

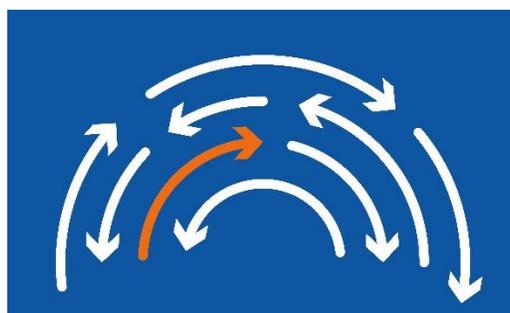


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Public and Private Finance for Development

2021 Annual Project Progress Report

Donor: Ministry of Finance of the Slovak Republic



Implementing Agency:	United Nations Development Programme (UNDP)
Atlas Project ID:	100708
Project Title:	Public and Private Finance for Development
Project Duration:	01 January 2017 – 31 December 2023
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Annex IV: List of the projects selected for support from RMF in 2021

Project Name	Country	Project Description
Solar Atlas	BiH	Development of environment for solar projects (legislation, technical and financial models, etc.)
Decarbonization Pljevlja	Montenegro	Roadmap for Montenegro – reaching national consensus on coal phase-out pathway
Solar Development in Montenegro	Montenegro	Development of technical and financial models for small solar installations
Model of E-Municipality	North Macedonia	Development and pilot of the National Model of E-Municipality
Waste into Food	North Macedonia	Feasibility Study on sustainability through reduction of organic waste
Energy Efficiency - governmental buildings	Serbia	Co-financing of project for energy efficiency investments in public buildings
Kragujevac - LoRaWan	Serbia	Development and construction of IoT network for monitoring: waste management, flooding risk, etc.

Annex V: Capacity Building detailed list of events and participants

Acronyms

AWP	Annual Working Plan
BiH	Bosnia and Herzegovina
CB	Capacity Building
CEF	Center of Excellence in Finance
DEV	Development
DFA	Development Finance Assessment
ERP	Economic Reform Plan
EU	European Union
FA SR	Financial Administration of the Slovak Republic
IOs	International Organizations
IMF	International Monetary Fund
ICT	Information Communication Technologies
IRH	Istanbul Regional Hub
LSG	Local Self Government
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
MFSW	Ministry of Finance and Social Welfare in Montenegro
ODA	Official development Assistance
PB	Project Board
PFD	Public Finance for Development
PFM	Public Finance Management
PPFD	Public and Private Finance for Development Project
Project	in text Project refers to Public and Private Finance for Development (PPFD)
PSE	Private Sector Engagement
RMF	Resource Mobilization Facility
RPD	Regional programme document for Europe and the Commonwealth of Independent States (2018-2021)
SDGs	Sustainable Development Goals
TA	Technical Assistance
UNDP	United Nations Development Programme
UNDP CO	UNDP Country Office

I. Executive Summary

Context and key developments of the project: 2021 is the second year of the implementation of the second cycle of the Public and Private Finance for Development project. After the first year that was characterized mainly by the projects preparation and administrative work related to projects approval, agreeing on specific agendas and timelines with beneficiaries, etc., the second year was fully dedicated to the implementation of project activities. This is relevant mainly for the Public Finance for Development component (PFD) and capacity building component. In private sector engagement component, some new initiatives were introduced, and new projects were selected for support by the Resource Mobilization Facility (RMF). Overall, it could be stated that most of the planned activities were implemented and in addition some new activities were introduced thanks to budget savings from previous years.

Progress against outputs and outcomes:

Output I – Public Finance for Development - Strengthening partner capacities in public finance management: All the projects approved in 2020 for support have seen a significant shift in the implementation of planned activities in each partner country: Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia and Moldova. North Macedonia introduced a new intervention area – support to Ministry of Finance in setting the accrual accounting system and in Montenegro the support provided to the government on the Economic Reform Programme 2022-2024 was boosted compared to the initial planned support in project document. Within this component 19 different studies, draft amendments to the laws, or recommendations for government institutions were prepared and approved or already adopted.

Output II - Private Sector in Development Cooperation Programme - Supporting the Private Sector Engagement into the development cooperation: The major outcome in 2021 was the preparation and approval of several projects that will be supported by the Resource Mobilization Facility. The projects are focused on one of the three thematic areas: green energy, waste management and smart cities.

UNDP set up a PPP platform, the informal channel for information exchange and coordination between major Slovak stakeholders active in PSE (Ministry of Finance, Ministry of Foreign and European Affairs, Slovak Agency for International Development Cooperation and Eximbanka). The expected result is better coordination of the activities that support Slovak business community in development cooperation, e.g. coordination of the calls deadlines (mainly UNDP and SAIDC), sharing the information and experience with working with concrete companies (due diligence support), knowledge sharing that could lead to better national or resort policies, laws, brainstorming on introduction of the potential new tool.

Within this component the first project assessment was conducted in Ukraine. This exercise is aimed on providing the support to MFSR with the evaluation of the projects assessed for support under the scheme of Slovak concessional loans. The pilot project has also helped the MFSR and project team to understand how to better design, communicate and capture similar projects in future.

Output III - Capacity development for MFSR development professionals: This output supports the development of professional capacities, either technical skills or soft skills of the MFSR and its organizations development specialists. In 2021 the three tailor-made trainings on communication skills, application of agile communication protocols and IT were delivered. Project also directly supported one of the UNDP webinars ODA Learning Series focused on social impact bonds.

Key challenges and risks: Surprisingly the COVID 19 pandemic did not show up as a big challenge. The activities were fully proposed taking into account the existing situation. Some challenges have shown in

the political field, but they influenced only the timelines of some activities which were undertaken until the end of the year.

Certainly, the close monitoring of all potential strategic, operational, as well as political risks were continuously performed by the IRH and UNDP COs Project teams.

Funds utilization update: At the end of 2019 the Project Board approved Annual Working Plan and budget in the amount of USD 2,762,660. Due to all developments during the year mentioned above and further in this Report, the Project management actively worked to set a more realistic budget (USD 1,524,461) for this year and those to follow.

The actual 2021 budget spending is USD 1,247,615 (as of 9 December 2021) what represents 81,8% of the revised 2021 budget utilization. It is expected that activities not yet performed will be delivered next year or 2023 at the latest. All is depending upon the COVID pandemic developments.

Total Project budget for 2020-2023 is USD 7,376,543 (this number represents USD 5,981,947 approved in the Project document for this project cycle plus leftover from previous, 2017-2019, project cycle). Actual total project spending (as of 9 December 2021) is USD 2,301,664 (30,2% budget utilization).

Key lessons learned and recommendations: The major lesson learned is that thanks to the high flexibility in the design of the project as well as flexibility of the Donor, the Project can much easier respond to potential challenges and reflect changed needs of the partners.

Thus, the main recommendations are:

- ✓ To keep the project as flexible as possible towards the changing needs of the beneficiary institutions, timeframe and resources, including experts' availability to address the realistic needs.
- ✓ Keep identifying the niches where the project could be useful with its expertise.
- ✓ To continue the active triangulated dialogue between IRH – COs – and Donor that is significant source of expertise, both in effective project management, but also in technical expertise, mainly on public finance management. The dialogue on technical aspects also helps the beneficiary institutions to better shape their expectations for TA and capacity building.

II. Introduction

The *Public and Private Finance for Development* (PPFD) project is based on more than ten years of cooperation between Slovakia, namely the Ministry of Finance of the Slovak Republic (MFSR) as a donor and the UNDP. This Project helps with the application of development effectiveness principles, contributing to advancing the effectiveness of global development efforts to achieve the ambitious Sustainable Development Goals. Building on previous cooperation with the UNDP, the Project focuses on:

- I. Strengthening partner' capacities in public finance management;
- II. Supporting the Private Sector Engagement into the development cooperation;
- III. Capacities development for MFSR development professionals

The main Project objective is defined as: *The partner countries benefit from effective and efficient provision of the Slovak knowledge and experience in advancing their efforts towards sustainable human and economic development in public finance and through strengthened contribution of the Slovak private sector.* Project outcomes:

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

The Project is implemented by UNDP IRH, and UNDP country offices in Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Moldova, and Ukraine. The regional coordination and communication with the Donor as the source of expertise is managed by the IRH Project Manager. The Project Manager is also responsible for Project Monitoring and Evaluation.

III. Progress Review: Key Activities and Results, January – December 2021

Section 1: Overall progress against outcomes

As per the project document, PPF contributes to RPD Outcome 2¹: ***Addressing poverty and inequalities through more inclusive and sustainable development pathways***

The Project contributes to this outcome by supporting effective public finance management in partner countries and by supporting the private sector to better engage with the global development efforts. Public finance management, as one of the most important preconditions of sustainability, requires ongoing reforms and improvements of systems and processes to ensure better and more effective use of public funds to achieve goals in addressing poverty or inequalities. The Project activities are set within a broader public finance management context in all partner countries, reflecting real needs in real time. The Project's comparative advantage is its fully programmatic approach and high flexibility that reflects changes in the environment.

Section 2: Monitoring of Activities

In 2021 Project monitoring was ensured by regular tracking of progress and results of all activities implemented by all partners and IRH. Besides continuous communication with the project managers on UNDP COs level, the project management collects regular quarterly updates from all project partners and implementers. The updates are communicated with the Donor by regular e-mail updates and serve as the information source for potential project modifications. The project team also closely monitors other donors' actions to avoid potential duplications and to be able to reveal any niche that could be covered by the Project.

In 2021, the COVID 19 pandemic did not significantly affect the implementation of the planned activities. There have been some changes in activities, but in principle they have been replaced either by another

¹ [Regional programme document for Europe and the Commonwealth of Independent States \(2018-2021\)](#)

form of implementation or by activities planned for a later period. In any case, the objectives of the project have not changed.

Section 3: Progress against each output

Project Output 1: Enhanced public finance management practices in partner countries

Output indicators	Targets 2021	Progress against targets
1.1 Number of country specific initiatives launched	Baseline: 21 AWP target: 1	Reporting period: 2 Cumulative total (2021): 23
1.2 Number of policies / laws / recommendations / analyses related to public finance on national and/or local level developed for partners organizations	Baseline: 16 AWP target: 10	Reporting period: 24 Cumulative total (2021): 40
1.3. % increase in knowledge and understanding of specific public finance issues by the public officials	Baseline: 0 AWP target: <50%	Reporting period: 36-55% Cumulative total (2021): n/a

Current financial budget utilization and budget for next years

Output	2020 Expenses	2021 Expected expenses	2022 Budget	2023 Budget	Total output budget
Output 1 - PFD	474,786	1,271,860	1,874,725	957,194	4,578,565

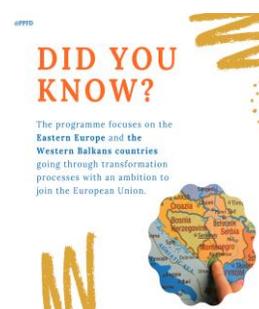
Key Activities:

In 2021 most of the planned activities were implemented according to the plans. Due to the COVID 19 pandemic, some activities could not be carried out as planned; they were usually postponed to the next year and replaced by activities originally planned for 2022. In any case, the pandemic caused lower spending. Therefore, some COs have proposed the expansion of activities within the approved intervention areas, or even new initiatives, all within the agreed project budget.

Following main activities within the technical assistance and capacity building related to public finance management were conducted in 2021:

BOSNIA AND HERZEGOVINA (BiH): The activities in BiH were quite significantly affected by COVID 19 pandemic as well as the political context that causes delays in the implementation compare to the plan. Despite this, the CO managed to succeed and received support for the Joint UN Programme on SDGs Financing to which the Advancing Public Finance Management Project closely relates. Thanks to this support the Project supported by MFSR might scale-up.

- ✓ **Development Finance Assessment (DFA):** In 2021 the preparatory steps for conducting a DFA have been made, including the preparation of the document *Conceptual and Methodological Approach to designing the Financing Framework for the SDGs* that defines the approach and parameters for DFA and related orientation training for key stakeholder.



- ✓ **Linking financing with development results:** A series of consultations with national and cantonal stakeholders, Ministry of Finance and practitioners were held to increase the effectiveness of the project. These consultations led to processing the *Assessment on the Preparation of Program(s) Financial Elements within the Institutional Work Plans in Federation of BiH*. The assessment provides recommendations for aligning the financial elements of medium and annual institutional planning with public budgets .

MOLDOVA

- ✓ As part of the cooperation with the Ministry of Agriculture of the Republic of Moldova, technical assistance for **spending reviews** in 2021 resulted in *Spending Reviews Methodology*. The Methodology was approved by the MF and it is expected to be institutionalized by the Government in near future. Based on the negotiations in 2021 with the MF, it is envisaged to conduct a spending review in the Health Care sector in 2022, pending its approval by the Government.
- ✓ Referring to the **Development Finance Assessment (DFA)** in 2021 the implementation started with the establishment of the Oversight Committee for the Implementation of the Development Finance Assessment with the presence of MF. DFA is a highly strategic activity, informing the newly established Government on budget priorities and financing situation.

MONTENEGRO: Considering the COVID 19 pandemic but above all political changes, the planned activities were slightly modified to ensure the coverage of the current needs of MF, respectively the newly merged Ministry of Finance and Social Welfare (MFSW). The Project activities were flexibly re-shaped and re-channeled and due to budget savings, new activities and even new intervention areas were introduced.



- ✓ **Supporting the Reform of Public Finance Management and Reporting:**
 - During 2021 the international (Slovak) consultant was contracted. Conducting a number of meetings with relevant stakeholders, the *Report: Capacity Building in the Accrual Accounting and Reporting in Montenegro* was prepared. The report focuses on ICT system functional requirements specification to support the implementation of the new Law on Accounting in Public Sector and related secondary legislation.
 - As part of the support to Local Governments in programme budget planning and implementation and mid-term budgeting, the international (Slovak) consultant prepared two base documents: *Manual on Programme Budget of Local Governments in Montenegro* and *Manual on Medium Term Budget Framework for Montenegro municipalities*. The report release was followed-up by four workshops for the secretaries for finance and municipal officers.
- ✓ **Reinforcing Public Finance at Local Level:**
 - The project supported the set up of the network connecting the municipal and Ministerial ICT systems, , enabling the submission of municipal financial reports to the MF as requested by the Law. Apart from system establishment, UNDP will ensure two-years maintenance of the system. The *Report on the Implementation of the Law on Administrative Taxes and the Law on Local Utility Taxes* has been prepared.
 - The first training of a series of capacity building sessions for municipal representatives was held. The training targeted the public sector, and 15 participants attended the event.

- The Report on the Implementation of the Law on Administrative Taxes and Law on Local Communal Fees in Montenegro has been prepared on the implementation of business regulation system, business processes improvement, implementation of new business procedures, and tax payment.
- ✓ Montenegro **Economic Reform Programme (ERP)** 2022-2024: The support to ERP was captured in the initial project document, though the scope of activities were significantly more wider than planned. ERP is the key document of a candidate country for the dialogue with the EU in macro economy, public finance, and structural reforms. Montenegro has been preparing the ERP for seven years. Each enlargement country prepares this document annually, which sets out a medium-term macro-fiscal policy framework and structural reform agenda for the following three years, aimed at ensuring competitiveness and inclusive growth. In 2021 MFSW requested UNDP to support its ERP preparation. Considering the strategic importance of this intervention for the country as well as for the positioning, and visibility of the donor, the initially planned intervention was broadened: The UNDP will support the MFSW with drafting the number of supporting documents for ERP preparation, drafting the structural reforms chapter of the ERP and with organization of the Stakeholder Consultation on ERP. The preparatory activities to fulfill these tasks began in Fall 2021.

NORTH MACEDONIA: In 2021 the Government of the Republic of North Macedonia and especially the MF continued to prioritize public finance management reforms, including the reforms of fiscal decentralization and combat against informal economy.



- ✓ Regarding the **transfer pricing** component of the Project the activities followed on from those carried out in the previous project cycle (2019). The main partner and beneficiary is the Public Revenue Office that defines their priorities and needs. The *Comparative Analysis of the Legal Framework Regulating the Transfer Pricing* has been prepared and adopted. The *amendments to the Law on Profit Tax* were prepared. Once adopted, the the amendments will enable establishment of a department for transfer pricing at Public Revenue Office.
- ✓ Within the **property tax** component, the number of documents that aimed to set up or improve the system of local tax valuation and collection were prepared. *Methodology for Monitoring the Effectiveness of Municipalities in Local Tax Collection*, the *Analysis on the Proposed Changes of the Methodology for Property Valuation* that includes recommendations for improvement, reconciliation with the international standard has been prepared, although they are not fully approved yet. Based on those documents the *amendment to the Law on Property Taxation* were prepared and adopted by the parliament. The *application for property tax valuation and collection system in the Municipality of Sveti Nikole* was designed and the first version of the digital tool was piloted. The first results of the pilot showed that the collection of the property tax in Sveti Nikole will be raised by around 250%.
- ✓ Within the **informal economy** component, two important documents have been prepared. The *Concept Note for Digital Platform for Informal Economy* was developed together with the MF and the document *Mapping the Sectors, Reasons and Motivation of Citizens and Business to Engage in the Informal Economy* was drafted, currently open for comments. In September, the conference dedicated to informal economy with the high-level participation (Minister of Finance, Deputy Prime Minister for Fight against Corruption, Minister for Labor and Social Policy, Slovak

Ambassador, and the Deputy Resident of UNDP was held. The conference had significant media coverage and public discussion.

- ✓ Within the **fiscal decentralization** topic, the *Methodology for Monitoring the Effectiveness of Municipalities in Local Tax Collection in North Macedonia* was prepared. The Methodology will help provide authorized monitoring of the local budgets, as well as help the MF, to efficiently monitor the fiscal stability of the municipalities and develop appropriate policies
- ✓ The new initiative, state budgeting – **accrual budgeting**, was introduced within the Project in 2021.

SERBIA: Both project components are based on a participatory approach, characterized by continuous direct consultations with each municipality. Also a number of thematic workshops and meetings of working groups²were held.

- ✓ As for the five new municipalities (Blace, Tutin, Bac, Nova Varos and Prokuplje) involved in the project, the terms of cooperation were agreed with all and cooperation agreements were concluded. *Socio-Economic Development Assessments* were developed for all five new LSGs and final analyses of the following sectors (i) education, culture and information, sport and the youth;(ii) social welfare and health care, (iii) economic and development policy, labor market, (iv) agriculture and rural development, transport and communication, (v) environment and (vi) energy, urban planning, spatial planning and construction were prepared under the consultations and number of workshops. Also, the first drafts of the Development Plans were finalized for Blace and Tutin.
- ✓ Regarding **Medium-Term Planning** for five municipalities (Mali Zvornik, Backi Petrovac, Petrovac na Mlavi, Kursumlija and Sjenica) that were part of the previous project cycle, the Advisory Board was created to ensure the quality of all the project outputs and to provide solid base for wider interventions in local planning and local development. Two additional substantial trainings were organized on Program Budget of Local Self-Government and on Capital Budgeting in Local Self-Governments. Workshops with each participating municipality were held to determine measures and activities in accordance with the priority objectives of municipalities. Draft measures and activities for the medium-term plan have been prepared for each municipality and will be finalized in near future.

CENTRE OF EXCELLENCE IN FINANCE (CEF): Preparation of the last case study for partner organization CEF learning programme [*Fiscal Implications of Structural Reforms*](#) for Moldova that promotes the analytical skills of Ministries of Finance and line ministries in the EU potential candidate and candidate countries in South East Europe. The overall objective is to ensure a sound and consistent assessment of the structural reforms' fiscal implications. In 2021 the PFD programme supported the preparation of the *case study on Role of Accounting in Costing of Structural Reforms*. The case study was prepared by five online meetings conducted by our consultant.

² Given the nature of this report, I do not list all the activities, but only the essentials. The detailed overview of the activities could be found in quarterly Project updates.

Key Results:

Following *policies / laws / recommendations / analyses* related to public finance management were prepared under the Project during the reporting period:



1. Assessment report on the preparation of program(s) financial elements within the institutional work plans in Federation of Bosnia and Herzegovina (Bosnia and Herzegovina)
2. Guidelines for the preparation of financial elements within mid-term and annual institutional work plans in the Federation of Bosnia and Herzegovina (Bosnia and Herzegovina)
3. Spending Review Methodology (Moldova)
4. Report: Capacity Building in the Accrual Accounting and Reporting in Montenegro (Montenegro)
5. Manual on Programme Budget of Local Governments in Montenegro (Montenegro)
6. Manual on Medium Term Budget Framework for Montenegro municipalities (Montenegro)
7. Report on the Implementation of the Law on Administrative Taxes and the Law on Local Utility Taxes (Montenegro)
8. Report on the Implementation of the Law on Administrative Taxes and Law on Local Communal Fees (Montenegro)
9. Comparative Analysis on the Legal Framework Regulating Transfer Pricing (North Macedonia)
10. Internal risk assessment and risk management guidance (drafted, not approved yet) (North Macedonia)
11. Amendment to the Law of Property Taxation (North Macedonia)
12. Methodology for Monitoring the Effectiveness of Municipalities in Local Tax Collection in Republic of North Macedonia
13. Changes of the Law for Property Taxation (North Macedonia)
14. Legal Comparative Study on Property Taxation, local fees and compensations: Problems, solutions and draft amendments
15. Study on Fiscal Decentralization – Different approaches to local taxation in Republic of North Macedonia
16. Analysis of the Existing Legislative Framework of the Republic of North Macedonia in digital exchange of information for tax purposes (North Macedonia)
17. Socio-Economic Development Assessments for municipalities Blace (Serbia)
18. Socio-Economic Development Assessments for municipalities Tutin (Serbia)
19. Socio-Economic Development Assessments for municipalities Bac (Serbia)
20. Socio-Economic Development Assessments for municipalities Nova Varos (Serbia)
21. Socio-Economic Development Assessments for municipalities Prokuplje (Serbia)
22. Development plan for municipality Blace (Serbia)
23. Development plan for municipality Tutin municipalities (Serbia)
24. The Role of Accounting in the Costing of Structural Reforms, case study (prepared for CEF)

Project Output 2: Increased private sector engagement on development projects

Output indicators	Targets 2021	Progress against targets
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2.1 Number of Slovak companies participating on IFIs and/or IGOs tenders (incl. those in consortia).	Baseline: 11 AWP target: 5	Reporting period: 0 Cumulative total (2021): ??
2.2 Number of solutions developed through RMF funding	Baseline: 28 AWP target:3	Reporting period: 12 Cumulative total (2021): 40
2.3 Number of projects where Slovak expertise has been applied	Baseline: 9 AWP target: 2	Reporting period: 0 Cumulative total (2021): 9

Current financial budget utilization and budget for next years

Outputs	2020 Expenses	2021 Expected expenses	2022 Budget	2023 Budget	Total output budget
Output 2 - PSE	563,514	231,001	1,216,915	587,600	2,599,030

Due to delays of the RMF projects preparation and finetuning, this project component did not reach the progress as planned. Although all project documents have been fully finalized and approved by fall 2021; two of three indicator targets could not be achieved.

Key Activities:

- The Project management team prepared the specification for the request of project proposals for support from Resource Mobilization Facility (RMF) for years 2021-2023. All projects should focus on three major SDGs goals: affordable and clean energy, sustainable cities and communities and responsible production and consumption. 19 projects were submitted by UNDP Bosnia and Herzegovina, Serbia, Montenegro, and North Macedonia. After the review of submitted projects, seven were selected for support. See the detailed list in Annex IV.
- Slovak PSE Consultation Platform - new cooperation platform was created by the PPDF team. The Platform creates an informal channel for information exchange and coordination between major Slovak stakeholders active in PSE (MF, MFA, SAIDC, Eximbank). The meetings are held online on a monthly basis. This is the first information-sharing platform on PS engagement created so far in Slovakia.
- Ongoing projects from the RMF first cycle:
 - *Reconstruction and Modernization of Public Lighting in Bosnia and Herzegovina for 12 municipalities*: Feasibility studies and construction plans were created, potential investment opportunities in total value EUR 2.5 mil. were created. The investment can bring savings of 4.1 Gwh/year and more than 3,000 ton of CO2/year reduction. All municipalities are tendering construction partners.
 - *Feasibility Study for Irrigation and Drainage System Improvement in Bregalnica River Basin*: study will be finalized in March 2022.
- The <https://publicfinance.undp.sk/en/> web site is ready to launch a new section on PSE, especially the transfer of a portfolio of companies prepared by Rozvojmajstri in 2019 and fully updated by the PSE Specialist.



Key Results:

- Seven projects supported by RMF are fully prepared and the implementation started (see Annex IV);
- 12 Local Governments in Bosnia and Herzegovina have the feasibility studies for the reconstruction of public lighting.

Project Output 3: Strengthen capacities of development professionals

Output indicators	Targets 2021	Progress against targets
3.1 Number of relevant capacity building plans / and participation of MFSR staff on development events and trainings	Baseline: 15 (plans)/39 (events) AWP target: 3/9	Reporting period: 4 (plans)/4 (event) Cumulative total (2021): 19/41
3.2 Number of presentations of MFSR and project staff at national, regional and global fora's	Baseline: 5 AWP target: 3	Reporting period: 3 Cumulative total (2021): 8
3.3 Number of capacity building events responding to the capacity building needs identified together with Slovak national ODA stakeholders organized and/or supported by Project	Baseline: 14 AWP target: 5	Reporting period: 5 Cumulative total (2021): 19

Current financial budget utilization and budget for next years

Outputs	2020 Expenses	2021 Expected expenses	2022 Budget	2023 Budget	Total
Output 3 - Development Capacity Building	15,749	21,600	80,800	80,800	198,949

The implementation of all activities was planned in January taking into account the COVID 19 pandemic, thus most of the activities were held online.

Key Activities:

In January 2021 MFSR ODA staff submitted the **Capacity Building Plans** for 2021 that were approved by UNDP. Based on the CB plans MFSR ODA specialists participated at four CB events. Three were specially tailored for the needs of the MFSR. Full list is in Annex V.

Presentation of the MFSR ODA professionals at national and international events:

- [Public Expenditure and Financial Accountability program](#) (PEFA) global event – 20 years of PEFA
- [Coalition of Finance Ministers for Climate Action](#) – representation of MFSR as Sherpa and alternate

- CEF Advisory Board Meeting

ODA Learning Series: Project directly supported session [A Pay for Success Strategy: Social Impact Bonds and Impact Financing](#) held in May 2021 online.



The first **project assessment** under the Slovak concessional loans scheme was conducted in Ukraine. This exercise aimed to provide support to the MFSR in evaluating the projects assessed under this instrument. The pilot project has helped both the MFSR and the project team to fully understand how to better design, communicate and capture similar projects in future.

Key Results:

- MFSR’s positioning as an active member of ODA professional community.
- The CB events designed and organized by the Project resulted in strengthening the technical and soft skills of the MFSR (and other) professionals leading to an upgraded performance on national and international levels. The concept of micro-trainings was highly appreciated by the Donor;
- Project Assessment prepared by UNDP Ukraine for MFSR. The assessment serves as an advisory document for MFSR decision on project support by the Slovak Concessional Loans scheme

IV. Key Challenges, Lessons Learned and Recommendations

Even though the COVID 19 pandemic persisted in 2021, it did not significantly delay the implementation of the planned activities. This was mainly because already in 2020, the activities were planned taking into account the expected situation. On the contrary, by changing the implementation modalities, reserves in the budgets were managed and allocated to new activities.

The biggest challenge in some countries, especially in Moldova, partially Montenegro or North Macedonia, were the political developments that caused some delays in the decision-making by partner organizations. Although the delays have been mitigated in the end, the team will have to continuously take this challenge into account while planning for the future.

The major lesson learned is that thanks to the high flexibility demonstrated in project design and implementation as well as flexibility of the Donor, the Project could easily respond to those challenges and the changed needs of the partners.

Thus, the main recommendations are:

- ✓ To maintain the flexibility of the Project to the extent possible to be able to respond to the changing needs of the beneficiary institutions, timeframe and resources, including experts’ availability to address the realistic needs.
- ✓ Keep identifying the niches where the Project could be useful with its expertise.
- ✓ To continue the active triangulated dialogue between IRH – COs – and Donor. The dialogue helps with identifying the relevant expertise, mainly in public finance management. The dialogue on technical aspects helps also the beneficiary institutions to better shape their expectations for TA and capacity building.

V. Update on Risks and Mitigation Measures

The updated risks are captured in Annex II Updated Risk Log. In general, the risks defined in 2020 for the year 2021 did not occur and did not impact the Project implementation in 2021.

In 2022 all the risks mentioned in Annex II Updated Risk Log will be closely monitored as per the monitoring plan.

VI. Partnerships, Sustainability, Communication and Knowledge Products

The most important partners for the project implementation are UNDP COs in partner countries and their teams. Project cooperates with:

- UNDP Bosnia and Herzegovina partners with the Project in both components, Public Finance for Development as well as PSE/RMF.
- UNDP Moldova – on Public Finance for Development component. The consultations for potential support of PSE started.
- UNDP Montenegro partners with the Project in both components, Public Finance for Development as well as PSE/RMF.
- UNDP North Macedonia partners with the Project in both components, Public Finance for Development as well as PSE/RMF.
- UNDP Serbia partners with the Project in both components, Public Finance for Development as well as PSE/RMF.

Further:

- IMF is a Project partner in implementation PFD component in Moldova since 2018. In 2021 the common project ended, and the activities held by project experts were transferred to PFD programme in Moldova.
- Center for Excellence in Finance in Ljubljana is a long-term Project partner specifically in capacity building in public finance.

All mentioned partners are actively involved in the planning, implementation, monitoring, and evaluation of the projects. UNDP COs are responsible for communication with public bodies – project beneficiaries to ensure the relevant use of funds and set up the strategical goals and implementation plans.

The sustainability of the project is strengthened by responding to the actual needs of partners, and developing internal capacities through approaches such as training of trainers. Most of the documents prepared under this Project are publicly accessible and actively promoted in relevant experts' fora. They are also kept by the partner institution for further (re)use, if relevant. Also, the Donor keeps all documents elaborated by the Projects for the use of Slovak experts. Some results are also shared by presentations on relevant events.

Project communication is ensured by various communication channels and tools. The main external communication online channel is the [Public Finance for Development website](#). Originally, the website focused specifically on PFD, but this year we are gradually expanding the focus of the website on PSE activities. We decided on this approach because, on the one hand, it was necessary to create one online space for information related to PSE, but also because of the fact that the project seeks to find

intersections between PFD and PSE components of the project. Besides the web site, the project uses also social media, [Facebook](#) and [LinkedIn](#) profiles that bring the information not strictly related to PFD project but also broader information about the UNDP and other relevant entities.

For the UNDP internal communication, the project is communicated under the Slovak overall partnership on UNDP intranet sites.

In 2021 Project generated number of knowledge product. For full list of all analyses, papers prepared under the PFD component see the above section Section 3: Progress against each output / Key results. Within the Capacity Building component, the Project directly supported the webinar [A Pay for Success Strategy: Social Impact Bonds and Impact Financing](#), that is publically available online.

VII. Financial Summary¹

Table 1: Overview of available resources for the project duration (in USD)

Donor	Leftover from previous project phase (2017-2019)	Contribution (2020)	Contribution (2021)	Available Resources (2021)	Contribution (2022)	Total Project Resources (2020-2023)
MFSR	1,424,120.04	1,500,000.00	3,000,000.00	5,924,120.04	1,452,423	7,376,543.04

Table 2: Overview of allocation and utilization per Output

Output	Budget 2021 USD (January 2021)	Budget 2021 USD (November 2021)	Budget Utilization ² USD (9 December 2021)
Output 1 - Public Finance for Development	1,958,440	1,271,860	1,085,817
Output 2 - Private Sector for Development Cooperation	763,180	231,001	156,790
Output 3 - Development Capacity Building	41,040	21,600	5,008
Total	2,762,660	1,524,461	1,247,615

1. Data contained in this report is an extract from UNDP financial records. All financial information provided above is provisional. Certified financial statements will be provided on (30 June of the following year).
2. Of the USD 1,247,615 presented above, USD 937,185 corresponds to eligible expenses (as per IPSAS terminology), and USD 310,430 corresponds to legal commitments in force between UNDP and third parties for the reporting period.

Annex I: Progress Review: detailed matrix of activities and results

Output 1	Indicators	Baseline	Annual Target	Progress
Public Finance for Development. Budget (November 2021 revision): USD 1,271,860 Expenditure to date (11 November 2021): USD 1,067,456	1.1 Number of country specific initiatives launched	21	1	2
	1.2 Number of policies / laws / recommendations / analyses related to public finance on national and/or local level developed for partners organizations	16	10	24
	1.3. % increase in knowledge and understanding of specific public finance issues by the public officials	0	< 50%	36-55%
Planned activities	Results			
Activity 1.1 Needs assessments, planning, coordination, monitoring	Based on ongoing needs assessments, two new initiatives were launched. One in North Macedonia where the accrual accounting was introduced as a new project component and the other one in Montenegro, the broad support to Economic Reform Program was initiated.			
Activity 1.2 Support to public finance management capacities development in partner countries	<p>Following <i>policies / laws / recommendations / analyses</i> related to public finance management were prepared under the Project during the reporting period:</p> <ol style="list-style-type: none"> 1. Assessment report on the preparation of program(s) financial elements within the institutional work plans in the Federation of Bosnia and Herzegovina (Bosnia and Herzegovina) 2. Guidelines for the preparation of financial elements within mid-term and annual institutional work plans in the Federation of Bosnia and Herzegovina (Bosnia and Herzegovina) 3. Spending Review Methodology (Moldova) 4. Report: Capacity Building in the Accrual Accounting and Reporting in Montenegro (Montenegro) 5. Manual on Programme Budget of Local Governments in Montenegro (Montenegro) 6. Manual on Medium Term Budget Framework for Montenegro municipalities (Montenegro) 7. Report on the Implementation of the Law on Administrative Taxes and the Law on Local Utility Taxes (Montenegro) 8. Report on the Implementation of the Law on Administrative Taxes and Law on Local Communal Fees (Montenegro) 9. Comparative Analysis on the Legal Framework Regulating Transfer Pricing (North Macedonia) 10. Internal risk assessment and risk management guidance (drafted, not approved yet) (North Macedonia) 11. Amendment to the Law of Property Taxation (North Macedonia) 12. Methodology for Monitoring the Effectiveness of Municipalities in Local Tax Collection in Republic of North Macedonia 13. Changes of the Law for Property Taxation (North Macedonia) 			

	<ul style="list-style-type: none"> 14. Legal Comparative Study on Property Taxation, local fees and compensations: Problems, solutions and draft amendments 15. Study on Fiscal Decentralization – Different approaches to local taxation in Republic of North Macedonia 16. Analysis of the Existing Legislative Framework of the Republic of North Macedonia in digital exchange of information for tax purposes (North Macedonia) 17. Socio-Economic Development Assessments for municipalities Blace(Serbia) 18. Socio-Economic Development Assessments for municipalities Tutin (Serbia) 19. Socio-Economic Development Assessments for municipalities Bac (Serbia) 20. Socio-Economic Development Assessments for municipalities Nova Varos (Serbia) 21. Socio-Economic Development Assessments for municipalities Prokuplje (Serbia) 22. Development plan for municipality Blace (Serbia) 23. Development plan for municipality Tutin municipalities (Serbia) 24. The Role of Accounting in the Costing of Structural Reforms, case study (prepared for CEF)
Activity 1.3 PFD Assessment	Not implemented

Output 2	Indicators	Baseline	Annual Target	Progress
Increased private sector engagement on development projects Budget (November 2021 revision): USD 231,001 Expenditure to date (11 November 2021): USD 160,664	2.1 Number of Slovak companies participating on IFIs and/or IGOs tenders (incl. those in consortia).	11	5	0
	2.2 Number of solutions developed through RMF funding	8	3	12
	2.3 Number of projects where Slovak expertise has been applied	4	2	1
Planned activities	Results			
2.1 Rozvojmajstri	The new Private Sector Specialist was contracted. His task is to lead the dialogue with private sector entities and support the UNDP COs with requested expertise. He also cooperates with RM in the RMF implementation.			
2.2 Resource Mobilization Facility	The call for ideas for 2021-2022 was sent to UNDP COs. The collected ideas will serve as the baseline for further projects preparation, negotiations and budget planning in early 2021.			
2.3 Private sector Assessment	No activities planned for 2021.			

Output 3	Indicators	Baseline	Annual target	Progress
Strengthen capacities of development professionals	3.1 Number of relevant capacity building plans / and participation of MFSR staff on development events and trainings	15 plans/39 activities	3/9	4/4

Budget (November 2021 revision): USD 21,600 Expenditure to date (11 November 2021): USD 2,363	3.2 Number of presentations of MFSR and project staff at national, regional and global fora's	5	3	3
	3.3 Number of capacity building events responding to the capacity building needs identified together with Slovak national ODA stakeholders organized and/or supported by Project	14	5	5
Planned activities	Results			
3.1 MFSR Capacity building	MFSR position as an active member of ODA professional community strengthen.			
3.2 Capacity building events	<p>Technical skills strengthen in number of topics presented within the ODA Learning Series webinars with special emphasis on webinar drafted with MFSR on Social Impact Bonds and Impact Financing.</p> <p>Soft skills of MFSR professionals strengthen on communication, protocol rules application and IT skills.</p> <p>See Annex IV: for detailed information.</p>			
3.3 Project Assessment	Project Assessment prepared by UNDP Ukraine for MFSR. The assessment serves as an advisory document for MFSR decision on project support by the Slovak Concessional Loans scheme.			

Annex II: Updated Risk Log

#	Description	Date Identified	Type	Impact & Probability	Counter-measures / Mngt response	Owner	Last Update	Status
1	Political environment not receptive to project initiatives	1 January 2020	Political	Unexpected political developments in beneficiary countries may cause delays in implementation or even shifts of governments priorities Likelihood = 3 Impact = 5 Risk level: Substantial	Monitor political developments and assess its impact on the project results	Project manager, UNDP COs, Project Board,	15 November 2021	Reducing Some risks occurred, but till the end of 2021 were solved.
2	Lack of commitments (government and/ middle management at partner institutions) public finance reforms and to project initiatives	1 January 2020	Operational Political	Lack of ownership of the project initiatives may result in low effectiveness and impact of the project in beneficiary countries Likelihood = 2 / Impact = 4 Risk level: Moderate	Involve beneficiaries into project activities designing, get beneficiaries official commitment of the project implementation plan	Project manager, UNDP COs	15 November 2021	No change, Moderate risk
3	Duplication with other initiatives	1 January 2020	Strategic	Duplication of activities results in inefficient use of resources Likelihood = 1 / Impact = 2 Risk Level: Low	Needs assessments, participation on donor coordination meetings, harmonization with other donors	Project manager, UNDP COs	15 November 2021	No change, Low risk
4	Lack of experts with relevant expertise and/or capacities	1 January 2020	Operational	Number and availability of experts with required experience may not be sufficient Likelihood: 2 / Impact: 4 Risk Level: Moderate	Existing networks engaging with Slovak companies will be fully used to mitigate this risk	Project manager, UNDP COs	15 November 2021	Low risk (In some cases the Slovak experts had no capacities, but the project team succeeded to identify experts within international community)
5	Limited interest from Slovak private companies to participate in the project; limited outreach to companies in beneficiary countries	1 January 2020	Strategic	Lack of interest and expertise reduces participation of Slovak private sector in development cooperation Likelihood: 2 / Impact: 3 Risk level: Moderate	Existing networks engaging with Slovak companies will be fully used to mitigate this risk	Project manager, UNDP COs	15 November 2021	No change. Moderate risk

Annex III: Multi Year Work Plan (Budget) 2020-2023

OUTPUT	PLANNED ACTIVITIES	Budget by Year					Responsible Party	Funding Source
		2020 (expenses)	2021 (rev. Nov-2021)	2022	2023	Total		
Output 1 - Public Finance for Development	1.1 Needs assessments, planning, coordination, monitoring	1,313	0	35,000	35,000	71,313	IRH	MFSR
	1.2 Support to PFM capacities development in partners countries	234,374	28,885	150,000	180,000	593,259	IRH	MFSR
	1.2.1 Moldova - PFM support	19,136	156,000	174,920	120,000	470,056	MLD CO	MFSR
	1.2.2 Montenegro - PFM support	30,925	224,333	339,267	30,763	625,288	MNE CO	MFSR
	1.2.4 Serbia - PFM support	12,700	199,143	87,728	100,000	399,570	SRB CO	MFSR
	1.2.5 North Macedonia - PFM support	44,740	326,303	244,692	149,187	764,922	MKD CO	MFSR
	1.2.6 Bosna and Herzegovina - PFM support	6	69,876	530,118	0	600,000	BIH CO	MFSR
	1.3 PFD Assessment	0	0	20,000	0	20,000	IRH	MFSR
Sub -Total for PFD						3,544,407		
Communication and Visibility	Communication consultant	8,938	20,000	25,000	25,000	78,938	IRH	MFSR
	Visibility, support web, translation, proofreading	4,282	9,720	18,000	18,000	50,002	IRH	MFSR
	Sub -Total for Visibility						128,940	
Project Management	Project Manager	105,067	90,000	90,000	90,000	375,067	IRH	MFSR
	Project Associates		55,000	50,000	50,000	155,000	IRH	MFSR
	Rozvojmajstri Coordinator		60,000	60,000	60,000	180,000	IRH	MFSR
	Travel	0	15,000	20,000	20,000	55,000	IRH	MFSR
	Operational expenses	13,305	17,600	30,000	79,244	140,149	IRH	MFSR
	Sub -Total for Project Management						905,216	
Sub -Total for Output 1						4,578,564		
Output 2 - Privat Sector for Development Cooperation	2.1 Rozvojmajstri	13,583	18,000	20,000	20,000	71,583	IRH	MFSR
	2.2 Resource Mobilization Facility	549,931	15,000	400,000	500,000	1,464,931	IRH	MFSR
	2.2.1 Bosna and Herzegovina		71,205	397,268	67,600	536,073	IRH/BIH CO	MFSR
	2.2.2 Montenegro		9,000	97,449	0	106,449	IRH/MNE CO	MFSR
	2.2.4 Serbia		21,600	209,100	0	230,700	IRH/SRB CO	MFSR
	2.2.5 North Macedonia		96,196	73,098	0	169,294	IRH/MKD CO	MFSR
	2.3 Private sector Assessment		0	0	20,000	0	20,000	IRH
	Sub -Total for Output 2						2,599,030	
Output 3 - Development CapacityBuilding	3.1 MFSR Capacity building	14,238	21,600	40,000	40,000	115,838	IRH	MFSR
	3.2 Capacity building events	1,511	0	30,000	30,000	61,511	IRH	MFSR
	3.3 Project Assessment	0	0	10,800	10,800	21,600	IRH	MFSR
	Sub -Total for Output 3						198,949	
TOTAL		1,054,049	1,524,461	3,172,440	1,625,594	7,376,543		

NOTES:

The initial Project budget for 2020-2023 as per the Project Document was USD 5,981,947 minus USD 29,524.00 (1% Levy applicable for the second contribution signed in 2021). The leftover from the previous project phase (2017-2019) reported in 2020 was USD 1,424,120. Thus, the ***total available*** funds for the project for the period 2020-2023 are ***USD 7,376,543*** (5,981,947 - 29,524 + 1,424,120).

Annex IV: List of the projects selected for support from RMF in 2021

Project Name	Country	Project Description
Solar Atlas	BiH	Development of environment for solar projects (legislation, technical and financial models, etc.)
Decarbonization Pljevlja	Montenegro	Roadmap for Montenegro – reaching national consensus on coal phase-out pathway
Solar Development in Montenegro	Montenegro	Development of technical and financial models for small solar installations
Model of E-Municipality	North Macedonia	Development and pilot of the National Model of E-Municipality
Waste into Food	North Macedonia	Feasibility Study on sustainability through reduction of organic waste
Energy Efficiency - governmental buildings	Serbia	Co-financing of project for energy efficiency investments in public buildings
Kragujevac - LoRaWan	Serbia	Development and construction of IoT network for monitoring: waste management, flooding risk, etc.

Annex V: Capacity Building detailed list of events and participants

Capacity building events and trainings attended by the MFSR experts in 2021.

Event (Title)	Dates	Organized by
Martin Polónyi		
High-Level Executive Course in European Studies	Sept – Nov 2021	ENA

Event	Place	Dates	Participants
REMOTE EFFECTIVE - How to communicate, cooperate and lead in remote and hybrid conditions	Bratislava	19 May 2021	Tatiana Žilková, Soňa Gabčová, Marianna Macášková, Silvia Karellová (FS SR), Vivien Albertová (FS SR), Viera Oroszová (UNDP)
Microsoft EXCEL II.	Bratislava	24 September 2021	Tatiana Žilková, Soňa Gabčová, Marianna Macášková, Lineta Uhrinová, Michal Cenker, Ema Grajcarová, Erika Madajová, Soňa Rusnáková, Nikola Hadžegová
Core protocols for agile team	online	2-18 November 2021 (3x ½ day online training)	Tatiana Žilková, Soňa Gabčová, Lineta Uhrinová, Marianna Macášková, Vivien Albertová (FS SR), Ivana Vlčková (FS SR), Silvia Karellová (FS SR)
OECD WP STAT meetings, incl. TOSSD Workshop	online	16-18 June, 22-24 November 2021 (all ½ days) + 15 June (TOSSD workshop, 2 hrs)	Soňa Gabčová