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## Public and Private Finance for Development Project

### Project Progress Report

*Annual report 2019*

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November 2019

## LIST OF ABBREVIATIONS USED IN THIS REPORT

ATI/ITC	Addis Tax Initiative/International Tax Compact
AWP	Annual Working Plan
CB	Capacity Building
CEF	Center of Excellence in Finance
DEV	Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
EU PRAG	EU Procedures and Practical Guide
IFC	International Finance Corporation
IOs	International Organizations
IMF	International Monetary Fund
IRH	Istanbul Regional Hub
IPSAS	International Public Sector Accounting Standards
LSGs	Local self-governments
MF	Ministry of Finance
MF Montenegro	Ministry of Finance of Montenegro
MF Moldova	Ministry of Finance of Moldova
MFSR	Ministry of Finance of the Slovak Republic
MF Serbia	Ministry of Finance of Serbia
OECD	Organization for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PFD	Public Finance for Development
PFM	Public Finance Management
PPFD	Public and Private Finance for Development Project
RFP	Request for Proposals
RMF	Resource Mobilization Facility
SDGs	Sustainable Development Goals
TA	Technical Assistance
TGFF – CEF	Transformative Governance and Finance Facility
UNDP	United Nations Development Programme
UNDP CO	UNDP Country Office
VAT	Value-Added Tax

## Introduction

The Public and Private Finance for Development Project was launched in 2017 with budget allocation of USD 4,170,711 for 2017 – 2019. The purpose of this project was to facilitate the sharing of Slovak knowledge and experience with partner countries and advance their efforts towards sustainable human and economic development in public finance and through strengthened contribution of the Slovak private sector. The project consists of three components:

- *Public Finance for Development Programme (PFD)*
- *Private Sector in Development Cooperation Programme (PSDC)*
- *Development Cooperation Capacity Building of the Ministry of Finance (DEV CB)*

This progress report focused on description of key outputs of the project performance and progress reporting according to three above mentioned components.

## Project Performance

**Output 1:** National public finance capacities in partner countries enhanced and strengthened through effective provision of the Slovak knowledge and experience – **Public Finance for Development (PFD)**

Output indicators:

1. Number of specific knowledge-sharing activities (1)
2. Number of country-specific projects launched and enhanced to more sustainable capacity-building projects (4)
3. Number of project duplications with other donors identified (0)

Output targets:

1. (1) – **target achieved:** 4 Study visits organized<sup>1</sup>: (i) MF of Montenegro representatives study visit to Slovakia in March 2019 (focus: Public sector accounting and reporting systems); (ii) Montenegrin representatives study visit of municipalities and MF to Slovakia in October 2019 (focus: Planning the public finance reform on the local level and its implementation in parallel with the central reforms); (iii) Serbian representatives study visit of 5 Serbian local self-governments and Standing Committee of Towns and municipalities in May 2019 (focus: Slovak practices in transforming underdeveloped municipalities into locations attractive for both foreign and domestic investment); (iv) MF and municipalities of North Macedonia representatives study visit in November 2019 (focus: Local tax systems);
2. (4) – **target achieved:** Within the PFD programme, 7 specific projects have been implemented in 2019. 3 of which were submitted by the North Macedonia UNDP CO (focused on Transfer pricing; Exchange of Information for Tax matters and Local tax administration) were launched in 2019;
3. (0) – **target achieved:** The project activities were coordinated with other donors' activities in PFM;

**Output 2:** Capacities of the Slovak private sector to participate in development cooperation enhanced with a view to mobilize financial resources, knowledge, expertise and technologies - **Private Sector in Development Cooperation**

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<sup>1</sup> See exposures on PFD website: <https://publicfinance.undp.sk/en/>

Output indicators:

1. Number of Slovak companies participating on IFIs and/or IGOs tenders (incl. those in consortia) (6);
2. Projects prepared bringing Slovak private sector expertise and investment to the beneficiary countries (6);

Output targets:

1. (6) – **target achieved**: Within the Project implementation period, 44 Slovak companies engaged into the PPFDF project participated in IFIs and/or IGOs tenders, 12 of which occurred in 2019<sup>2</sup>;
2. (6) – **target achieved**: Within the Project implementation period, 11 Slovak companies engaged into the PPFDF project won the tenders, thus brought Slovak expertise to beneficiary countries; 2 of which occurred in 2019<sup>3</sup>;

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<sup>2</sup> See the document [Supported companies](#)

<sup>3</sup> See below the list of UNDP projects supported by Resource Mobilization Facility.

**Output 3: Capacities of Ministry of Finance of the Slovak Republic officials enhanced in managing Slovakia's development cooperation - DEV CB**

Output indicators:

1. Number of relevant capacity-building actions and active participation of MF SR staff on DEV events (5),
2. Number of MF SR presentations on international events (2);

Output targets:

1. (5) – **target achieved**: Within the Project implementation period MF SR staff attended and actively participated at 32 relevant capacity building events, 11 of which occurred in 2019<sup>4</sup>;
2. (2) – **target achieved**: Within the Project implementation period MF SR staff attended and actively participated at 21 relevant capacity building events, 12 of which occurred in 2019;

Were the indicators and output achieved?      Yes       No       Partially

**The Project has undergone the mandatory QA Assessment for design and appraisal and the results of this assessment. Overall, the Project received satisfactory rating.**

## Progress Reporting

### PUBLIC FINANCE FOR DEVELOPMENT

Public Finance for Development Programme supported the public finance management improvement in partners countries through providing the technical assistance and capacity building to partners organizations (mainly Ministries of Finance) and to municipalities. Every intervention (area of cooperation) was based on realistic needs and requests of the beneficiaries defined by the projects approved in 2018 (Montenegro project: *Strengthening Transparent and Accountable Public Finance Management in Montenegro*; Serbia project: *Support for Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia*). The new beneficiary country, North Macedonia, was included under this component in 2019 as per the approval of the virtual Project Board, dated 18 March 2019.

### MOLDOVA

#### Capacity building and institutional strengthening in spending reviews

Background/scope of work: The cooperation with the IMF was established in 2017. The aim of technical assistance is to support Ministry of Finance of Moldova and line ministries with introducing the spending reviews<sup>5</sup>.

2019 progress: PFD planned to continue the project implementation of *Capacity building and institutional strengthening of MF Moldova for spending reviews* in cooperation with the IMF and MF of Moldova. After the Parliamentary election

<sup>4</sup> See Annex I Capacity Building detailed list of events and participants

<sup>5</sup> See: <https://publicfinance.undp.sk/en/moldavsko/>

in Moldova held on 24 February 2019, it was agreed with the MF of Moldova that the project would be implemented by the Ministry of Agriculture in 2019. PFD consultants were contracted, and the implementation plan was drafted. However, due to post-election developments in Moldova, at the MF Moldova's request, no activities have been implemented yet. It is envisaged that the implementation will be postponed until 2020.

## MONTENEGRO

Background/scope of work<sup>6</sup>: Since 2018, UNDP CO in Montenegro in cooperation with IRH is implementing the project [Strengthening Transparent and Accountable Public Finance Management in Montenegro](#)<sup>7</sup>. It is envisaged the project will end by December 2019. UNDP also supports the MFSR and MF of Montenegro with technical assistance within the framework of budget support (Agreement of Financial Contribution between the MF Montenegro and MF SR signed on 17 December 2017). The budget support in the total amount of 1 mil Euro was provided by MFSR to MF Montenegro mainly for financing the expenditures intended for national regulation of gambling in Montenegro.

### (i) Strengthening Transparent and Accountable Public Finance Management in Montenegro

The main goal of the intervention is *to support the Ministry of Finance of Montenegro in strengthening the transparent and accountable public finance management on central and local levels in 3 intervention areas:*

#### Support to Accrual Accounting

2019 progress: PFD provided the [technical assistance](#) to MF of Montenegro, mainly on Public Sector Accounting development law, [mapping the differences between the latest Law and IPSAS](#) and [document deviations from IPSAS](#), review of financial statements reporting formats and reports as defined by the final Law on Public Sector Accounting. The Law on Public Sector Accounting was approved by the Government of Montenegro in September 2019. This delayed the preparation of by-laws that are and will be on upcoming period supported by the PFD. The [proposal for drafting the bylaws](#) was also prepared.

Within the framework of this initiative, the [Study visit](#)<sup>8</sup> to Slovakia was organized from 5 - 6 March 2019 and attended by the MF and Union of Municipalities of Montenegro representatives. It was aimed at the exchange of experience, mainly regarding: the public sector accounting and reporting system, regulatory framework, organization of accounting and reporting procedures, structure of financial and fiscal reports, implementation of accrual accounting, including the current status and plans, education and training of public sector accountants, steps needed to implement accrual accounting (Slovak experience); the accounting treatment of specific issues: long-term non-financial assets, transfers, tax revenues and tax receivables, provision for long-term employee benefits; information systems supporting the accounting, reporting and budgeting in public sector, data sources and flows through the information systems (State Treasury System, Central Consolidation System, Budgetary Information System) and more other issues.

#### Transparent and Accountable Public Finance at the Local Level

2019 progress: Project launched in September 2018 contributed to improvement of local self-governments' (LSGs - municipalities) management through the setting the operations optimization and building the capacities of the LSGs representatives. The following was implemented:

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<sup>6</sup> How do we help. Watch here: <https://publicfinance.undp.sk/en/ciema-hora/> and also check PFD Facebook page: <https://www.facebook.com/PublicFinance4Development/>

<sup>7</sup> Base on project concept note approved by the Project Board on 23 November 2018.

<sup>8</sup> See: <https://publicfinance.undp.sk/en/2019/04/10/slovensko-prezentovalo-uspechy-vo-verejnom-uctovnictve-a-vykaznictve/>

**Revolving fund:** Bylaw related to *Revolving fund* for the municipalities, beneficiaries of EU funds was prepared. Revolving Fund is ready to operate and support the municipalities with pre-financing the EU funds.

**Equalization Fund:** In accordance with the newly adopted Law, one of the important local self-government financing sources in Montenegro is the Equalization Fund. The Fund serves for the financial equalization of underdeveloped municipalities with the developed ones based on agreed formula. Within the scope of PFD project, the software application was prepared<sup>9</sup>.

Alignment of the **Law on Payment Transactions of Montenegro with the Acquis Communautaire** was completed through expert support engagement for the analysis of the Law and its amendments toward fulfilling the obligations defined by Chapter 20: Enterprise and industrial policy. The addition of this activity to the project at the specific request of MF aimed at enhancing competitiveness, facilitating structural change and encouraging an enterprise-friendly environment that stimulates small and medium sized enterprises. Apart from its direct connection to improving business environment in Montenegro, this project activity will directly contribute to the fulfillment of EU accession criteria in relation to the public finance reforms.

Support software **Fund for Pre-financing Municipal Donor-Supported Projects** was created through the provision of consultancy support and installed in the MF of Montenegro. The Support Fund operates under the so-called revolving model and its purpose is to create the possibility for municipalities to obtain funds, in the form of a loan, which are necessary for pre-financing of projects that will be supported by donors. The condition for fund usage and the scope of the Support Fund is outlined in a previously signed contract between the relevant municipality and a donor/a leading partner on the project. The creation of the mentioned software facilitates the MF's work to a significant extent by means of neat and precise record keeping in this field.

#### **Workshops and trainings:**

- ✓ [Workshop](#) for municipalities to present the new Law on Local Self-Government Financing, and Workshop for municipalities to present the bylaw related to the revolving fund for municipalities, beneficiaries of EU fund was organized in February 2019 in Petrovac, Montenegro. The workshop was designed to teach and provide skills for the municipal servants in charge of budgets and treasuries, and it gathered more than 60 representatives from all Montenegrin municipalities;
- ✓ Training of end users (representatives of MF Montenegro) on how to use the software based on the formula for the Equalization fund;
- ✓ [Workshop](#) for municipalities on the Local Revenues Collection for 59 participants from all of the municipalities organized on 13-14 May in Kolasin, Montenegro;
- ✓ Six [trainings](#) on using the Regulatory Impact Assessment (RIA) and Standard Cost Model (SCM) during RIA preparation for public servants in local authorities in Montenegro. They were held in the central, southern and northern parts of the country from 3 - 5 June (Podgorica, Tivat and Mojkovac) and again from 26 - 28 June (Podgorica, Tivat and Mojkovac). All trainings were attended by approximately 93 participants working on relevant issues within the municipal authorities in the aforementioned and neighboring municipalities;
- ✓ A [one-day training](#) covering 53 participants from all municipalities of the country on 15 October, on how to prepare citizens' budget guides and carry out participatory budgeting processes<sup>10</sup>;

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<sup>9</sup> See: <https://publicfinance.undp.sk/en/2019/07/10/cierna-hora-riesi-nepriaznivu-financnu-situaciju-samosprav/>

- ✓ A two-day training on public speaking – increasing the skills of public presentations and all kinds of communication toward the public for 19 heads of municipal finance units took place from 28 - 29 October;
- ✓ A two-day workshop for the municipal representatives on comparative solutions and experiences in the field of individual local revenues with recommendations for improvement of the existing system on identifying, controlling and collecting local revenues in Montenegro took place from 18 - 19 November in Niksic, Montenegro.

### **Study visit:**

[Study visit](#) to Slovakia (Bratislava and Cifer municipalities) by the Montenegrin MF representatives took place from 7 - 8 October was focused on the local governance financing system (program budgeting, transparency, etc.) including internal control systems. The workshop presentations were delivered by MFSR experts and other Slovak experts<sup>11</sup>.

### **Analyses prepared within the Project**

- ✓ Public enterprises fiscal risk: PFD to develop the [methodology, procedures and capacity building for assessing fiscal risk in public enterprises for MF Montenegro](#);
- ✓ [Analysis](#) of Issues in Determining, Controlling and Collection of Own Revenues and Shared Revenues of the Local Self-Governments in Montenegro - The Analysis was shared with the MF, and documents the actual on-the-ground issues, specifically in terms of existing IT solutions which vary from municipality to municipality, tax inspectors, Real Estate taxes, physical delivery of tax invoicing, identification of taxpayers, etc.

### **(ii) Technical Assistance to Ministry of Finance of Montenegro within the framework of Budget Support**

Within this initiative, UNDP is providing technical assistance based on Slovak expertise to support the online supervision of gambling (Games of Chance). The technical assistance agreed upon the UNDP and MF SR is channeled through the PFD and is concentrated on the reform of the legislative framework (amending and adopting the new Law on Games of Chance) and recommendations for technological and optimization upgrade of the ISONIS system (software) and its future evolution and recommendations for expansion of the system infrastructure (hardware equipment);.

2019 progress: Legislation – Law on Games of Chance: Within the UNDP technical assistance the revision of the new draft law was provided, and the Law was prepared for the governmental approval.

IT solutions: On 21 – 25 October 2019 ICT consultants mission took place to Podgorica to become acquainted with game of chance current state of infrastructure and of ISONIS information system. In-depth discussions were made between the consultants, developers, system maintainers and operators about state of the ISONIS system. Both the software and hardware that is used to run the system were analyzed. The final reports with recommendations on database and application optimizations, software updates and hardware upgrades are being prepared and should be ready by the end of the year..

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<sup>11</sup> See the Study visit stofy: <https://publicfinance.undp.sk/en/2019/10/17/ciernohorci-cerpali-skusenosti-od-slovenskych-samosprav/>



## SERBIA

Background and scope of work<sup>12</sup>: Since 2018, the UNDP Serbia in cooperation with the UNDP IRH have been implementing the project, *Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia*. In early 2019, the UNDP Serbia submitted the project, *Support to the Ministry of Finance and Tax Administration in strengthening capital investment management, internal audit quality and risk-based tax audits with the aim of preventing and suppressing tax evasion in the Republic of Serbia* for the support by the PFD Programme. Initiative developments:

### (i) Support for Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia

Project goal is to improve the public finance management at the local level. The project supports five local self-governments (LSGs), Backi Petrovac, Kursumlija, Mali Zvornik, Petrovac and Sjenica, in assessing and identifying governance issues and updating policies, regulations and planning documents. It also provides support for strengthening the local administrations' representatives' capacities regarding project planning and implementation in order to increase the absorption capacities for external financing. The capacity building and technical assistance is specifically targeted on (i) [reforming LSGs internal organizational structure and processes optimization in order to increase the effectiveness and functionality](#) and on (ii) [Development plans \(medium-term economic plans\) preparation](#).

2019 progress: In 2019 the LSGs capacities were enhanced through the technical assistance and capacity building that helped the LSGs to prepare their Development plans and related implementation projects as well as prepare for the organizational reforms of the LSG administration.

#### **Workshops and trainings:**

- ✓ Kick-off workshop organized in February 2019. Functional analysis, external audit reports on five selected municipalities and access to the Secretariat of Public Policy database presented;
- ✓ Trainings on Project Cycle Management and funding sources;
- ✓ From 17 - 21 June: the second round of trainings on Elaboration of the Development Plan on Local Self Governments. SWOT analysis developed on the basis of current state of play in their municipalities, and defined a draft of vision and priorities along with possible measures of development;
- ✓ Five partnership forums with all defined stakeholders was organized in June 2019 in separate selected municipalities, aimed at involving all local interested parties in the planning process and in definition of local development priorities;
- ✓ From 20 - 22 November in Belgrade, training on public procurement procedures and EU PRAG rules organized for the representatives of five municipalities;
- ✓ Second round of Partnership Forums in selected Serbian municipalities aimed at presenting Development Plans organized in November 2019;

#### **Study visits**

- ✓ Study visit to Slovakia (Bratislava, Cifer and Malacky municipalities) by the Serbian municipal representatives took place from 14 – 18 May was focused on municipal management and governance in Slovakia<sup>13</sup>;

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<sup>12</sup> See the overview at: <https://publicfinance.undp.sk/en/srbsko/>

<sup>13</sup> See: <https://publicfinance.undp.sk/en/2019/06/25/srbske-obce-cepali-skusenosti-od-slovenskych-odbornikov-na-miestny-rozvoj/>

- ✓ Study visit to Ireland (Dublin, Croom and Killmallock municipalities) by the Serbian municipal representatives took place from 22 - 25 October was focused on strategic planning framework and utilization of external funds;

### **Analysis and reports prepared**

- ✓ Assessment reports and Socio-economic analysis on [Backi Petrovac](#), [Kursumlija](#), [Mali Zvornik](#), [Petrovac](#) and [Sjenica](#). Socio-economic analyses were focused on the current state of local development in the areas of urban, rural, social and economic development. Financial capacities of the municipalities were assessed;
- ✓ Agreement on implementation of joint internal audit function for the Backi Petrovac municipality. The organizational model suggested to involve another neighboring municipality – Bac. Backi Petrovac and Bac will share and co-finance the internal auditor unit, which will be situated in Bac;
- ✓ 2020-2027 Development Plans were drafted and presented to the local assemblies, that are responsible for their approval. The Plans were developed by the municipal representatives with the support of PFD consultants;
- ✓ [Local Development Assessment practices used in Slovakia and EU/OECD countries](#) were developed within UNDP technical assistance;
- ✓ Analysis of EU best practice on operationalization and localization of Sustainable Development Goals in strategic planning documents was developed. The analyses presents the best practice in connecting the SDGs and local development goals listed in the Development Plan and it also includes the goals and indicators linked to SDGs. Indicators and goals will be further used for municipal economic development plan preparation.
- ✓ Five municipalities prepared the projects reflecting the goals and outcomes defined in new 2020 - 2027 Development Plans. The projects were prepared by municipal representatives under the mentorship of PFD consultant.

### **(ii) Emerging initiative on electronic fiscalization between Slovak Financial Administration and Serbian Tax Administration**

2019 progress: The UNDP drafted the potential project activities concept note and submitted for consideration in February 2019. Due to limited availability of Slovak experts, as well as the fact that different donors supported similar interventions in Tax administration, the activities related to TA were cancelled. However, due to number of potential areas of the cooperation between Slovak Financial Administration and Serbian Tax Administration identified during the last years, the potential intervention will be evaluated in upcoming period.

## **North Macedonia**

Background and scope of work<sup>14</sup>: Initiated by the Slovak Ambassador to North Macedonia and based on follow-up negotiations between Slovak and North Macedonian Ministries of Finance and the UNDP in 2018, the UNDP CO in North Macedonia submitted the project, [Support to Public Finance Management Reform in the Republic of North Macedonia](#) in the area of international taxation and local taxes. The virtual Project Board approved the project implementation on 18 March 2019. The main goal of the intervention is to support the MF of North Macedonia in strengthening the transparency and accountability in public finance management, at central and local levels. The

<sup>14</sup> See the overview at <https://publicfinance.undp.sk/en/severne-macedonsko/>

project focuses on reinforcing the capacities of the MF and the Public Revenue Office in the process of introducing international taxation along with strengthening the tax administration capacities of the local self-government units within the country. The intervention is based primarily on technical assistance from Slovak experts and sharing the experience and good practices with both counterparts. It has 3 main components:

#### **(i) Transfer Pricing**

Background and scope of work: This component is in response to the MF North Macedonia's need for guidance on the practical and administrative aspects of applying transfer prices as provided by the national legislation.

2019 progress: As of the date of the PPF project board, all details of the [technical assistance](#), including the selecting and contracting of the consultants, were agreed. The expert's mission is envisaged for November 2019 and a study visit to Slovakia by the MF of North Macedonia's representatives is envisaged for December 2019.

#### **(ii) Exchange of Information for Tax Purpose**

Background and scope of work: This component aims at providing this expertise with a focus to improve the capacity of the MF North Macedonia to implement the provisions of the Convention on Mutual Administrative Assistance in Tax Matters. The main objective is to provide the Ministry of Finance with the knowledge and tools needed to introduce the standards and fulfill the commitments derived from the Convention.

2019 progress: As of the date of the PPF project board, all details of the [technical assistance](#), including the selecting and contracting of the consultants, were agreed. The expert's mission is envisaged for November 2019.

### (iii) Improvement of administration of property taxes

**Background and scope of work:** This component is focused on improving the property tax administration, with a special focus on expanding property coverage, enhancing property valuation, and strengthening the collection of taxes along with improving both the efficiency and effectiveness of the collection.

**2019 progress:** As of the date of the PPF project board, all details of the **technical assistance**, including the selecting and contracting of the consultants, were agreed. Three Slovak experts' first mission took place from 31 October – 1 November. The study visit to Slovakia by the MF of North Macedonia's representatives took place from 27 - 29 November 2019. It focused on tax systems, their comparisons, problems and potential reform solutions, including improvement of tax processes and local tax administration.

### Knowledge sharing, dissemination of information and improving outreach

The Project Communication has been implementing in line with the Communication Plan.

A new web site, <https://publicfinance.undp.sk/>, was launched along with, a new [YouTube channel](#), that will be used to publish new, animated videos, and all future Project videos.

Project social media were regularly updated:

- Facebook: <https://www.facebook.com/PublicFinance4Development/>
- LinkedIn: <https://www.linkedin.com/company/public-finance-for-development/?viewAsMember=true>
- Twitter: <https://twitter.com/PubFinance4Dev>

A number of new digital tools were used in order to raise project communication's attractiveness:

- Seven video testimonies with project beneficiaries were prepared and posted on [web site](#).
- Two stories about events organized within the project were published in the Exposure application (<https://publicfinancefordevelopment.exposure.co/>):
- Animated videos about the project and its achievements on the [YouTube channel](#).

### PF Expert and UNDP Vetted Experts Roster in Public Finance

The Roster validity terminates as of 31 January 2019. Due to the increase of interventions in Public Finance for Development Programme, a number of new experts on public finance management specific areas were contracted in 2019.

## PRIVATE SECTOR IN DEVELOPMENT COOPERATION

### Rozvojmajstri

Rozvojmajstri<sup>15</sup> implemented the project under the contract and ToR agreed. The following was implemented within the reporting period:

- Number of desk services (34) were provided, mainly with regard to the RMF implementation, advisory to the UNDP and Slovak companies and EXIMBANKA in 2019;
- Number of supported companies within the Rozvojmajstri consultancy in 2019: 10 (8 recorded coaching sessions and other support); based on consultations, 5 entered the tenders all with UNDP, and one company won the tender within the RMF in Montenegro)
- 4 Missions:
  - Balkan mission in March 2019; involving IFIs (EBRD, IFC) and UNDP in Serbia, Montenegro and Bosnia and Herzegovina,
  - Mission to Montenegro in January 2019 – mobilization of local municipalities and partner companies for the March 2019 mission and requesting RMF funds for PPP investments from the UNDP;
  - Mission to Montenegro in February 2019 – collecting feedback on the pilot RMF assignment (Ministry of Transport) and discussing follow-up financing of the IT system implementation;
  - Mission to Montenegro in June 2019 – review of the new RMF Slovak engagement opportunities generated in March 2019, mobilizing local partners for potential consultants, and reviewing investment opportunities of the city of Podgorica for further engagement of Slovak investors;
- Outreach event: After the UNDP, MFSR and Rozvojmajstri consultations, it was agreed that in 2019 Rozvojmajstri would not be organized. Instead, the Rozvojmajstri capacities were reallocated to consultancy services and the training of EXIMBANKA;
- Consultancy support to EXIMBANKA with Pillar Assessment and preparation for the implementation of Concessional Loans Scheme;

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<sup>15</sup> See: <https://rozvojmajstri.com/>

## Resource Mobilization Facility (RMF)

All projects submitted in 2018 were gradually implemented in 2019, and some new initiatives were launched. See below list of projects and their progress:

UNDP CO	Project	Approved	Aim of the project	Status as of November 2019
Bosnia and Herzegovina	Municipality Lighting systems	2018	Prepare all conditions for the public lighting system reconstruction in municipalities of Bosnia and Herzegovina. As of the project proposal, it was envisaged to support 8, max 10 municipalities with the feasibility studies, thought based on high interest of municipalities it was agreed to extend the budget to support 12 municipalities.	The optimal model on partnering, financing, as well as repayment and reinvesting into EE in public lighting projects was created (prepared by Slovak consultant Marcel Lauko).  12 municipalities - Grad Cazin, Grad Živinice, Općina Domaljevac-Šamac, Općina Kalesija, Općina Sapna, Općina Zavidovići, Opština Laktaši, Opština Novi Grad, Opština Srbac, Opština Srebrenica, Mrkonjić Grad and Teslić – were selected for support to the preparation of the feasibility studies.
Montenegro	Modernized Public Lighting System of Capital Podgorica	2018	Prepare the full set of documentation regarding the reconstruction of public lighting in Podgorica.  The municipality will search for funding based on this documentation.	All documents prepared, submitted and presented to the Podgorica municipality (prepared by Creara Spain). This will be followed by internal municipal discussions on all financing options where UNDP stands as potential technical support, in particular for the cases of PPP but also grant/loans arrangements. Also, the outputs of this contract could and should be used for developing specific Smart City Solutions to be installed on the public lighting infrastructure.
Montenegro	Development of ICT	2018	Prepare the technical documentation that will serve as the backbone of the Tender Documentation for selecting the IT Company to develop and implement appropriate IOCT solution for the Road Sector in MNE, coordinated by the Ministry of Transport and Maritime Affairs	The final documents (prepared by Storm Level Slovakia) were approved by the Ministry of Transport and Maritime Affairs. The Ministry will assess all financing solutions and will try to find the best option for project implementation. The Ministry has already allocated budgetary funds for 2020 as seed money for this initiative. The investment estimation ranges from €1,5 Mil. to €6 Mil. (for 10 years of operations, including regular maintenance.)
Montenegro	Modernization of Public Lighting	2019	Prepare the full set of documentation regarding the reconstruction of public lighting in Danilovgrad, Budva, Kolasin and Cetinje.	The Company CEVO, Slovakia conducted field visits in all four municipalities. The Inception Report containing baseline data submitted to the UNDP CO. the contract was amended for €7,890 due to increased workload needed to cover the entire municipal territories as there were discrepancies in the baseline data and the actual situation in the field.

			The municipalities will search for funding based on this documentation.	The same approach will be used for Podgorica – produced documentation should be used for financing the reconstruction and modernization of city lighting with smart city elements.
Montenegro	Photo-voltaic Power Plants - Development of Main Designs	2019	Development of the photo-voltaic power plant main project on (i) the Business Centre building roof in Cetinje, (ii) the Tehnopolis building roof in Niksic, (iii) the roof Parking service Podgorica, and (iv) Land installation on the farm in Martinici	Local Company Sienersys selected. The initial site visits have been conducted. During the site visits and follow-up communications, needed data are collected regarding energy needs and energy use by 4 beneficiaries.  Initial design was developed for two locations (Technopolis and farm in Martinici).
Montenegro	Reconstruction of Water Supply System (Cement-asbestos Pipes)	2019	<p>The purpose of Replacement of asbestos-cement pipes in water supply systems in the area of Montenegro project:</p> <ul style="list-style-type: none"> <li>- reduce water loss in water supply systems</li> <li>- increase security of water supply</li> <li>- provide healthy and safe water for the population</li> <li>- enable a significant increase in the efficiency of the water utilities business</li> <li>- meet the EU requirements in line with the Negotiation Chapter 27</li> </ul> <p>The ultimate goal of this project is to improve the local population's quality of life and to raise public awareness on the importance of the water supply quality in Montenegro.</p>	International Hydro Technical Engineer Nedim Djipa (BiH) was contracted to develop the ToR for development of the Main Design regarding the Water Supply System Improvement in Montenegro. The detailed ToRs for 21 municipalities were developed and submitted to the Association of Water Supply Public Companies. The Consultant held a presentation on the main findings during the International Conference on Waters held in Ulcinj, 17 - 18 October. The Main Design development costs for all municipalities (the first phase – 20% of the length of water supply network – 129 km) is estimated at €170,000 .The reconstruction costs are estimated ( <i>preliminary rough estimate</i> ) as follows: €30 Mil. Phase 1, €60 Mil. Phase 2 and another €60 Mil. for Phase 3 – total €150 Mil.)
Montenegro	Energy Audits of Four Buildings in Pljevlja Municipality	2019	Pljevlja is the municipality with the highest air pollution in Montenegro. The municipal administration is initiating series of EE measures and trying to solve the town's heating. An Energy Audit of two public and two residential	Local Company Dencon has just been selected (contract value €3,850). The activities are planned for completion by the end of November 2019. The energy audit reports will provide detailed cost estimate necessary to plan full investment in EE measures.

			buildings in the center of the town will provide the basis for investment in concrete EE measures.	
Serbia	Solar Thermal Energy in Serbia	2018	Prepare the requested documentation (Survey of public buildings with large demand for SHW; Analysis of energy and cost saving potential for implementation of solar heating system; Feasibility studies for Public Private partnerships) for the project supporting investments in solar heating systems for sanitary hot water (SHW) preparation in large-scale public buildings in Serbia.	<p>The purpose of the project is to develop the Feasibility Study on the use of Solar Thermal Energy for heating up the Sanitary Hot Water (SHW) in public buildings in the City of Belgrade. The Study should contain a survey of existing public buildings stock with regard to demand to Sanitary Hot Water (SHW), Analysis of energy and cost saving potential, Analysis of non-technical specifics of the listed buildings which are relevant for implementation of thermal solar projects, such as jurisdiction over the building, financing of capital repair and maintenance cost, calculation of energy and cost saving potential for each of the identified groups of buildings, investment packages for each of the identified groups of buildings (CAPEX), operational expenditures of proposed measures for each of the identified groups of buildings (OPEX), financial analysis, elaboration of the Feasibility Study</p> <p>As of the submission of this report, there is a slight delay in the submission of the final draft of the Study. The final draft is expected by mid-January 2020.</p>
Serbia	Public Lighting reconstruction.	2018	Prepare the requested documentation (Site survey and available as-built documentation analysis; Analysis of energy and cost saving potential; Analysis of social and environmental impact and Feasibility studies for the reconstruction of public lightening in 4 municipalities, specifically construction of the new public lighting columns in Raska and Sid, and Replacement of cca 12,600 old lamps with LED type in Aleksinac, Raska and Bosilegrad.	<p>The activity is complete. UNDP shall hand over the designs to the Project Implementation Unit (PIU) of the Ministry of Public Administration and Local Self-Government, for further assessment of the tendering timeline and prioritization of investments from the EIB loan.</p> <p>It is planned for the PIU to tender works foreseen by the technical documentation for the Municipalities of Raska, Sid and Bosilegrad.</p>



Serbia	Innovative Business Models for Solar Energy	2018	Support the development of solar energy market in Serbia by de-risking investments and sourcing innovative technologies in local communities.	<p>The Contract has ended on 30 October 2019.. All Deliverables are submitted, and payments are made.</p> <p>Results:</p> <ul style="list-style-type: none"> <li>- Market analysis of solar market is developed. Together with the Business plans for direct sale of clean electric energy and Handbook on five business models for solar energy market in Serbia will be published on Climate Smart Urban Development Challenge project's website after proof reading.</li> <li>- Feasibility Studies, including Environmental and Social analysis, for all three locations are prepared and submitted. Studies are developed per international methodology and represent a template for similar PV projects which can be financed by international financial institutions and banks.</li> <li>- Relevant documents were prepared, and location permits obtained for all three locations.</li> <li>- Developed documents are an important base for testing in practice 3 business models related to solar energy which is not based on feed-in-tariff. These models are important for local communities because:             <ol style="list-style-type: none"> <li>1. One business model provides an opportunity for local citizens to buy green energy directly from energy producer,</li> </ol> </li> </ul> <p>For the first time reward based and investment crowdfunding models related to solar energy will be tested. Due to provided support, citizens in the City of Sabac have decided to establish the first Green Energy Cooperative (Solar roofs of Sabac) in Serbia which will provide an opportunity for all citizens to directly invest in green energy in their communities.</p>
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## DEVELOPMENT CAPACITY BUILDING (CB DEV)

In 2019, the Project CB DEV component contributed to the professional capacity building of the MFSR experts on development cooperation, international finance institutions relations and financial instruments. The CB DEV supported the specific knowledge and skills enhancement including PFM roles in private and public sectors in development, and innovative solutions vis-à-vis SDGs and Agenda 2030 (access to finance, governance and regulatory frameworks, social innovation/entrepreneurship), green financing or development statistics. In 2019 the MFSR staff was also trainer in developing their soft skills capacities in communication, intercultural dialogue and IT technical skills. Full list of CB events and trainings attended by the MFSR staff and training prepared through this component is in Annex I.

## LESSONS LEARNED AND FOLLOW-UP STEPS

Since 2018, the PFD Programme changed the delivery mechanism relying on UNDP CO's expertise and implementation capacities. This yielded in greater development effectiveness and efficiency. The new mechanism ensured higher results ownership by countries and thus the initiatives sustainability which were scaled up.

The RMF implementation of RMF showed to be a useful tool for the UNDP COs that are seeking funding and expertise for larger investment projects. Based on UNDP COs request 10 projects were supported and even several others were considered for the support. This shows that the opportunities for such a support<sup>16</sup> as defined by the RMF is important on a country level. However, the expectations for broader involvement of the Slovak private sector also showed some challenges. First, it is not fully applicable to support only Slovak experts from the RMF as mentioned in Project document. This is due to strict UNDP procurement rules, which restrict discrimination against other offers. Also, the preparation of projects under the RMF mostly requires additional local (national) certification.

On Slovak private sector side, examples of the most significant challenges are as follows: sometimes the offers of Slovak bidders did not reach the adequate quality, the price offers sometimes highly exceeded other offers even those from other EU countries; Slovak companies are often still not ready to prepare quality bids themselves and high involvement of Rozvojmajstri had to be applied. At the same time, several tenders were won by Slovak consultants/companies and their final work was appreciated.

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<sup>16</sup> Support for feasibility studies for bigger development investment projects.

## OTHER ISSUES (RISK MONITORING, PARTNERSHIPS AND OTHER ISSUES)

Project Risk Analyses identifies number of potential risks<sup>17</sup>, that could influence the Project implementation. However, in 2019 only the *risk of political environment not receptive to project initiatives* occurred in a case of the PFD implementation in Moldova where parliamentary election caused significant delays in project implementation. Technical assistance on introduction and execution of spending reviews at Ministry of Agriculture was agreed with Ministry of Finance for 2019, but the assistance itself haven't been executed due to Ministries' internal reasons.

## FINANCIAL MANAGEMENT

### Project budget and delivery 2019 in USD

Year	Budget	Expenditures <i>(as of 15 November 2019)</i>	Commitments <i>(as of 31 December 2019)</i>	Spending <i>(expenditure + commitments)</i>	Projected delivery rate <i>(as of 31 December 2019)</i>
2019	2,784,415	1,691,093	240,000	1,931,093	69,35 %

### Total project budget and delivery (2017-2019) in USD

Total project budget 2017-2019	Spending				Total project delivery in %
	2017	2018	Estimated 2019	Total	
4,170,711	427,061	754,547	1,931,093	3,112,701	74.63%

Remaining funds (estimated): USD 1,060,000

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17 Following defined by the Project Document: (1) political environment not receptive to project initiatives, (2) government's commitments to public finance reforms and to project initiatives, (3) Duplication with other initiatives/harmonization with donors, (4) Lack of clarity on needs and priorities, (5) Low impact of capacity development activities, (6) PFD programme scope not aligned with resources for implementation, (7) Unavailability or lack of experts with relevant capacities, (8) Insufficient participation of the Slovak private sector in development cooperation projects and (9) Low retention of MF SR knowledge and expertise

## Annex I Capacity Building detailed list of events and participants

### Capacity building events and trainings attended by the MFSR experts in 2019.

Event (Title)	Dates	Organized by
Tatiana Zilkova, Development Cooperation, MFSR		
Social Innovation and Entrepreneurship (workshop), Lisbon, Portugal	10 September	EC
Green Finance UNDP (ODA Capacity Building Series), Bratislava, Slovakia	21 - 22 May	UNDP
Intercultural Communication (training), Bratislava, Slovakia	6 - 7 May	UNDP
MS Excel (IT Training), Bratislava, Slovakia	17 April	UNDP
Microsoft Word (IT Training), Bratislava, Slovakia	21 June	UNDP
Sona Gabcova, Development Cooperation, MFSR		
WP-STAT meeting and technical workshop, Paris, France	12 - 15 February	OECD
The Working Party on Development Finance Statistics (WP-STAT), Paris, France	1 - 3 July	OECD
Green Finance UNDP (ODA Capacity Building Series), Bratislava, Slovakia	21 - 22 May	UNDP
The Future of Skills (UNDP ODA Capacity Building Series), Istanbul, Turkey	24 - 25 October	UNDP
Intercultural Communication (training), Bratislava, Slovakia	6 - 7 May	UNDP
MS Excel (IT Training), Bratislava, Slovakia	17 April	UNDP
Microsoft Word (IT Training), Bratislava, Slovakia	21 June	UNDP
Marianna Macaskova, Development Cooperation, MFSR		
Learn4Dev Core Group meeting, Marseille, France	21 - 23 Jan	AFD
Learn4Dev Objectives at the Core Group meeting, Luxembourg	24 - 25 September	Lux Dev
The Future of Skills (UNDP ODA Capacity Building Series), Istanbul, Turkey	24 - 25 October	UNDP
Intercultural Communication (training), Bratislava, Slovakia	6 - 7 May	UNDP
MS Excel (IT Training), Bratislava, Slovakia	17 April	UNDP
Microsoft Word (IT Training), Bratislava, Slovakia	21 June	UNDP
Katarina Hovorkova, Financial Instruments and International Institutions Department, MFSR		
IDA Nineteen (Ida19) Replenishment Meeting, Addis Ababa, Ethiopia	17 - 20 June	IDA
Eva Goncalvesova, Director General, International Relations Section		
Behavioral Insights to the Design of Public Policy (course), Boston, USA	27 October - 1 November	Harvard Kennedy School

### Tailored-made microtraining prepared within the Capacity Building in 2019:

- MS Excel (17 April); Participants: Tatiana Zilkova, Soňa Gabcova, Marianna Macaskova, Iveta Kimakova, Katarína Kovacova, Iveta Lukacova, Jana Franekova, Lineta Furek, Elena Roznikova, Sonja Adamova

- Intercultural Communication (6 - 7 May); Participants: Tatiana Zilkova, Sona Gabcova, Marianna Macaskova, Katarina Kovacova, Martina Kalinakova, Andrej Furik, Juraj Toporcak, Elena Roznikova; Prepared by Maxman Consultants
- MS word (21 June); Participants: Tatiana Zilkova, Soňa Gabcova, Marianna Macaskova, Samuel Jurco, Michael Syc-Mily, Erika Madajová, Lubomira Schlosserová, Iveta Kimakova, Sona Adamova

List of MF SR presentations at international events in 2019:

- Sharing experience with KfW in area of development cooperation, Germany, Frankfurt, 21 August (Sona Gabcova, Tatiana Zilkova)
- Expert missions – Cuba, Havana - 2019/1, 28 May - 31 June (Tatiana Zilkova)
- ATI/ITC Tax and Development Conference 2019, Germany, Berlin, 1 - 4 July (Tatiana Zilkova)
- TGFF - CEF DesignLab, Moldova, Chisinau – 26 May (Tatiana Zilkova)
- CEF Governing Board Meeting, Moldova, Chisinau, 4 June (Marianna Macaskova)
- Study visit for Mongolian Finance Ministry, Slovakia, Bratislava, 4 April (Marianna Macaskova)
- Learn4Dev Annual Meeting, Germany, Bonn, 28 - 29 May (Marianna Macaskova)
- PEFA Steering committee, United Kingdom, London, 26 - 27 June (Marianna Macaskova)
- CEF Partners Meeting and Advisory Board, Slovenia, Ljubljana, 11 September (Marianna Macaskova)
- Study visit of MF Slovenia, Slovakia, Bratislava, 20 September (Marianna Macaskova)
- Learn4Dev Working Level Meeting, New & Emerging's Donors Meeting, Slovakia, Bratislava, 26 - 27 March (Marianna Macaskova)