minister of Moldova**, in a letter of December 2012, expressed **high appreciation of the assistance and its contribution to improved knowledge of the PBB as a managerial concept in public financial management**. According to the external evaluation *'The programme also offered a **broader vision and perspective** on some reforms, which served as **food for thought in considering alternative PFM reform measures**.'*⁶

In **Montenegro**, the most significant progress and identifiable changes brought about by the projects were achieved in the area of macro-economic and fiscal forecasting. **The organizational structure of the Sector for Economic Policy and Development of the Montenegro Ministry of Finance** has been **changed to mirror the structure of the Financial Policy Institute of the Slovak Ministry of Finance**, which is perceived by MF Montenegro as a model to be implemented in Montenegro.

The external evaluation concluded that *'the programme delivered **value-for-money** as the **quality of delivered products is praised** by the relevant stakeholders in the beneficiary countries as well as by outside stakeholders and the **chosen model and approach for Slovak Aid** has allowed delivery of services and products in a **cost-effective manner**.'*⁷

³ DCD (2010)8 Special Review of the Slovak Republic, page. 7.

⁴ Mid-term review of the Public Finance for Development Programme, December 2011, p.13.

⁵ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.48.

⁶ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.43.

⁷ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.48.

EXECUTIVE SUMMARY

The final report for the **Public Finance for Development** programme covers the implementation period of 2009-2014. More detailed description of implemented activities and results is presented in this report for the period of 2012-2014. Activities and results in the implementation period of 2009-2011 were described in comprehensive annual reports prepared for 2009-2010 and for 2011.

The Public Finance for Development programme is funded by the **Ministry of Finance of the Slovak Republic** and implemented by the **UNDP Bratislava Regional Centre for Europe and the CIS⁸ with support of UNDP country offices**. The programme has been part of the official development assistance of Slovakia with sectoral focus on public financial management as one of the most successful areas in Slovakia's economic transition. The objective of the programme is to **strengthen and enhance national public finance capacities** by developing analytical capacities, raising awareness and sharing good practice with regard to reforms implemented in Slovakia and elsewhere.

Political context, national government priorities, commitments to reforms, projects implemented by other donors and potential for identifiable impact of the SlovakAid were important criteria for selecting beneficiary countries. Four countries originally became programme beneficiaries, yet the programme implementation was fully launched and continued in two - **Moldova** and **Montenegro**. Insufficient internal capacities for projects implementation, lack of commitment and ownership led to a decision by the Programme Board that Serbia and Ukraine ceased to be the beneficiary countries. This enabled to allocate resources to countries and areas of cooperation where local ownership and commitment were declared and significantly contributed to projects planning, implementation and achievement of results.

In line with **principles of effective development cooperation**, the programme systematically applied **demand driven and participatory approach** to designing and planning the assistance. Thorough attention was paid to **alignment** of the assistance with countries government strategies to ensure **local ownership and commitment** to reforms initiatives and to **coordination** of aid efforts with other donors.

Cooperation with the **Ministry of Finance of Montenegro** covered four areas of assistance: i) macro-economic and fiscal forecasting; ii) public sector accounting and reporting; iii) adoption of ESA methodology; and iv) strengthening capacities for public debt management. Tangible results and immediate benefits were achieved mainly in the area of macro-fiscal forecasting which were reflected by improved quality of forecasts, and establishment of the new organisational structure of the unit responsible for macro-economic and fiscal forecasting. Both resulted in a stronger basis for prudent fiscal policies and created conditions for further capacity development and institutional strengthening in this area. First phase of projects implementation in other areas of cooperation with MF Montenegro created conditions for improving systems, policies and procedures for PFM functions.

The project on **capacity development in programme based budgeting in Moldova** resulted in improved knowledge and skills for PBB implementation, including improved collaboration between budget and policy specialists and between MF Moldova and sectoral ministries, being reported as a result of interactions under the programme support. Capacity development also targeted local level of government in line with the PBB implementation strategy of MF Moldova. Support of policy makers and high state and local officials was sought through targeted high-level workshops.

⁸ UNDP Regional Centre for Europe and the Commonwealth of Independent States is based in Istanbul as of 1 July 2014.

The project had positive impact on the improvement of financial management in general, and on programme based budgeting, in particular. With support of the project experts, the normative framework was revised, the methodological guidelines were developed and staff skills were improved through training, coaching and on-the-job trainings. **Strong ownership and commitment of the Ministry of Finance of Moldova** to the budget reform was a key factor driving successful cooperation with the SlovakAid project. Very thorough attention was paid to planning the activities and their alignment with capacities, needs and budget related processes in Moldova on both, central and local level of government that contributed to overall effectiveness of the assistance.

Projects in Montenegro and Moldova contributed to the finance ministries' efforts to establish sound and effective system of public financial management. The projects achieved tangible results with immediate benefits and impact, especially when it comes to Moldova. Feedback provided by beneficiaries, stakeholders and the external evaluation confirms that the **programme is relevant to development needs and strategies of the beneficiary countries. Sharing knowledge and experience with Slovakia** as a country that recently went through a similar transition process was assessed by beneficiaries as **highly relevant and valuable** for their PFM reform efforts.

With its design and implementation approach the Public Finance for Development programme can serve as a **model to be replicated** to other priority sectors of the Slovak development assistance.

Next phase of the Public Finance for Development programme implementation will continue within the framework of the project '**Slovak Republic – UNDP Partnership for Results in the International Development Cooperation**'. This framework project will join efforts of the Ministry of Finance and Ministry of Foreign and European Affairs of the Slovak Republic and UNDP to support the Slovak government institutions to plan, deliver, monitor and evaluate development activities and to develop national capacities in partner countries through effective provision of the Slovak transition knowledge and experience in priority sectors, including in the area of public financial management.

I. PROGRAMME PERFORMANCE

The following sections of the report describe the programme performance by individual components in the implementation period 2009-2014, with more detailed description of performance in 2012-2014⁹. Programme objectives under each Component are derived from the programme performance monitoring framework approved by the Programme Board in October 2011. The overall assessment of progress towards achieving programme objectives considers the implementation period of 2009-2014.

COMPONENT 0 - Identifying public finance priorities and mapping demand for technical assistance

Programme objectives:

- A. Identify programme beneficiary countries
- B. Align the assistance with countries governments' priorities
- C. Ensure harmonization with other donors

General description

Activities under this component were designed and implemented to support effective application of programmatic approach to development cooperation and ensure ongoing learning and improvement in the course of the Public Finance for Development (PFD) programme implementation.

After selection of the beneficiary countries in 2010, key focus of component was on negotiating the areas of cooperation with direct beneficiaries, planning the assistance in line with countries government priorities and national strategies related to public financial management and on harmonising the assistance with other donors.

MONTENEGRO

I. Planning the assistance and its alignment with priorities of the Government of Montenegro

1. Macro-economic and fiscal forecasting and economic analysis

The first phase of the project in the area of macro-economic and fiscal forecasting and analysis ("macro" project) was completed in June 2011. The second half of 2011 and beginning of year 2012 were dedicated to planning and preparation for phase 2.

The **project implementation plan for phase 2** was officially endorsed by UNDP BRC and MF Montenegro (deputy minister for the Sector for Economic Policy and Development-SEPD) in April 2012.

The leadership of SEPD deputy minister was the main driving force behind initiating phase 2 of the project. Satisfaction with the SlovakAid project assistance received in phase 1 as declared by the deputy minister, contributed to creating potential for long-term cooperation in this PFM area of assistance.

- *The implementation plan was based on the Work programme of SEPD¹⁰ prepared by the deputy minister for the period of 2011-2013. The work programme outlined the vision and*

⁹ Detailed description of project activities and outputs in the implementation period from 2009-2011 is included in the Annual Review Report for 2009-2010 and the Annual Review Report for 2011.

¹⁰ Institutional strengthening of the Sector for Economic Policy and Development at the Ministry of Finance, Work program for the November 2011 – December 2013 period and technical assistance needed.

specific objectives of the Sector's institutional strengthening, while incorporating results and recommendations of phase 1 of the SlovakAid "macro" project. It also contained a proposal for technical assistance needed for the Sector until December 2013, which, besides consultants' recommendations from phase 1, also reflected upon discussions held and information exchanged during the study visit in Slovakia in June 2011.

The assistance in **phase 2** was planned from **March 2012 to December 2013** and was divided into 3 components: 1) *Overall management of the work plan*; 2) *Establishing and putting into operation an effective system of macro-economic and fiscal forecasting and for substantial strengthening of analytical capacities of the Sector's staff*; 3) *Project coordination*. (see Component 1 for description of implementation).

In addition to the 'macro' project, in **2010-2011 the programme provided assistance to the Ministry of Finance of Montenegro in the following three areas of public financial management:**

- 2. Adoption of the European System of Accounts methodology (ESA)¹¹**
- 3. Improving public sector accounting and reporting systems**
- 4. Strengthening capacities for public debt management**

Phase 1 of projects implementation in all these areas was completed in November 2011 by completion of detailed assessments of respective PFM functions and presentation of key recommendations (roadmap) for the ESA methodology adoption in Montenegro, the action plan for improving debt management function and the strategy for transition to accrual accounting to the deputy minister and staff of the Treasury Sector of MF Montenegro. The Treasury Sector' management expressed satisfaction with cooperation, accepted recommendations provided by consultants and confirmed the interest to continue cooperation with the SlovakAid programme in all areas of assistance. Though discussion of phase 2 was initiated and intermittently continued in 2012 and 2013, the implementation was not launched due to delays caused by elections in October 2012, and limited capacity of the Treasury Sector of MF Montenegro for implementation.

Negotiations were open up again in summer 2013. New finance minister and deputy ministers confirmed that all areas of assistance remain to be priorities for cooperation with the SlovakAid programme. In addition, MF Montenegro expressed the interest to discuss possible technical assistance in other areas such as program budgeting and adoption of EU acquis as part of the EU accession negotiations. Since the round table on public finance reforms planned in Slovakia (in October 2013) with the new leadership of MF Montenegro did not take place due to time constraints on the side of MF Montenegro representatives, negotiations with MF Montenegro continued in February 2014. As a follow up to the mission and with support of the Slovak Ambassador in Montenegro, a letter from finance minister of Montenegro was sent in February 2014 (Annex 1) confirming interest in cooperation and outlining the assistance needed in the area of macro-economic and fiscal forecasting, accounting and reporting, budgeting and public debt management. Planning the activities continued between February and July 2014 and resulted in the following **draft implementation plans and project proposals:**

¹¹ European System of Accounts (ESA) is a methodology on common standards, definitions, classifications and accounting rules, intended to be used for compiling accounts and tables on comparable bases for the purposes of the European Community (Council Regulation (EC) No 2223/1996). Apart from the international comparability, this concept has other crucial uses such as evaluation of key government finance figures (Maastricht deficit and debt), structural economic indicators (value added, employment, foreign trade, income, etc.), monitoring/guiding of euro-area economic and monetary policies and last but not least granting financial support to regions of the EU from the Structural Funds. For countries applying ESA framework, it provides important base for creation of their economic policies.

1. Macro-economic and fiscal forecasting and economic analysis – phase 3

Draft implementation plan was prepared in close cooperation with deputy minister/head of SEPD. Besides needs identified and articulated by SEPD in the initial proposal from February 2014 the plan reflected upon the work of consultants in phase 2 since March 2012 and their recommendations provided in the interim progress report submitted to SEPD in April 2013. The implementation plan for phase 3 reflects a need to further strengthen analytical and forecasting capacities of SEPD staff to effectively use the models for projections, conduct the economic analysis and contribute to meeting the SEPD objectives.

The Sector for Economic Policy and Development has defined the following specific objectives to be achieved with support of the project:

- Establish and put into operation an effective system of macroeconomic and fiscal forecasting.
- Substantially strengthen analytical capacities of the professional staff in the areas of responsibility of the Sector.

The **objective** of the SlovakAid project in phase 3 will be to contribute to further strengthening of capacity for macroeconomic and fiscal analysis and forecasting with the aim to establish the Sector for Economic Policy and Development as a credible and institutionally sound government provider of macroeconomic and fiscal forecasts and economic analysis.

Expected results:

- Institutional set-up for forecasting activities that supports effectiveness of forecasting process and credibility of forecasts
- Macro-economic forecasting system operational
- Fiscal-forecasting system operational
- Capacities of the Sector's staff for forecasting activities and economic analysis strengthened – MF Montenegro staff applies obtained skills to prepare quality macro-economic and fiscal forecasts

The assistance will cover on-the-job training/coaching of SEPD staff, contribution to participation in seminars, trainings, workshops, study visit, support to hiring new staff, and limited IT support. The plan is expected to be finalised and endorsed by the end of 2014.

The project support from the Public Finance for Development programme will continue in phase 3 within the framework of the project 'Slovak Republic – UNDP Partnership for Results in the International Development Cooperation.'

2. Public sector accounting and reporting systems – phase 2

The project will merge support to the public sector accounting and reporting with ESA methodology. A project proposal has been prepared in close cooperation with senior management of the Treasury Sector, MF Montenegro based on needs presented in February 2014. The project proposal was approved by the Programme Board in May 2014 and will become a basis for preparation of the implementation plan. The objective of the project is to transfer knowledge in accrual accounting, and conduct trainings and analysis of current accounting transaction in order to gradually transit to accrual accounting in accordance with IPSAS and ESA standards. Among expected results is the updated strategy for transition to accrual accounting, accounting transactions in accordance with IPSAS and ESA, and developed Chart of accounts according to IPSAS and ESA requirements. The project implementation – phase 2 - was launched in June 2014 and is planned until December 2015.

3. Medium-term budget planning and programme budgeting

A proposal submitted by the Budget Sector in February 2014 specified activities in the area of i) Medium-term expenditure framework – MTEF; ii) staff capacity building; iii) IT support for MTEF and iv) public investment planning. Further communication resulted in preparation of the project proposal that was approved by the Programme Board in June 2014. The assistance was provided to draft the MTEF action plan in March – July 2014. MF Montenegro has been requested by EC to prepare the overall PFM strategy (MTEF action plan should be closely linked to it) and was also offered the assistance by SIGMA with the PFM strategy preparation. Communication will continue on the relevance of the SlovakAid assistance in the area of budgeting.

In the area of **debt management**, a proposal was submitted in February 2014 by the Sector for Treasury to implement two activities in phase 2: i) providing software for public debt management and technical assistance for preparing TOR for procurement of public debt management software and ii) training of employees for different financial transactions (SWAR, FX transactions, issuing and preparing financial derivatives). The proposal included activities already discussed in 2012 and responded to in a proposal for assistance submitted by the programme in 2013 (in addition, IT system was reported by MF Montenegro as already addressed in February 2014). As public debt was presented in the minister's letter among priority areas of cooperation, a short on-the-job training in Ardal was proposed for 1 staff member from the Treasury Sector. However, development of a comprehensive proposal for cooperation seems rather challenging and less likely due to continuous insufficient capacity of the Sector for project implementation. Continuation in the area of debt management will depend on tangible commitment and absorption capacity of the MF Montenegro.

Discussions will continue with MF Montenegro about the possibility to include additional areas of cooperation such as budgeting, depending on MF Montenegro needs, absorption capacity, scope of assistance, timing and available human and financial resources. Success of projects implementation will require broader political support for public finance reforms, strong commitment and ownership of reforms by MF Montenegro, their internal capacity for implementation and effective coordination during projects planning and implementation.

Next phase of project support in the agreed areas of cooperation from the Public Finance for Development Programme will continue within the framework of the project 'Slovak Republic – UNDP Partnership for Results in the International Development Cooperation.'

II. Harmonising the assistance with other donors

Coordination with other donors' projects in PFM/public administration area was conducted when planning the assistance and along with preparation of the implementation plans. The twinning project implemented by consortium from Germany, Slovenia and Austria was identified as relevant to the SlovakAid macro/fiscal forecasting project in 2011, a project supported by Norway related to PEP preparation and EU accession, IMF and EC assistance to Monstat were taken into account when planning the assistance. The exchange of information on ongoing and planned technical assistance in PFM/public administration with EC delegation in Montenegro took place. No duplications of assistance were identified during projects implementation. Relevance of assistance in budgeting will be further discussed with MF Montenegro and/or EC delegation in relation to planned EC assistance in this area.

MOLDOVA

I. Planning the assistance and its alignment with priorities of the Government of Moldova

Capacity development for programme based budgeting

Programme based budgeting (PBB) project phase 1 was completed in November 2011. Capacity development plan prepared by SlovakAid PBB project experts became a basis for discussions with MF Moldova representatives on the follow up phase of the PBB project in Moldova with support of the programme and in line with relevant projects implemented on central and local levels, primarily the UNDP Moldova Joint Integrated Local Development (JILD) project and the WB funded PFM project at MF Moldova. Discussions on **phase 2 of the PBB project** started in November 2011 and its **implementation was launched in March 2012**. MF Moldova actively participated in the development of the implementation plan. Iterative process of revising and updating the plan continued along with the project implementation that enabled MF Moldova to better define and prioritize their needs and ensure relevant and well targeted assistance by the project. The final implementation plan for phase 2 was endorsed through the exchange of letters between UNDP BRC and MF Moldova in July-September 2013. The plan contained the following activities:

IMPLEMENTATION PLAN FOR PBB PROJECT – PHASE 2

March 2012 – July 2014

- 1. Comprehensive PBB training system**
 - 1.1 Design of a comprehensive PBB training system for central and local public authorities (CPAs and LPAs)
 - 1.2 Preparation of training materials for Module 1.1 PBB in practice, module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring¹²
 - 1.3 Paper on Examples of good and bad practices in setting up goals, objectives and performance indicators in programme budgeting (CPAs and LPAs)
- 2. Training of trainers (ToT) on PBB concept and methodology**
 - 2.1 Training of 40 trainers (ToT) from CPAs on Module 1.1 PBB in practice, module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring and update of PBB training package after ToT
 - 2.2 Training of 70 trainers from LPAs on module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring and update of PBB training package after ToT
- 3. Capacity development in PBB concept for central and local public administration -**
 - 3.1 High level workshop for ministers, deputy ministers, parliamentary commission, state chancellery on PBB concept
 - 3.2 High level workshop for representatives of LPA Level II – presidents of districts
- 4. Coaching of Moldovan trainers – coaching of trainers for 4 groups of trainees from CPAs**

¹² Titles and numbering of courses refer to the training system design prepared by the SlovakAid project expert and approved by MF Moldova. The course is part of Module 1.1 PBB in practice, Module 1.1.1 Setting up policy, planning and budgeting in public finance, Part B: Programme budget development – training on PBB concept and in-depth training on PBB (Part A of Module 1.1.1 Planning and budget preparation was covered by the WB PFM project at MF Moldova) and Module 1.1.2 Budget performance, measurement and monitoring.

- 5. On-the-job training for selected central public authorities**
 - 5.1 Assisting with fine-tuning of programme budget structures at selected CPAs and with institutionalization of PBB process within CPA (assessment of the current organizational structure related to PBB process and recommendations on internal re-organization of the PBB process as appropriate).
 - 5.2 Assisting in examining the quality of programme budget submissions and in preparation for consultations with public authorities (focus on compliance with PBB methodology and the use of performance information).
 - 5.3 Advising MF Moldova on effective use of performance information in the budget documentation prepared by MF Moldova.
- 6. Supplementary materials to PBB methodology – practical guide for LPAs on PBB implementation**
- 7. Capacity development for evaluation**
 - 7.1 Development of evaluation methodology
 - 7.2 Training package for evaluation
- 8. On-the-job training for local public authorities**
 - 8.1 Assisting with fine-tuning of programme budget structures at selected LPAs and conducting general assessment of the PBB process.
- 9. Knowledge sharing – study visits to Slovakia and contributions to participation in seminars, conferences.**
 - 9.1 Study visits to Slovakia
 - 9.2 Contributions to costs of participation in seminars, conferences.
- 10. Lessons learned from Slovakia**
 - 10.1 Lessons learned from fiscal decentralization in Slovakia
 - 10.2 Lessons learned from PBB implementation in local governments of Slovakia

As indicated in the plan, various capacity development modalities (training of trainers, on-the-job trainings, etc) were incorporated that contributed to increased effectiveness and impact of the assistance (see Component 1 for description of implementation).

Capacity development for programme based budgeting – phase 3

Proposal for activities in Phase 3 of the PBB project planned for 2014-2016 was submitted to MF Moldova in December 2013. It reflected upon the progress and results of project implementation as well as consultants findings in phase 2. The plan was discussed in the meeting with MF Moldova representatives in February 2014 and it was assessed from the point of its relevance, timing, prioritization and resources available. Capacity development activities for PBB are planned to target MF Moldova, CPAs and LPAs on level II (raions) and level I (municipalities). Several new activities were proposed such as support to institutionalization of the training system, repeated capacity assessment/training needs assessment and update of the training system design. On-the-job training activities are expected to continue to support public authorities not previously benefiting from this type of assistance. Phase 3 will also include activities not implemented in phase 2 (study visit of representatives from local public authorities in Slovakia and training package for evaluation). These were postponed due to insufficient capacity for implementation and their new timing will be agreed with MF Moldova.

II. Harmonising the assistance with other donors

Coordination with other donors' projects in PFM/public administration area was conducted when planning the assistance and along with preparation of the implementation plans. The WB funded PFM projects at MF Moldova and State Chancellery, UNDP Moldova JILD project and initiatives under the

decentralisation reform strategy were highly relevant for the SlovakAid PBB project and activities were coordinated and information was exchanged. Discussions were held with EC Delegation in Moldova in 2014 on coordination of assistance in PFM area.

The PBB project was in phase 2 closely aligned with then ongoing WB funded project at MF Moldova. The WB project team worked very closely with the internal departments of MF Moldova. The team also participated in discussions of the PBB project implementation, including reviewing the consultants' outputs and providing feedback. Trainings conducted by the WB project team on budgeting were coordinated with the trainings provided by the PBB project consultants. The WB project team also actively participated in the training of trainers on PBB concept and methodology by delivering presentations on the legislative framework for budgeting and PBB methodology in Moldova and provided more in-depth clarifications of PBB specifics in Moldova. Project staff provided invaluable support in preparation and coordination of PBB project activities at MF Moldova and other government authorities. The WB funded PFM project at MF Moldova ended in December 2013.

SERBIA

Serbia was selected as a **beneficiary country** by the Programme Board in February 2010. The initial assessment and planning mission took place in May 2010 with participation of the MF SR experts. It was followed by the study visit to Slovakia of 5 representatives of MF Serbia in June 2010 in the area of budgeting and fiscal decentralization. Though, the study visit resulted in drafting the implementation plan for capacity building in budgeting (programme budgeting, budget analysis and MTEF) on central government level, the plan has not been endorsed by the MF Serbia. Implementation was postponed on the request of MF Serbia due to limited capacity of the budget department for its implementation and later on due to parliamentary elections (planned in autumn 2011 and postponed to May 2012). Communication, facilitated by UNDP Serbia, continued with newly appointed leadership of MF Serbia in 2012. A more specific request for assistance in the area of **capital budgeting** was submitted in December 2012 and considered by the Programmed Board on 6 March 2013. After considering a relatively narrow scope of the project, existing programme resources, commitment and absorption capacity of the beneficiary, the Board decided to re-allocate funds from Serbia to Montenegro and Moldova. **Serbia ceased to be the programme beneficiary country.**

UKRAINE

Ukraine was selected as a beneficiary country by the Programme Board on 19 January 2011 with focus on improving **public financial management on local level (Zakarpatska Oblast)**. A detailed implementation plan was drafted with the assistance of UNDP Ukraine. It was communicated with potential beneficiaries throughout 2011 and 2012. In spite of intensive support from UNDP Ukraine and involvement of the Embassy of Slovakia in Ukraine, commitment of MF Ukraine to the project implementation was not declared. Considering this, along with existing programme resources and limited time for implementation (planned end of the programme in June 2014), the Programme Board decided on 6 March 2013 to re-allocate funds from Ukraine to Montenegro and Moldova. **Ukraine ceased to be the programme beneficiary country.**

Progress towards achievement of programme objectives

Selection of programme beneficiary countries by the Programme Board in 2010 and 2011 was supported by the initial needs assessment (survey of interest, indicative needs and country profiles) and by matching countries' PFM needs with PFM capacities of Slovakia. Political context, national

government priorities, commitments to reforms, projects implemented by other donors and potential for identifiable impact of the SlovakAid assistance were important criteria for selecting programme beneficiary countries. In line with the principles of **effective development cooperation**, the programme paid thorough attention to alignment of the assistance with countries government strategies to ensure local ownership and commitment to reforms initiatives.

Implementation plans developed for each area of assistance created **cooperation framework** with beneficiary countries that enabled systematic application of **participatory and demand driven approach** to needs identification, planning and prioritisation of the assistance and ensured alignment of the assistance with countries government strategies. Continuous needs identification was also informed by results of consultants work in previous phases and by their recommendations for improvements in respective PFM areas of assistance.

Active participation of beneficiary finance ministries in projects design and official endorsement of the implementation plans ensured **relevance of assistance, ownership and commitment**, considered by the programme among key pre-conditions for success of both, countries' reforms and SlovakAid projects implementation. Implementation plans also provided sufficient **flexibility** to respond to new or modified requests during implementation if these were in line with projects objectives.

Demand driven approach and programme flexibility were very positively assessed by the external evaluation saying that *'the flexibility of the Programme to respond and adjust to emerging country needs indicated by the recipient countries reflects the demand-driven nature of the Programme and the relevance of Programme.'*¹³

The evaluation also concludes that *'the biggest comparative advantages of Slovak aid proved to be the appreciation of beneficiary countries' needs and responding to these needs rather than pursuing own needs. Providing assistance on equal grounds (recent similar hands-on experience in similar situation) to respond to specific needs is more appreciated and effective than implementing "one-size-fits-all" best practice.'*¹⁴

The implementation plan for Moldova also shows that the assistance has broadened, not only in its scope (central and local level of government) but also in the forms of aid delivery. Inclusion of on-the-job trainings, considered by beneficiaries an innovative and effective type of assistance, significantly contributed to improving knowledge and skills for programme budgeting of its direct users.

Mapping other donors' activities was conducted before selection of beneficiary countries and **harmonization efforts** continued during the implementation period. No duplication of projects was identified. Complementarities were found with other projects, in particular the WB funded PFM project at MF Moldova. Close cooperation between project teams to a large extent contributed to smooth implementation of the PBB project in Moldova. Information on projects activities in Montenegro and in Moldova was exchanged with key donors (EC, IMF, WB) and the Centre of Excellence in Finance in Slovenia.

Needs identification and prioritization can be a challenging process for beneficiary countries taking into account the complex reform agenda and sometimes limited absorption capacity. Therefore one of the key **lessons learned** from the Programme implementation is that needs assessment, priority setting and sequencing of capacity building activities in PFM areas of assistance is a **continuous process** where active participation of the beneficiary plays a key role.

¹³ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.25.

¹⁴ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.46.

COMPONENT 1: Developing analytical capacity in the area of public finance reform for poverty reduction, jobs creation and social inclusion (government stakeholders)

Programme objectives:

- A. Support institutional set-up for public financial management**
- B. Improve systems and procedures for public financial management**
- C. Contribute to development of analytical capacity and staff skills in public financial management**

General description

Activities under Component 1 targeted government institutions primarily finance ministries in beneficiary countries to strengthen institutional and human capacities in the area of public finance. Policy makers, analysts, officials, researchers were considered key stakeholders. Activities were part of a needs-driven technical assistance and responded to PFM priorities agreed with beneficiary institutions during needs assessment phase and subsequently updated if needed during the implementation phase. Project implementation in each PFM area of assistance was guided by the implementation plan.

MONTENEGRO

Macro-economic and fiscal forecasting and economic analysis – phase 1

Phase 1: June 2010 – June 2011

Total expenses: 44,452.40 USD

Objective: *support the Ministry of Finance of Montenegro in strengthening its institutional capacity for macroeconomic and fiscal analysis and forecasting with the aim to increase transparency and credibility of analytical and forecasting activities of the Ministry of Finance of Montenegro.*

Expected results:

- Increased transparency of the analytical and forecasting process at MF Montenegro
- Increased quality and reliability of macroeconomic and fiscal data
- Clarity of roles and responsibilities and improved cooperation among internal units of MF Montenegro
- Increased credibility of the forecasts produced by MF Montenegro

Project outputs:

- Workshop with deputy ministers and staff of MF Montenegro to present: analytical capacity building at MF SR, the institutional set-up of the Financial Policy Institute of MF SR and a macro-economic forecasting process at MF SR (June 2010)
- Report on enhancing analytical capacity for macro-economic and fiscal forecasting in Montenegro and its presentation to MF Montenegro management (February 2011)
- Report on macro-economic data infrastructure review and its presentation to MF Montenegro management (March 2011)
- Report on lessons learned: Financial Policy Institute at the Ministry of Finance of the Slovak Republic (April 2011), (reported under Component 3)
- Study visit of MF Montenegro staff (deputy minister and 4 key analysts from SEPD) at MF SR and the National Bank of Slovakia to learn about the overall approach to reforming macro-economic and fiscal forecasting activities at MF Montenegro (June 2011).

Resources: 5 experts, 3 missions to Montenegro

Implementation

Following a **detailed assessment of internal processes at the Ministry of Finance of Montenegro in the area of macroeconomic and fiscal forecasting and economic analyses** conducted with support of the Slovak Aid in 2010-2011 and taking into account best practices in several other countries in the region, the Ministry embarked on a substantial institutional reform in the areas covering these subjects.

Under the reform with support of the project, the following allocation of tasks was put in place as of May 2011.

- The Sector, with its new mandate and leadership at the deputy minister level, became organized in three units: (i) unit for macroeconomic projections and analyses, (ii) unit for fiscal projections and analyses, and (iii) unit for structural policies.
- Budget Sector became responsible for programming of the expenditure side of public finances as well as for budget implementation.

The **main objective in the next phase of reform** was (i) to strengthen the quality of the Ministry's work in the areas of macroeconomic and fiscal forecasting and economic analyses, (ii) to establish an institutional structure of the Ministry of Finance in these areas that will follow experiences of best practices.¹⁵ Phase 2 of the SlovakAid project was designed specifically to contribute to achievement of the above stated objectives.

Macro-economic and fiscal forecasting and economic analysis – phase 2

Phase 2: March 2012 – July 2014

Total expenses: 82,533.84 USD

Objective: *Contribute to further strengthening of capacity for macroeconomic and fiscal forecasting and economic analysis with the aim to establish the Sector for Economic Policy and Development as a credible and institutionally sound government provider of macroeconomic and fiscal forecasts and economic analysis.*

Expected results:

- Institutional set-up for forecasting activities that supports effectiveness of forecasting process and credibility of forecasts
- Macro-economic forecasting system designed and operational
- Fiscal-forecasting system designed and operational
- Capacities of the Sector's staff for forecasting activities and economic analysis strengthened

Project outputs:

- Macroeconomic projection model finalized and transferred to SEPD
- Fiscal forecasting model finalized and transferred to SEPD
- Preliminary on-the-job training to SEPD staff on using the models
- Up-to-date database of key macroeconomic and fiscal variables
- Workshop to present models and explain their logic and structure to experts involved in drafting the Pre-Accession Economic Programme (PEP) and to the Minister of Finance
- Two sets of macroeconomic projections for 2012-15 prepared

¹⁵ Institutional strengthening of the Sector for Economic Policy and Development at the Ministry of Finance, Work program for the November 2011 – December 2013 period and technical assistance needed.

- Two sets of fiscal revenue projections for 2012-15 prepared
- Analytical papers, explaining in detail the approaches used in the projection exercise, were drafted and delivered to SEPD
- Initial proposal for capacity development of SEPD staff drafted
- Financial contribution provided to 6 staff members from SEPD staff to participate in the following five IMF/JVI seminars
 - ❖ Macroeconomic diagnostic (JVI, November 2012)
 - ❖ Macroeconomic management and fiscal policy (JVI, January 2013)
 - ❖ Public Governance and Structural Reforms (JVI, April 2013)
 - ❖ Government Finance Statistics (IMF, Washington D.C, June 2013)
 - ❖ Applied Economic Policy (JVI, May 2014)
- Seminar on written communication skills delivered to 17 participants by CEF in September 2012.

Resources: 3 experts, 4 missions to Montenegro

Implementation

New organizational structure of SEPD created conditions for further capacity development of SEPD staff and for improving procedures for macro-economic and fiscal forecasting. The **macro-economic projection model and fiscal forecasting model** were prepared by consultants in 2012. The content of both models was agreed with the beneficiary. The models for projections were presented to the finance minister and their logic and structure were explained to SEPD staff. Preliminary **on-the-job training to SEPD staff** on using the models was delivered. After preparing two sets of projections for 2012-15, the models were transferred to SEPD staff in October 2012. Besides directly working on-the-job with consultants, knowledge and skills of SEPD staff were improved via **trainings in IMF or JVI and capacity for writing strategic economic and fiscal policy documents** was improved via specialized course. It has been reported by SEPD staff and consultants that knowledge acquired in IMF seminars was implemented in the Sector's work and the improved writing skills were reflected in higher quality of strategic documents such as PEP. Recommendations for further capacity development of SEPD staff and its institutional strengthening were provided in the project reports prepared by consultants.

Progress towards achievement of programme/project objectives

One of the **key results** of the project in phase 1 was that the **organizational structure of the Sector for Economic Policy and Development at MF Montenegro was changed to mirror the structure of the Financial Policy Institute of the Slovak Ministry of Finance**, which is perceived by MF Montenegro as a 'model to be implemented in Montenegro.' While it was directly influenced by the SlovakAid project, it should be recognised that the reform in this PFM function was driven by strong leadership of MF Montenegro.

According to the external evaluation tangible results and immediate benefits in the area of macro-fiscal forecasting are reflected by *'improved quality of the forecasts, improved transparency and clarity of the role of various stakeholders forecasting process, and establishing an institutional set up for forecasting activities. Interventions in this area led to a stronger basis for prudent fiscal policies.'*¹⁶

Other **notable achievements in SEPD during 2012** were reported by head of SEPD and consultants and include mainly the following:

- Significant progress has been achieved in organization of the budgeting process resulting in clear responsibilities between SEPD and the budget sector. Involved staff is aware of the

¹⁶ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.37.

scope of their responsibilities, the sources of data and information needed to carry out their duties and the outputs expected from them.

- A **report on Monthly Macro-economic indicators is regularly produced by SEPD**, using a broad set of monthly data and including assessments of developments in the international environment, the real sector (incl. Prices and wages), public finances, the banking sector and liquidity, and in foreign trade. The Reports are available at <http://www.mif.gov.me/en/ministry>. Timely presentation on developments in government revenues and expenditures increased transparency in presenting the government's financial standing. This, along with assessments of overall macro-economic developments has been very positively received by media that reproduce large sections of the report without further comments or criticism.
- The Statistical Office (Monstat) produced the first ever **estimates of quarterly and annual GDP**.
- Quality of documents submitted by the Sector to the Government (draft organic budget law in April 2012, and Pre-accession Economic Program in autumn 2012) increased. **The quality of PEP was highly positively assessed by EC**.
- The project has contributed to strengthening capacities of the Sector and the Sector is receiving positive feedback on the quality of its work.

Development of macro-economic and fiscal forecasting models provided instruments for preparing more credible and quality forecasts. The use of models, however, requires thorough understanding of linkages contained in it and analytical assessments of macro-economic developments that has not been fully developed or is associated with a limited number of SEPD staff. Clear assignment of roles and responsibilities is needed to facilitate more systematic capacity development of SEPD in the future. In phase 3, the project will focus on developing skills to effectively use models for producing quality macro-economic and fiscal projections.

The following section describes projects in three additional areas of PFM that fall under the responsibility of the Treasury Sector of the Ministry of Finance of Montenegro.

Adoption of ESA methodology in Montenegro – phase 1

Phase 1: December 2010 – May 2011

Total expenses: 8,303.88 USD

Objective: *support the Ministry of Finance of Montenegro in meeting the requirement of the Eurostat for statistical reporting of key public finance and economic indicators.*

Expected results:

- Increased compliance, transparency and credibility of reports provided to Eurostat
- Increased possibility of credible assessment of public finance developments and sustainability by internal and external users

Project outputs:

- Report on assessment of the current public sector reporting system in Montenegro (February 2011)
- Roadmap for ESA methodology adoption in Montenegro and its presentation to MF Montenegro management (May 2011)
- Report on lessons learned from the adoption of ESA95 in Slovakia (April 2011), including its presentation to MF Montenegro staff (reported under Component 3)

Resources: 1 expert, 3 missions.

Progress towards achievement of programme/project objectives

The assessment of the public sector reporting system and the roadmap for ESA adoption were prepared by the MF SR expert and accepted by the head of Sector for Treasury/deputy minister. The project contributed to **improving understanding of ESA methodology** and requirements by MF Montenegro staff, which led to **clear assignment of responsibilities for this function to the Sector for Treasury** at MF Montenegro. (Note: *the activities were completed in May 2011 but due to then unclear assignment of responsibilities for ESA methodology between the Budget Sector and Sector for Treasury, presentation to the deputy minister of the Sector for Treasury was made in November 2011 as part of planning the follow up phase*). Though, the implementation plan contained provision of consulting services in this area, implementation did not continue due to lack of capacity on the side of MF Montenegro and further delays caused by elections and subsequent changes in MF Montenegro leadership.

The **roadmap for ESA adoption** remains a usable document that presents specific steps to be taken in adoption of ESA methodology and creates a **good starting point for further capacity building** and cooperating with other units of MF Montenegro dealing with public finance reporting. Due to close linkages with the accounting and reporting functions, requirements of ESA methodology must be considered from the beginning of accrual accounting implementation. ESA methodology adoption was therefore incorporated into the project on public sector accounting and reporting in the next phase of its implementation (July 2014 – December 2015).

Improving public sector accounting and reporting systems – phase 1

Phase 1: December 2010 – November 2011

Total expenses: 58,069.59 USD

Objective: *support the Ministry of Finance of Montenegro in developing a medium-term strategy for transition to accrual based accounting system in Montenegro.*

Expected results:

- Developed a medium-term strategy for transition to accrual accounting

Project activities/outputs:

- Report on Assessment of the public sector accounting and reporting systems in Montenegro (September 2011)
- Medium-term strategy for public sector transition to an accrual accounting system in Montenegro and its presentation to MF Montenegro management (October 2011)
- Report on lessons learned from the reform of the public sector accounting and reporting system in Slovakia, including its presentation to MF Montenegro staff (October 2011), (reported under Component 3)
- Presentations of selected IPSAS standards to the Sector for Treasury (June 2011)
- Workshop for the Sector for Treasury on legal requirements for recognition and valuation of assets (Property, plant and equipment) under the accrual based accounting and reporting system (November 2011).

Resources: 2 experts, 5 missions

Progress towards achievement of programme/project objectives

In the area of public sector accounting and reporting, the **strategy for transition to accrual accounting** prepared by Slovak experts represents a comprehensive document addressing all aspects of organizational capacities, systems and procedures and staff capacities, needed to successfully adopt IPSAS standards. Based on the feedback received in 2012, MF Montenegro did not have sufficient capacity to initiate full scale IPSAS project as proposed in the strategy. Planning the follow up phase was open up again in February 2014 with new leadership of MF Montenegro. **Project phase 2** was already launched in July 2014 and is planned until December 2015 (please refer to Component 0 for information about the project proposal).

Capacity building for public debt management– phase 1

Phase 1: April 2011 – November 2011

Total expenses: 59,369.60 USD

Objective: *support the Ministry of Finance of Montenegro in strengthening its capacity for public debt management.*

Expected project results:

- Improved institutional set-up for public debt management
- Improved internal processes and procedures for public debt management
- Developed operational risk management system

Project outputs:

- Study visit of 7 participants (deputy minister and 6 staff members from the Sector for Treasury, June 2011) to learn about reforms and current operations of cash and debt management in Slovakia (MF SR, Ardal, State Treasury)
- Joint Assessment Report (assessments, recommendations, action plan), risk Management Model (August 2011)
- The action plan for public debt management improvement and its presentation to MF Montenegro management (November 2011)
- Report on lessons learned from debt and liquidity management in the Slovak Republic (September 2011), including its presentation to MF Montenegro staff, (reported under Component 3)
- Financial contribution provided to 5 staff members from debt management department, Sector for Treasury to participate in the following five IMF/JVI seminars:
 - ❖ Development in debt management since the crises (CEF, September 2011)
 - ❖ 8th international debt management conference in Geneva (November 2011)

Resources: 4 experts, 2 missions

Progress towards achievement of programme/project objectives

The assessment of debt management function in Montenegro prepared by Ardal experts is a comprehensive report that assesses the current institutional arrangements, processes and systems used for liquidity management, management of financial and operational risks and IT system solution. The added value of the report is a **comparative analysis of debt management functions in Montenegro and in Slovakia**. Recommendations for improvements in Montenegro were supplemented with a clear **action plan** with timelines. These, if supported with required organizational changes and IT system, can lead to more effective public debt management function in Montenegro.

Activities implemented in the first phase of all projects created conditions for improving systems, policies and procedures for PFM functions in the future. Phase 2 continued in the area of macro-economic and fiscal forecasting in 2012-2014. Though the implementation did not continue in other three areas of assistance, the overall feedback from MF Montenegro on the relevance of assistance, quality of consultants work and usefulness of recommendations provided in the first phase was very positive. It was also confirmed in personal meetings with then finance minister of Montenegro and with the Ambassador of Slovakia to Montenegro. The Treasury Sector, being in charge of the respective three areas, continues to be interested in receiving support from the SlovakAid project and the overall scope of assistance will be further discussed.

MOLDOVA

Capacity development for programme based budgeting – phase 1

Phase 1: April 2011 – November 2011

Total expenses: 79,412.34 USD

Objective: support the Ministry of Finance of the Republic of Moldova in implementation of programme based budgeting concept within local governments, in accordance with the framework of fiscal decentralization reform.

Expected results:

- National legal and regulatory frameworks for streamline local budgeting procedures and systems will be improved
- Increased capacity of the Ministry of Finance representatives to promote and implement the PBB concept at local level
- Increased capacity of local governments of Balti, Floresti, Ungheni, Comrat (Gagauz Yeri autonomous region) and Stefan Voda in implementing the PBB system
- Increased capacity of other local governments in implementing the PBB system through dissemination of the methodology and best practices through local trainings organised by MF Moldova
- Increased transparency of the budgeting process in local governments
- Increased confidence of citizens to affect change in the way that resources are allocated, and thereby to hold local governments accountable for the allocation of resources
- Increased capacity of local authorities to plan and budget for better services delivery for citizens
- Advocacy activities and best practices shared with the Ministry of Finance and local governments to influence the fiscal decentralization agenda (potential use of Slovak experience).

Project outputs:

- Financial contribution to 1 staff member of the State Chancellery to participate in the training on programme budgeting in CEF (June 2011).
- Review of the legislative framework for PBB and recommendations for its improvement (June 2011)
- Report on the Analysis of the performance-based budgeting concept and methodology in Moldova and its presentation to MF Moldova management (August 2011)
- Report on Capacity assessment for PBB implementation, including a training needs analysis (November 2011)
- Capacity development plan for PBB implementation in Moldova, including its presentation to MF Moldova management and LPAs representatives (November 2011)

Resources: 6 experts, 7 missions

Implementation

The SlovakAid project was designed with the assistance of UNDP Moldova to follow up on the UNDP project implemented in 2009-2010 on performance based budgeting in 5 pilot local public authorities. The **objective of the SlovakAid project in phase 1** was therefore to provide assistance to the Ministry of Finance of the Republic of Moldova in scaling up and implementing the existing programme based

budgeting (PBB) system in local governments. Following the first consultants' mission to Moldova in April 2011, the implementation plan was modified to respond to the needs of MF Moldova to **extend the assistance to central government level** and to assist MF Moldova with fulfilment of its PBB implementation strategy. Therefore activities related to methodology improvements and capacity assessment focused on both levels of government and assistance to central government level was prioritized in the next phase of implementation. Phase 1 was focused on the **analysis of legislative framework** (at that time being in the process of its amendment), **the analysis of existing methodology for PBB** and on **capacity assessment for PBB implementation**, with the aim to design a comprehensive capacity development plan for the Government of Moldova to introduce programme based budgeting nationwide.

➤ **Analysis of the PBB methodology**

The MF Moldova designed and adopted a PBB concept that has progressed too far to be significantly modified. Therefore the analysis of PBB methodology prepared by Slovak experts concentrated on improvement and completion of the methodology supporting the already adopted concept. The analysis and **recommendations for improvements were used by MF Moldova to amend the existing PBB methodology**, particularly in the following parts: i) *programme structure design*; ii) *programme elements (goals, objectives, performance indicators)*; iii) *programme development and approval*; iv) *programme performance, monitoring and reporting*.

➤ **Capacity assessment for PBB implementation**

The capacity assessment was conducted in line with UNDP methodology, using desk reviews, focus group discussions, interviews and online self-assessment survey (a response rate of 83.7 %); to identify capacity needs to implement PBB on national and local levels. Capacity assessment focused on organizational level (policies, systems, strategies, rules and procedures), individual level (experience, knowledge and technical skills) and enabling environment (institutional framework, power structure and influence). The following key actions were proposed in the capacity development plan resulting from the assessment:

Capacity development plan for PBB implementation in Moldova

- Engage high level government officials in PBB discussion and set-up an inter-ministerial coordination mechanism for PBB implementation
- Approve the revised PBB methodology
- Design a comprehensive training system for PBB (training of trainers, curricula, trainings)
- Finalize the PBB module in financial management information system (FMIS)
- Finalize the legislative framework for budgeting
- Develop supporting documents to PBB methodology (practical guidelines, papers)
- Develop monitoring and evaluation system (methodology, IT support, trainings)
- Improve planning and updating of local development strategies.

Progress towards achievement of programme/project objectives

Activities implemented in phase 1 **created conditions for improving systems, policies and procedures for PFM functions in the future**. Recommendations provided by consultants were used to amend the PBB methodology. The unified methodology for all levels of government in Moldova was expected to be endorsed by the MF MLD after approval of the Law on Public Finance in the Parliament.¹⁷ (Note: *As approval of the law was pending even in 2013, the MF Moldova approved the Regulation on programme budget developing, monitoring and reporting by Decree No. 187 of the Ministry of Finance*

¹⁷ The approval of the Law on Public Finance has been pending in the Moldovan Parliament since autumn 2011. It was finally enacted by the Parliament of Moldova on July 25, 2014.

of the Republic of Moldova on December 24, 2013. Thus, the **programme budgeting methodology became legally binding and applicable** and the legal requirements recommended by consultants in the first phase of the Slovak Aid project have been fulfilled.

Capacity assessment in the area of PBB was conducted for the first time in Moldova. Through incorporated training needs assessment, it facilitated a design of training programmes tailored to specific needs identified in the assessment. The Capacity Development plan informed the MF Moldova on necessary steps to be taken to fully implement PBB nationwide.

In a letter of 2 September 2011 the finance minister of Moldova recognized the achievements of the first project milestones and expressed interest in continued cooperation.

Capacity development action plan became a basis for **planning SlovakAid project phase 2** in line with national strategies and reform objectives of the Government of Moldova articulated in the **Activity Programme of the Government of the Republic of Moldova “European Integration: Freedom, Democracy, Welfare” 2009-2013**, according to which, a priority action in the area of budgetary and fiscal policy and public finance management is the “introduction of programme budgeting and increasing the flexibility of budget expenditure in the context of the midterm expenditure framework (3 years) at central and local levels. Project design was also aligned with the **Strategy for Development of Public Finance Management for 2013-2020** approved by the Government of Moldova in August 2013.

Project phase 2 was designed and planned with **close participation of MF Moldova**. The project aimed to provide assistance to the ministry in fulfilling its PBB implementation strategy, according to which, **all central public authorities (CPAs) should adopt PBB methodology by 2014, while local public authorities (LPAs) (Level II)¹⁸ should adopt it by 2015 and local public authorities (Level I)¹⁹ by 2016.** The project scope was extended to target central government level, the assistance to which was prioritised, in line with the strategy, in the first year of phase 2.

Capacity development for programme based budgeting – phase 2

Phase 2: March 2012 – July 2014

Total expenses: 426,120.67 USD

Objective: support the Ministry of Finance of the Republic of Moldova in implementation of programme based budgeting in the government of Moldova and to create conditions for sustainable capacity development for programme based budgeting in central and local public administration of Moldova, primarily via training of local trainers.

Expected results:

- Increased capacity of the Ministry of Finance representatives to promote, implement and monitor the PBB concept and system at central and local government levels
- Strengthened role of MF Moldova in leading the PBB implementation process across the government and providing adequate methodological support
- Comprehensive training system for PBB designed
- Increased understanding of PBB concept by policy makers and managers to promote and implement PBB at central and local government levels

¹⁸ Includes 37 first tier units (Level II), including 32 districts/rayons, 3 municipalities (Chisinau, Balti, Bender), 1 autonomous unit of Gaguzia and 1 territorial unit of Transnistria.

¹⁹ A total of 982 incorporated localities (de jure with 982 mayors and 982 local councils), of which 5 have municipality status, 60 have city status, and 917 are villages with commune status.

- Conditions created for sustainable capacity development for PBB in central and local public administration via training of local trainers
- Group of trained trainers for training on PBB concept and system
- Improved capacities for PBB in Moldova to ensure its effective application in the budget preparation process.

Project outputs:

Training system and materials (*written deliverables*)

- ❖ Design of a comprehensive training system for PBB concept and methodology in Moldova, including monitoring and evaluation in PBB
- ❖ Training materials for policy makers from central and local public authorities developed
- ❖ Training materials for central public authorities (CPAs) developed and updated
- ❖ Training materials for local public authorities (LPAs) developed and updated

Trainings and targeted workshops

- 39 trainers from CPAs (in that 14 from MF Moldova) trained on PBB concept and methodology (training of trainers)
- 95 policy makers from CPAs and LPAs trained on PBB concept
- 79 trainers (70 from LPAs, Level II, 6 from CALM Moldova and 3 from MF Moldova) trained on PBB concept and methodology (training of trainers)
- Newly trained trainers coached in delivering in-depth trainings on PBB for central public authorities of Moldova

Methodological support (*written deliverables*)

- ❖ Paper on examples of good and bad practices in setting up goals, objectives and indicators in programme budgeting (for CPAs and LPAs)
- ❖ Practical guide on programme budgeting for local public authorities in Moldova

On-the-job trainings

On-the job training provided to 5 CPAs: Ministry of Finance of Moldova: Ministry of Labour, Social Protection and Family, Ministry of Education, Ministry of Justice, and Parliament Secretariat

- Awareness workshop for top and senior management of 5 CPAs (incl. their subordinate organisations) on PBB concept and methodology

Written deliverables:

- ❖ Two sets of recommendations (preliminary and final) for improving programme budget structure of respective CPAs
- ❖ Assessment of the current organizational structure of CPAs relevant to PBB process, including recommendations on internal re-organization of the PBB process

On-the-job training provided to MF Moldova

- Direct consultations provided during budget negotiations/hearings with CPAs on programme budget submissions (focus on compliance with PBB methodology and use of performance information)

Written deliverables:

- ❖ Report (summary observations) from the budget negotiations with CPAs and recommendations to improve and standardize programme budget examination
- ❖ Recommendations to MF Moldova for improving the structure of budget documentation focusing on performance information

On-the job training provided to 3 LPAs: Municipality of Chisinau, Balti and Autonomous Territory of Gagauzia.

- Awareness workshop for top and senior management of 3 LPAs on PBB concept and methodology

Written deliverables:

- ❖ General assessment of the LPA programme structure and summary key recommendations for improvements of 12 sub-programmes reviewed during the workshops
- ❖ General review of the PBB organization process and key recommendations for its improvements.

Review of proposed 2015 programme budgets of 3 CPAs - Ministry of Transportation and Roads, Ministry of Environment, Academy of Sciences of Moldova.

- ❖ Review of the CPA programme budget structure and recommendations for improvements (*written deliverable*)

Monitoring and evaluation

- Awareness workshop for MF Moldova and CPAs representatives on monitoring and evaluation concept and principles (including presentation of Slovak and international experience)
- ❖ Monitoring and evaluation methodology and its presentation to MF Moldova management (*written deliverable*)

Knowledge sharing:

- 10 public officials from Moldova in Slovakia learned about budget reform and implementation of programme budgeting in central government of Slovakia during the study visit.

Written deliverables:

- ❖ Report on lessons learned from the budget reform in Slovakia
- ❖ Report on lessons learned from PBB implementation in local governments of Slovakia
- ❖ Report on lessons learned from fiscal decentralization in Slovakia

Resources: 10 experts, 10 missions

Implementation

The following groups of capacity development activities were implemented in phase 2 of the PBB project in Moldova:

1. Training system design and training materials

- **Design of a comprehensive training system for PBB concept and methodology in Moldova.**

Timeframe: April 2012 – May 2012

Brief description: The training system contains a design of complex training activities, including training curricula and other components such as specification of target groups, profiles of participants, qualification of trainers, training schedules. It reflected upon results of the training needs analysis conducted during the capacity assessment for PBB implementation in 2011. The training system contains 3 main modules: 1. Training on PBB (core module); 2. Training skills of future trainers; 3. Supplementary training to ensure comprehensive understanding of PBB and dissemination of PBB knowledge on central and local government level. Measures to ensure sustainability of the training system were also included.

The training system design was presented to representatives of MF Moldova and accepted as a basis for developing the training materials.

Outputs:

- ❖ Training system design for PBB concept and methodology in Moldova, including monitoring and evaluation in PBB (*written deliverable*)

Results:

- Conditions created for developing a comprehensive training system for PBB.
- **Development of training materials for programme based budgeting**

Timeframe: July 2012 – December 2012 (extended by April 2014)

Brief description: Training materials were developed based on the curricula described in the training system and approved by MF Moldova. Training materials were prepared separately for CPAs and LPAs. They represent a very comprehensive set of teaching materials consisting of presentations, handouts, practical exercises, working templates, notes to presentations (theoretical explanations of topics) and teachers' guides to practical exercises ('how to teach the course/prepare and conduct exercises'). Both training packages were updated after completion of the training of trainers for CPAs in November 2012 and LPAs in March 2014.

Outputs: (*written deliverables*)

- ❖ Training materials for policy makers from central and local public authorities developed
- ❖ Training materials for CPAs developed and updated
- ❖ Training materials for LPAs developed and updated

Results:

- Comprehensive training system for PBB created and adjusted to local context

2. Trainings and targeted workshops

➤ **Training of trainers on PBB concept and methodology**

Timeframe: November 2012 – MF Moldova, central public authorities

March 2014 – local public authorities Level II (raions)

Brief description: A series of training activities were launched in 2012, starting with training of trainers (budget specialists) from MF Moldova and CPAs in November 2012, followed by training of trainers from 35 raions in March 2014. Participants learned about the whole process of programme budget development and were also familiarised with monitoring and evaluation issues. International experience, including experience from Slovakia with PBB implementation was presented and discussed. The MF Moldova staff were actively engaged in trainings by providing an overview of PFM reform in Moldova and presenting the legal framework and PBB methodology in Moldova. MF Moldova and CPA trainers provided support in facilitating practical exercises and explaining specifics of Moldovan budgeting practice. Level of knowledge gained at trainings was assessed via short final test for participants and feedback on trainings was collected through the evaluation forms. All participants were awarded certificates. High quality of training materials, expertise and teaching qualities of Slovak trainers and active participation and interest of the trained staff in improving their knowledge and skills contributed to success of training activities.

Outputs:

- 39 trainers (in that 14 from MF Moldova) from CPAs trained on PBB concept and methodology (training of trainers)
- 79 trainers (70 from LPAs, Level II, 6 from CALM Moldova and 3 from MF Moldova) trained on PBB concept and methodology (training of trainers)

Results:

- Conditions created, through trained trainers, for continuing education and training of civil servants and thus for sustainable capacity development for PBB in central and local public authorities



➤ **High-level workshop for policy makers and high officials from central and local public authorities**

Timeframe: November 2012

Brief description: Three 1-day high-level workshops were organized with participation of more than 95 policy makers and high public officials (ministers, deputy ministers, parliamentary commissioners, presidents of districts/raions) with the aim to support their engagement in PBB implementation as well as to increase their understanding of PBB as a policy planning, budgeting and decision making tool. The workshops were led by MF Moldova high officials and at each workshop, the finance minister of Moldova presented the overview of budget reforms in Moldova, challenges and perspectives of programme based budgeting. Two senior experts, one of them a leader of the budget reform in Slovakia (the former deputy finance minister) delivered presentations on modern approaches to budgeting, linkages between strategies, policies and budgets, PBB concept and PFM reform in Slovakia. They engaged in discussions with participants on challenges of the budget reform drawing from the experience of Slovakia. Representatives of raions were also familiarised with the process and outcomes of fiscal decentralisation in Slovakia.

Outputs:

- More than 95 policy makers from CPAs and LPAs trained on PBB concept

Results:

- Understanding of PBB concept by policy makers and high government officials increased, their support to promote and implement PBB at central and local government levels was enhanced
- Knowledge and experience with PFM reforms in Slovakia shared and recommendations on the way forward in the budget reform in Moldova provided.



The finance minister of Moldova expressed his appreciation to Slovak experts, MF Slovakia and to UNDP for delivering high quality trainings and workshops and expressed very high satisfaction with implemented project activities. He stated that **'knowledge and information exchanged were very helpful and significantly contributed to the objectives Finance Ministry of Moldova is pursuing in the budget reform. These would be difficult to achieve without external technical assistance from the SlovakAid project.'** In a letter of 5 December 2012 (Annex 1) to the minister of finance of Slovakia, the Moldovan minister of finance expressed their appreciation of the assistance received and commitment to continuing cooperation with the SlovakAid programme.

➤ Coaching of Moldovan trainers

Timeframe: November 2012

Brief description: Coaching provided by Slovak consultants, who previously delivered training of trainers, facilitated roll-out of PBB trainings in April-May 2013 on the central government level. Consultants provided coaching to Moldovan trainers trained in November 2012 who for the first time delivered trainings to other civil servants. Trainings were delivered in four 3-day cycles, in Romanian language, using the training materials prepared within the SlovakAid project, supplemented by examples from Moldovan practice prepared by local trainers. Experience of Slovakia with PBB

implementation was also referred to during trainings. Training performance of Moldovan trainers was assessed by consultants as excellent. They were able to fully apply knowledge and experience gained and training materials used in training of trainers in November 2012.

Outputs:

- Newly trained trainers coached in delivering in-depth trainings on PBB for central public authorities of Moldova

Results:

- Capacities of trainers to conduct PBB trainings enhanced and potential for sustainability of the training system strengthened
- Conditions for continuing capacity development for PBB created and supported by MF Moldova

3. Methodological support

- **Supplementary materials to PBB methodology**

Timeframe: April 2013 – April 2014

Brief description: Supplementary materials to PBB methodology provided additional detailed guidance on elements of programme based budgeting that was not included in the methodology. They were also aimed to provide additional assistance specifically to local public authorities in gaining knowledge and skills in PBB. Both written materials became part of the comprehensive training package for PBB. Materials contributed to better practical application of the PBB methodology and to sustainability of the project results.

Outputs: (*written deliverables*)

- ❖ Paper on examples of good and bad practices in setting up goals, objectives and indicators in programme budgeting (for CPAs and LPAs)
- ❖ Practical guide on programme based budgeting for local public authorities in Moldova

Results:

- Sustainable training system for PBB is in place (training materials, supporting documents for PBB methodology, trained trainers) and used by MF Moldova.

4. On-the-job trainings

- **On-the-job training for 5 central public authorities** - Ministry of Finance, Ministry of Labour, Social Protection and Family, Ministry of Education, Ministry of Justice and the Parliament Secretariat.

Timeframe: May - October 2013

Brief description: Technical assistance delivered in a form of on-the-job training was aimed to strengthen capacities for PBB implementation in Moldova, to ensure its effective application in the budget preparation process and to strengthen the role of MF Moldova in leading the PBB implementation process and in providing adequate methodological support. The activity was closely linked to the budget preparation process and was conducted during the work on 2014 programme budgets. Programme budgets prepared by CPAs were reviewed from the point of their compliance with PBB methodology and linkages to relevant policies and sector strategies. The review and recommendations were provided firstly during working sessions with budget and policy specialists as part of on-the-job training and secondly after their submission to MF Moldova. The second review showed significantly increased quality of programme budgets based on incorporating recommendations provided by consultants and improved understanding of the PBB concept and

methodology. The second review also served as an input for the next budget cycle in 2014. Consultants also reviewed the programme budget preparation process from an organisational point of view and provided recommendations for improvements. Engagement of high officials of CPAs in a plenary meeting at the start of on-the-job training and in a wrap-up meeting at the end contributed to increased awareness of CPAs management of PBB concept and methodology, of PBB use as a policy making and budgeting tool, and of necessary improvements and importance of management support for PBB implementation.

Outputs:

- 5 CPAs received on-the-job training during programme budget preparation through small workshops with CPA budget and policy specialists
- Awareness workshop for top and senior management of CPAs (incl. their subordinate organisations) on PBB concept and methodology

Written deliverables:

- ❖ Two sets of recommendations (preliminary and final) for improving programme budget structure of a CPA
- ❖ Assessment of the current organizational structure of a CPA relevant to PBB process, including recommendations on internal re-organization of the PBB process

Results:

- Quality of programme budgets and their compliance with PBB methodology improved
- PBB awareness of top and senior management increased and support for PBB enhanced
- Capacities of CPA specialists improved to effectively apply PBB methodology in the budget preparation process
- Roles and responsibilities of different actors in the PBB process clarified and conditions created to better institutionalise the PBB process in CPAs

➤ **On-the-job training for the Ministry of Finance of Moldova**

Timeframe: August 2013

Brief description: On-the-job training for the Ministry of Finance of Moldova budget specialists was designed to assist with improving the ways of examining programme budget submissions and conducting consultations (budget hearings) with public authorities and to improve the structure of budget documentation focusing on performance information. Consultants participated in the budget consultations (hearings) between MF Moldova and CPAs and recorded results of each hearing (with focus on PBB methodology compliance and use of performance information), which were provided to participants shortly after sessions. This quick feedback and recommendations enabled participants to further fine-tune programme budgets before their submission to the government. Slovak consultants also shared knowledge of the budget preparation process in Slovakia, including samples of real budget documentation, with the finance division and line budget specialists of MF Moldova. The budget documentation prepared by MF Moldova for submission to the government and the parliament was reviewed by consultants and recommendations were proposed on better utilisation and presentation of performance information. These were incorporated by MF Moldova into the budget documentation related to 2014 budget that was submitted to the Government and the Parliament.

Outputs:

- MF Moldova specialists received on-the-job training through direct consultations during budget negotiations with CPAs on programme budget submissions (focus on compliance with PBB methodology and use of performance information)

Written deliverables:

- ❖ Report (summary observations) from the budget consultations/hearings at MF Moldova and recommendations to improve and standardize programme budget examination
- ❖ Recommendations to the MF MLD for improving the structure of budget documentation focusing on performance information.

Results:

- PBB awareness of top and senior management increased and support for PBB enhanced
- Capacities of MF Moldova specialists improved to effectively examine the programme budget submissions with focus on their compliance with the PBB methodology and integrating performance information into budget consultations with CPAs
- Conditions were created to standardize the budget examination process
- Structure of budget documentation was improved so as to better integrate performance information into the budget documentation submitted to the government and parliament

➤ **On-the-job training for local public authorities Level II – Chisinau, Balti, Gagauzia**

Timeframe: June – July 2014

Brief description: On-the job training for LPAs was conducted on the request of MF Moldova as a follow up to successful implementation of on-the-job training for central public authorities in 2013. The activity was closely linked to the budget preparation process and was conducted during the work on programme budgets for 2015, which was the first PBB preparation process for Level II LPAs. The on-the-job training focused on developing and/or improving the quality of goals, objectives and indicators, ensuring their compliance with the Moldovan PBB methodology and improving linkages to relevant policies and local development plans. Consultants also conducted the review of the PBB organization process in respective LPAs and provided recommendations for its improvement. Engagement of high officials of LPAs in a plenary meeting at the start of on-the-job training and in a wrap-up meeting at the end contributed to increased awareness of LPAs management of PBB concept, methodology, of PBB use as a policy making and budgeting tool and of necessary improvements and importance of management support for PBB implementation.

Outputs:

- 3 LPAs received on-the-job training during programme budget preparation through small workshops with LPA budget and policy specialists
- Awareness workshop for top and senior management of LPAs on PBB concept and methodology

Written deliverables:

- ❖ General assessment of the LPA programme structure and summary key recommendations for improvements of 12 sub-programmes reviewed during the workshops
- ❖ General review of the PBB organization process and key recommendations for its improvements.

Results:

- PBB awareness of top and senior management increased and support for PBB enhanced
- Capacities of LPAs specialists improved to effectively apply PBB methodology in the budget preparation process
- Quality of programme budgets and their compliance with PBB methodology improved
- Roles and responsibilities of different actors in the PBB process in LPAs clarified and conditions created to better institutionalise the PBB process in LPAs

- **Review of programme budgets of 3 CPAs - Ministry of Transportation and Roads, Ministry of Environment, Academy of Science of Moldova.**

Timeframe: May – June 2014

Brief description: The activity was aimed to provide support for continuous development of capacities for programme based budgeting in Moldova to ensure its effective application in the budget process. Capacity building was done via desk review (home based in Slovakia) of programme budgets of three CPAs with the aim to improve the quality of goals, objectives and indicators, ensure their compliance with the Moldovan PBB methodology and improve linkages to relevant policies and sector strategies. The review was guided by applicable legal and methodological framework for PBB in Moldova and other relevant documents.

Outputs:

- ❖ Review of the CPA programme budget structure and recommendations for improvement (*written deliverable*)

Results:

- Quality of programme budgets and their compliance with PBB methodology improved

5. Monitoring and evaluation

- **Preparation of the monitoring and evaluation methodology**

Timeframe: December 2013 – July 2014

Brief description: The objective of the activity was to improve existing monitoring methodology and to design a methodology for programme budget evaluation. The primary use of the methodology will be for planning, organizing, managing and implementing the monitoring and evaluation (M&E) process, including utilization of monitoring and evaluation results for improving the use of public funds, by appointed staff at MF Moldova and in central public authorities. It should also contribute to building the evaluation culture and enhance the use of monitoring and evaluation results for policy making and budgeting. The results of the activity went beyond delivery of the methodology document. SlovakAid project experts provided MF Moldova and other counterparts with the complex information and knowledge on the performance monitoring and evaluation concept, explained many details on the proper organizational and implementation set up appropriate for the country and started creating capacities in the area of monitoring and evaluation.

Outputs:

- Awareness workshop for MF and CPAs representatives on M&E concept and principles (incl. presentation of Slovak and international experience)
- ❖ Monitoring and evaluation methodology developed, incl. justification paper for the M&E methodology approach (*written deliverable*)

Results:

- Awareness of the M&E principles and its application in PBB increased
- Initial conditions created for further capacity building in M&E area in Moldova

6. Knowledge sharing

- **Study visit and lessons learned from Slovakia**

Timeframe: April 2011-July 2014

Brief description: A study visit was organized in April 2013 for 10 representatives (chiefs of budget and finance divisions) of CPAs from Moldova to Slovakia to learn about PBB implementation and

existing challenges in Slovakia. The discussions were held with professional staff of the following institutions: Ministry of Finance, Ministry of Foreign and European Affairs, Ministry of Economy, Ministry of Education, PosAm (budget IT system developer). Participants highly recognized budget reform efforts of Slovakia and expressed appreciation of sharing experience of Slovakia in programme budgeting implementation, its practical application and existing challenges. Reports on lessons learned from Slovakia were presented during the study visit, during all trainings and workshops delivered by consultants engaged in the PBB project. They were also distributed as part of training packages and through the programme website.

Outputs:

- 10 public officials from Moldova in Slovakia learned about budget reform and implementation of programme budgeting in central government of Slovakia during the study visit

Written deliverables:

- ❖ Report on lessons learned from budget reform in Slovakia
- ❖ Report on lessons learned from PBB implementation in local governments of Slovakia
- ❖ Report on lessons learned from fiscal decentralization in Slovakia

Results:

- Knowledge and experience from Slovakia shared and disseminated during trainings, workshops, coaching, study visit and via written reports

Progress towards achievement of programme/project objectives

The implementation of the project on capacity development for programme based budgeting in Moldova was closely linked to the PBB implementation strategy of MF Moldova, to the budget preparation process and available capacities for implementation. According to the external evaluation 'the **Programme assistance was framed perfectly in supporting PBB reforms** which started several years ago. It provided **opportunities for capacity development in strategic planning for the Ministry of Finance and other public authorities.**'²⁰

Multiple modalities of aid delivery were incorporated into the implementation plans in different phases of the project implementation in Moldova. The training curricula approved by MF Moldova in May 2012 were fully reflected in the training packages. These were utilised by trained Moldovan trainers during trainings of other civil servants. Roll-out of trainings on the central and local level of government by MF Moldova reflected strong commitment to the budget reform and PBB implementation and targeted effort to provide necessary support to public authorities. **Excellent performance of Moldovan trainers** and the **ability to utilise new knowledge, skills and training materials** not only proved the effectiveness of training activities delivered by Slovak consultants but more importantly, it provided **assurance of high potential for long term sustainability of developed capacities.** Intensive on-the job training, again with active engagement of MF Moldova staff and new trainers, supported the application of theoretical concepts acquired during trainings in 2012 to the actual programme budget preparation in CPAs and LPAs. It was delivered in a very effective way and was very well received by all participants. **High level of involvement of MF Moldova representatives** in training activities contributed to both, their success and to strengthening a leading role of MF Moldova in PBB implementation.

Capacity building activities delivered by the SlovakAid PBB project in Moldova received very **positive feedback** on their **high quality of outputs** (trainings, consultancy, and written deliverables by project consultants), **relevance and very good transfer of knowledge by project experts.**

²⁰ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.74.

During the external evaluation ‘the interviewees at different levels (sector specialist at MOF, line ministries, local government etc.) acknowledged that the **Slovak assistance led to the following immediate benefits:**

- a genuine appreciation of the benefits of PBB and understanding of the main concepts and principles which consequently led to an **improved quality of the budget programmes** in terms of defining their objectives, intervention logic and linkage to financial resources
- recognition of the need for the budget and policy units to work more closely and cooperatively, which consequently led to a **better and more effective inter- and intra-institutional collaboration** in the development of programme based budgets,
- a more **meaningful dialogue and decision-making process on the budget programmes** and their prioritization, as well as their quality and structure
- Traditionally the budget programmes were used to be prepared predominantly by the MOF. As result of the Slovak assistance, the participating **line ministries prepared their programmes with only marginal involvement of the MOF**
- increasing attention to the need for **capacity development in sectoral ministries**
- It is for the first time that line ministries receive **on-the-job assistance** in the development of their budget submissions that **being the innovative and added value character of the Slovak Aid.**²¹

The evaluation report further states that the **main factors which contributed to these immediate benefits and impact** are the following:

- The **training** was designed to **respond to the direct needs** which were assessed through a comprehensive Capacity Development Needs Assessment at central and sub-national level;
- The **training material was tailored to the country context** and the **target groups** -leadership, central level, sectoral specialists, local level etc)
- The assistance was **linked to the Moldovan budget cycle** and calendar
- **Training was complemented with post-training on-the-job coaching** on the application of the acquired knowledge and skills
- The local capacity for training and coaching was reinforced by the **introduction of the training-of trainers**
- Due to its design and nature, the **Programme was able to quickly mobilize assistance and respond to emerging needs** without long-lasting and complex bureaucratic procedures and decision-making process which **ensured its momentum and relevance**²².

Recipients in Moldova also pointed to **comparative advantage of the Programme** relative to other assistance projects, namely:

- **Much better organized**
- **Aligned with the budget process**
- **Pretty flexible to meet the Beneficiary’s priority needs at different stages**
- **Adequate and professional attitude of the Team**
- **Experts come up with well-justified proposals with no intention to dictate.**²³

The PBB project represents a systematic application of programmatic demand driven and participatory approach to a project design and implementation. **Strong ownership and commitment of the Ministry of Finance of Moldova** to the budget reform was a key factor driving successful cooperation with the SlovakAid project. Very thorough attention was paid to planning the activities

²¹ Ecorys, 2014. ‘External evaluation of the Public Finance for Development Programme’. Rotterdam, 2014, p.37

²² Ecorys, 2014. ‘External evaluation of the Public Finance for Development Programme’. Rotterdam, 2014, p.40.

²³ Ecorys, 2014. ‘External evaluation of the Public Finance for Development Programme’. Rotterdam, 2014, p.77.

and their alignment with capacities, needs and budget related processes in Moldova on both, central and local level of government that contributed to overall effectiveness of the assistance. It was also facilitated by the active engagement of MF Moldova, and flexibility of the SlovakAid project to accommodate changing circumstances on the ground.

Project activities contributed to the overall objective of the Ministry of Finance of Moldova to establish sound and effective system of public financial management and the project achieved tangible results with immediate benefits and impact. It is important that capacity development and awareness raising on PBB, including monitoring and evaluation, will continue to sustain results and achieve longer term impact. The project support from the Public Finance for Development Programme will continue in phase 3 within the framework of the project 'Slovak Republic – UNDP Partnership for Results in the International Development Cooperation'.

COMPONENT 2: Increasing awareness and understanding of public finance concepts for poverty reduction, human development and social inclusion (non-government stakeholders)

Programme objectives:

- A. Identify key non-government stakeholders**
- B. Promote public finance concepts among stakeholders**

General description

Activities are complementary to activities under Component 1 to ensure that comprehensive and complex approach to enhancing national capacities in public finance is applied. Activities supporting the achievement of component 2 are focused on increasing awareness of key stakeholders outside of the government and on their understanding of relationship between poverty reduction and sound PFM. Researchers, scholars, NGOs and think-tanks representatives, teachers, students, journalists are considered key stakeholders. Activities are expected to contribute to good practices in public finance that are critical in combating corruption, alleviating poverty, and guaranteeing an effective use of government resources.

Implementation

Mapping stakeholders and identification of potential beneficiaries took place both, in Montenegro and Moldova. Discussions were held (in 2011) with the **Institute for Strategic Studies and Prognosis**, the leading economic think-tank based in Podgorica, Montenegro on possible cooperation in the area of macro-economic and fiscal forecasting. The Institute already has experience with capacity building activities (training, research, analytical studies, trainings for journalists) for other non-government stakeholders and also needs its own institutional strengthening.

Meetings with several non-government organizations and research institutes were conducted in Moldova. The following needs of NGOs in Moldova that could potentially be supported under Component 2 were identified: 1) increasing understanding of technical aspects of budgeting by thematic NGOs; 2) increasing participation of civil society organisations in discussing the budget decisions (20% resources are allocated to local development); 3) training/awareness raising for local counsellors; 4) capacity building in policy making, decision making and economic development.

Congress of Local Authorities (CALM) of Moldova has been identified as one of potential beneficiaries of support under Component 2, supported also by the fact that the local public finance reform is getting prominence in the government reform agenda. Discussions with CALM resulted in preparation of a proposal for capacity development in the area of public finance with focus on institutional strengthening of CALM, building capacities of CALM staff, awareness raising on local public finance reform and programme budgeting. The project proposal will become a basis for designing a partnership between CALM and a similar organization in Slovakia to contribute to fulfilment of project objectives through sharing knowledge, experience and good practices from transition process and local public finance reform in Slovakia.

Progress towards achievement of programme objectives

Potential beneficiaries of support were identified and information about possibilities of cooperation was exchanged. Scope of the Programme and intensity of cooperation with government beneficiaries under Component 1 vis-à-vis existing capacity constraints for Programme management and implementation, were the main reasons that activities under Component 2 were not launched. The Programme implementation focused on fulfilment of objectives and achievement of results agreed in

the implementation plans with government beneficiaries. Programme counterparts under Component 1 and other stakeholders were also informed about objectives of Component 2. In the next phase of implementation, focus will be on strengthening capacities of non-government actors and improving collaboration and dialogue between government institutions and non-government stakeholders.

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

Programme objectives:

- A. Share knowledge and experience from public finance reforms in Slovakia**
- B. Share current PFM practices and procedures in Slovakia**
- C. Ensure programme promotion and visibility**
- D. Provide quality assurance function for consultants' outputs**

General description

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. Activities under Component 3 are focused on the Programme promotion and visibility, including development of the Programme dedicated website, sharing knowledge and experience of Slovakia in public finance reforms and quality assurance of Programme outputs.

Implementation

Reports on lessons learned were prepared in the period of 2011-2014 in all areas of assistance to share the experience from public finance reforms in Slovakia and provide recommendations to transition countries undergoing similar reforms. The following reports were prepared and 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**, prepared within the project 'macro-economic and fiscal analysis and forecasting' in Montenegro
- **Reform of the public sector accounting and reporting system in Slovakia**, prepared within the project 'improving public sector accounting and reporting system' in Montenegro
- **Adoption of ESA methodology in Slovakia**, prepared within the project 'Adoption of the European System of Accounts methodology in Montenegro'
- **Debt and Liquidity management in Slovakia** prepared within the project 'strengthening capacities for public debt management in Montenegro'
- Lesson learned from **budget reforms in Slovakia**, prepared within the project 'capacity development for programme based budgeting in Moldova'
- **PBB implementation in local governments of Slovakia** prepared within the project 'capacity development for programme based budgeting in Moldova'
- Lessons learned from **fiscal decentralisation in Slovakia** prepared within the project 'capacity development for programme based budgeting in Moldova'.

Final reports have been published on the Programme website: <http://publicfinance.undp.sk/en>. Reports on lessons learned were translated into beneficiaries' languages.

The programme objective related to **sharing current PFM practices and procedures used in Slovakia** was fulfilled within projects under Component 1. The extent of sharing was influenced by demand from beneficiaries. All relevant and available documents (e.g. statute of macro-economic and forecasting committees, various economic analysis prepared by FPI, Slovak programme budget methodology and M&E manual, etc) were shared and can be used for inspiration in designing legislative framework or drafting operational guidelines by programme recipients.

Promotion and visibility activities focused on the website development and update (English and Slovak version) and sharing information about the programme in Slovakia and in the region. Information about the Programme strategy and objectives and implemented activities was shared with various stakeholders - donors, government partners, CEF, non-government stakeholders, direct beneficiaries of assistance. Promotional leaflets were prepared and distributed during events in Slovakia and Moldova in 2012-2014. These were also shared during meetings with donors and representatives of international organisations. Information on PBB project activities were posted on the MF Moldova website, training packages and other learning materials (lessons learned) were widely disseminated to civil servants on central and local government level in Moldova.

Interviews made during the study visit of CPAs representatives from Moldova by UNDP BRC were presented on the Programme website and the UNDP BRC corporate website <http://www.undp.org/content/rbec/en/home/ourwork/democraticgovernance/successstories/moldova--how-does-programme-based-budgeting-benefit-citizens-.html>.

Quality assurance function was introduced in 2011 with the objective to support production of high-quality project deliverables and to provide consultants with a broader perspective on possible approaches in respective PFM areas of assistance. The QA function was conducted by senior experts with long-term international experience in the field and in the region. According to the external evaluation *'embedment of Quality Assurance measures in the programme implementation contributed to securing the overall quality of the delivered services and therefore the satisfaction of the beneficiary, but also to strengthening the position of Slovak experts in providing consulting services as part of development cooperation.'*²⁴ Utilisation of the QA function depends on the scope and complexity of the projects or specific consultancy assignments.

Progress towards achievement of programme objectives

The visibility activities were guided by the communication strategy and were implemented in line with the available capacity for their implementation. The programme was promoted among partners and stakeholders in beneficiary countries and in Slovakia. The programme has contributed to increasing visibility of the SlovakAid, though its potential was not fully utilised in this field due to insufficient capacity for implementation and difficulties to deal with concurring activities. More significant progress was achieved in sharing knowledge and experience in PFM reforms implemented in Slovakia. Besides preparation and dissemination of written reports, lessons learned from Slovakia were also presented by consultants to beneficiaries as part of the activities implemented under Component 1 (e.g. trainings of trainers in Moldova, coaching of trainers, workshops in Montenegro dedicated to specific PFM functions, etc.) and were also shared during the study visits to Slovakia.

²⁴ Ecorys, 2014. 'External evaluation of the Public Finance for Development Programme'. Rotterdam, 2014, p.47

Programme management, monitoring and evaluation

Programme duration and budget

The initial programme implementation period was envisaged for the period of June 2009-June 2012 with the budget of 1,050,000 USD fully funded by the Ministry of Finance of the Slovak Republic (MF SR/Donor). The programme duration was later on extended until 30 June 2014 and subsequently 31 July 2014²⁵. The first extension until June 2014 was accompanied by the amendment to the cost-sharing agreement and the amendment to the programme document signed between the MF SR and UNDP BRC on 9 December 2011. The new contribution was provided by the Donor in the amount of 800,000 USD to make a total programme budget of 1,850,000 USD.

Programme management arrangements

The programme was implemented by the UNDP Bratislava Regional Centre for Europe and the CIS in line with UNDP Programme and Operations Policies and Procedures. The programme management structure consisted of the programme board being represented by all key partners, including a representative of the beneficiary countries. The programme board meetings were conducted on-site and via emailing procedure that was effectively used for the board's decision making and overseeing the programme implementation.

UNDP country offices provided support to implementation of activities on the ground (organisation of events, support to consultants' missions, liaising with beneficiaries and other partners as needed, etc.). A financial contribution was agreed with the Donor and allocated to country offices, to support recovery of their costs, from the programme budget since 2012.

The Programme manager responsible for day-to-day management and decision making was hired by UNDP BRC in September 2009 on a part-time basis (initial 70 % assignment was increased to 80 % assignment from January 2011) becoming a full-time assignment since July 2012. The programme has been implemented without a dedicated programme assistant, while partial administrative support was provided only since early 2014 by the UNDP Poverty Practice assistant.

Programme monitoring and reporting

The programme implementation was monitored through regular progress reports prepared by the programme manager and approved by the programme board. 16 quarterly reports and one semi-annual report were prepared between September 2009 and April 2014. The annual review report was prepared for the implementation years 2009-2010 and for the year 2011. Taking into account planned external evaluation and capacity constraints of the programme manager, the annual reports for the implementation period of 2012-2014 were substituted by the final programme report, which was prepared in September 2014. The programme implementation was assessed through the internal mid-term review completed in March 2012 and the external final evaluation completed in August 2014.

Thorough attention was paid to mapping lessons learned from the programme implementation (a total of 19 lessons were identified), identification of risks and risk management. This was done on a quarterly basis and measures were taken to mitigate the risks and utilize the lessons learned to increase effectiveness of programme implementation.

²⁵ Extension of the programme implementation and its operational closure as of 31 July 2014 was needed to enable continuation of the programme manager's work and to complete the ongoing activities in the framework of the PFD programme.

II. PROGRAMME FINANCIAL PERFORMANCE

24.9.14

PROGRAMME FINANCIAL REPORT

Programme Components	Areas of assistance	Total revised allocations (June 2014)	2009	2010	2011	2012	2013	2014 as of 24 September 2014	Expenses 2009-2014	Cash available as of 24 September 2014
COMPONENT 0		\$80 000,00	\$1 675,10	\$10 124,66	\$6 606,93	\$7 132,14	\$10 133,19	\$23 419,78	\$59 091,80	\$20 908,20
COMPONENT 1										
SERBIA	1.1.1 Budgeting	\$9 369,46	\$0,00	\$9 369,46	\$0,00	\$0,00	\$0,00	\$0,00	\$9 369,46	\$0,00
MONTENEGRO	1.2.1 Macro-fiscal forecasting	\$220 000,00	\$0,00	\$5 397,90	\$39 054,50	\$25 351,01	\$37 556,76	\$19 626,07	\$126 986,24	\$93 013,76
	1.2.2 ESA95	\$40 000,00	\$0,00	\$757,98	\$7 545,90	\$0,00	\$0,00	\$0,00	\$8 303,88	\$31 696,12
	1.2.3 Accounting	\$150 000,00	\$0,00	\$0,00	\$58 069,59	\$0,00	\$0,00	\$4 070,79	\$62 140,38	\$87 859,62
	1.2.4 Debt management	\$70 630,54	\$0,00	\$17 056,06	\$42 313,54	\$0,00	\$0,00	\$0,00	\$59 369,60	\$11 260,94
	Sub-total for Montenegro	\$480 630,54	\$0,00	\$23 211,94	\$146 983,53	\$25 351,01	\$37 556,76	\$23 696,86	\$256 800,10	\$223 830,44
MOLDOVA	1.3.1 Programme budgeting	\$640 000,00	\$0,00	\$0,00	\$79 412,34	\$109 355,19	\$164 560,34	\$152 205,14	\$505 533,01	\$134 466,99
	Sub-total COMPONENT 1	\$1 130 000,00	\$0,00	\$32 581,40	\$226 395,87	\$134 706,20	\$202 117,10	\$175 902,00	\$771 702,57	\$358 297,43
COMPONENT 2										
MONTENEGRO		\$55 000,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$55 000,00
MOLDOVA		\$60 000,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$60 000,00
	Sub-total COMPONENT 2	\$115 000,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$115 000,00
COMPONENT 3										
	3.1 Visibility&promotion	\$11 900,00	\$0,00	\$282,20	\$1 112,84	\$974,32	\$1 657,87	\$1 079,73	\$5 106,96	\$6 793,04
	3.2 Knowledge sharing	\$45 000,00	\$0,00	\$0,00	\$17 255,99	\$4 765,30	\$0,00	\$20 651,52	\$42 672,81	\$2 327,19
	3.3 Quality assurance	\$60 000,00	\$0,00	\$0,00	\$8 200,00	\$8 793,35	\$17 457,74	\$6 045,42	\$40 496,51	\$19 503,49
	Sub-total COMPONENT 3	\$116 900,00	\$0,00	\$282,20	\$26 568,83	\$14 532,97	\$19 115,61	\$27 776,67	\$88 276,28	\$28 623,72
	Programme operational expense, monitoring, evaluation	\$418 690,00	\$56 085,22	\$52 471,65	\$43 858,71	\$93 494,33	\$62 119,49	\$65 365,18	\$373 394,58	\$45 295,42
	TOTAL PROGRAMME	\$1 911 787,82	\$57 760,32	\$95 459,91	\$303 430,34	\$249 865,64	\$293 485,39	\$292 463,63	\$1 292 465,23	\$619 322,59

SUMMARY PROGRAMME FINANCIAL REPORT 2009-2014

Programme Number:	00071644
Programme Title:	Public Finance for Development
Duration:	June 2009 - July 2014
Programme Donor:	Ministry of Finance of the Slovak Republic
Executing Agency:	UNDP Bratislava Regional Center

Initial Programme budget 2009	\$1 050 000,00
2011 Contribution	\$800 000,00
TOTAL PROGRAMME BUDGET - Donor's funds	\$1 850 000,00
Total earned interest	\$51 787,82
UNDP contribution 2012	\$10 000,00
TOTAL PROGRAMME FUNDS	\$1 911 787,82
2009 Actual expenses	\$57 760,32
2010 Actual expenses	\$95 459,91
2011 Actual expenses	\$303 430,34
2012 Actual expenses	\$249 865,64
2013 Actual expenses	\$293 485,39
2014 Actual expenses (preliminary)	\$292 463,63
TOTAL EXPENSES	\$1 292 465,23
Cash balance as of 24 September 2014 (preliminary)	\$619 322,59

Annex 1 Letters from the finance ministers of Moldova and Montenegro

MINISTERUL FINANTELOR
AL REPUBLICII MOLDOVA



MINISTRY OF FINANCE OF
THE REPUBLIC OF MOLDOVA

2005, mun. Chișinău, str. Cosmonauților 7
tel.: 22-66-29

05.12.2012 nr. 17/1-09/328

Mr. Peter Kažimír
Minister of Finance
of the Slovak Republic

Your Excellency,

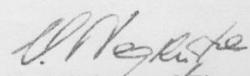
On behalf of the Ministry of Finance of the Republic of Moldova, let me express our gratitude for the support and assistance offered by the Slovak Ministry of Finance within the existent relations of collaboration.

With the assistance of the "Public Finance for Development" Program financed by Ministry of Finance of Slovakia and implemented in partnership with the UNDP Regional Center for Europe and CIS in Bratislava, Ministry of Finance of the Republic of Moldova succeed to organize two important events: *Training of Trainers and the workshop on Performance Based Budgeting Concept for policy makers and high level officials in Moldova*. As result, more than 140 public officials from Moldova acquired a comprehensive knowledge of the PBB concept as a managerial tool in public finance management and were familiarised with recent European and global developments and importance of budget reforms and fiscal sustainability for economic growth. The Slovak experts familiarized with Slovak and international experience in this field and shared their experiences and lessons derived from the budgetary reform implemented in Slovakia. In this respect, I would like to appreciate the participation of Mr. Mario Virčík, General Director of the International Relations Directorate of Ministry of Finance of Slovakia during the workshop.

The Ministry of Finance of the Republic of Moldova avails itself of this opportunity to renew to the Slovak Ministry of Finance, the assurance of its highest consideration and look forward to continue the cooperation.

Sincerely yours,

Veaceslav NEGRUȚA


Minister of Finance

MINISTERUL FINANTELOR
AL REPUBLICII MOLDOVA



МИНИСТЕРСТВО ФИНАНСОВ
РЕСПУБЛИКИ МОЛДОВА

MD-2005, or. Chişinău, str. Cosmonauţilor, 7
tel.: (373 22) 22-66-29, fax: (373 22) 24-00-55, web: www.minfin.md

2. Septembrie Nr. 06/1-6
La nr. _____

To: Alena Srankova, Programme Manager
Poverty Reduction Practice
UNDP, Europe and the CIS
Bratislava Regional Centre

Dear Ms.Srankova

We are pleased to inform you that one of our milestones for the agreed bilateral cooperation has concluded with the document *Analysis of the Performance Based Budgeting Concept and Methodology*. The document includes useful ideas of how to improve the existing methodology as well as a general overview of current practices and procedures.

The suggestions and recommendations related to evaluation and monitoring will be closely analyzed and the most suitable ones will be included in the *Unified Set for Budget Preparation*. Some of the proposals made by the consultants are not relevant for Moldova and thus cannot be implemented under the circumstance of budgeting procedures currently applicable at central and local government.

As an overall the Ministry of Finance from Moldova is grateful for the shared experience and warm collaboration.

We are aiming to continue our successful cooperation for the remaining milestones.

Sincerely,

Veaceslav Negruta

Minister



**MONTENEGRO
MINISTRY OF FINANCE**

REPUBLIKA SRPSKA MINISTARSTVO REPUBLIKY BEOGRAD	
DATE	- 3 -03- 2014
FILE NO	1172/2014-MW
INITIALS	1/3

No: 01-2248/

Podgorica, February 21st, 2013

**H.E. František Lipka
Chargé d'affaires E.P.
Embassy of Slovak Republic**

Dear Mr. Lipka,

I would like to use this opportunity to express the gratitude of the Ministry of Finance of Montenegro to the Government of Slovak Republic for the bilateral support that was provided in the previous period which is essential for the capacity building of our administration, especially having in mind commitments from the EU accession process. We would also like to thank you for the initiative for the continuation of this assistance in the years to come.

Further to the discussion that my colleagues had with the counterparts from your Government, please find enclosed our proposal of the areas of cooperation, including some concrete needs.

The Ministry of Finance is looking forward for your respond and further cooperation in the framework of the above mentioned project.

Sincerely yours,

 **MINISTER**
Radoje Žugić, Ph.D.

81000 Podgorica, Stanka Dragojevića br. 2
tel: +382 20 242 835; fax: +382 20 224 450; e-mail: mf@mif.gov.me