



Public and Private Finance for Development

2022 Annual Project Progress Report

Donor: Ministry of Finance of the Slovak Republic

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The Slovak Ministry of Finance's
contribution to building a stronger
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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
FBIH	Federation Bosnia and Herzegovina
IOs	International Organizations
IMF	International Monetary Fund
ICT	Information Communication Technologies
IRH	Istanbul Regional Hub
LSG	Local Self Government
MF	Ministry of Finance
MF MNE	Ministry of Finance of Montenegro
MFSR	Ministry of Finance of the Slovak Republic
ODA	Official development Assistance
PB	Project Board
PEFA	Public Expenditure and Financial Accountability program
PFD	Public Finance for Development
PFM	Public Finance Management
PPFD	Public and Private Finance for Development Project
PRO	Public Revenue Office
PSE	Private Sector Engagement
RMF	Resource Mobilization Facility
RS	Republika Srpska (entity of BIH)
SAO	State Audit Office
SDGs	Sustainable Development Goals
TA	Technical assistance
UNDP	United Nations Development Programme
UNDP CO	UNDP Country Office

Context and key developments of the project: In 2022, the entire region that has not fully recovered from the consequences of the Covid-19 pandemic, once again faced new global challenges, primarily the effects of the war in Ukraine and the energy crisis. Despite this fact, this situation brought also some positive challenges, especially in relation to the EU accession. As of 2022, all countries in which the project interventions are implemented are official candidates of the EU. In 2022, the project recorded a significant acceleration of the implementation of concrete project activities in each partner country, which is also reflected in several concrete results.

Initiatives under the Public Finance for Development component (PFD) were mostly implemented in line with their plans, though some activities had to be reasonably postponed or cancelled. However, new initiatives that reacted to actual needs and developments were approved for support by the project. The project strengthened various components of public finance management in partner countries, especially the transparency and efficiency of the use of public finance regarding achieving SDGs.

In 2022, the private sector component of the project placed greater emphasis on financing of the supported initiatives by various tools and partners. At the same time, support for specific projects was focused on green energy, waste management and digitalization.

Progress against outputs and outcomes

Output 1 – Public Finance for Development - Strengthening partner capacities in public finance management

In 2022, the capacities of the project partners, mostly ministries of finance, municipalities or other relevant institutions were significantly strengthened in several areas. Through the technical assistance provided by the project, several research, policy papers, regulations, or draft laws were prepared and, in some cases, already approved. Some documents were already used for the follow up of supported interventions, e.g. 2023 budgeting in Moldova, new planning and resource mobilization for SDGs, municipal development in Serbia or Bosnia and Herzegovina, newly set and tested system of local taxes in Montenegro, etc. Most of the support aimed to improve the budgeting, planning, control and audit systems, local taxation, financing the SDGs, etc. All the interventions supported are fully in line with the EU requirements and hence provide a basis for EU negotiations of partner countries.

As a flexible response to the crises caused by the war in Ukraine and the energy crisis and their impact on Moldova, the project strategically supported a new project aimed at building a policy, legislation and practical framework to strengthen the country's resilience and promote socio-economic inclusion in the midst of the energy crisis. The newly established Energy Vulnerability Fund, introduced by the Moldovan Government as one of the main policy responses to the crisis was prepared with technical assistance from the project and already supported a number of Moldovan households to compensate for people's energy consumption expenses during the winter 2022/2023.

In 2022, six projects with 18 intervention areas were implemented under this Output.

In 2023 the PDF projects brought certain clear and tangible **results**. E.g. interventions against informal economy in *North Macedonia*, leading to almost 200 million EUR of tax evasion reductions. Or the Energy Vulnerability Reduction Fund introduced in *Moldova* thanks to the Project, supported approx. 800,000 households whose energy bills were partially covered from this fund. Slovakia's investment had a significant catalytic effect, which was reflected in the mobilization of resources from other Donors (for example Swiss, German and Swedish governments, USAID, Czech ODA, etc.), who contributed to the fund in the amount of around 190 million EUR. As part of this fund, the first comprehensive database capturing

the level of poverty by household in Moldova was also created. The databases are still used for further government decisions. Also in *Moldova*, spending reviews carried out in the health care sector, clearly proved the importance of this exercise for the government's finances. On their basis, as well as the previous spending reviews implemented through Slovak assistance education, the government has decided to introduce the obligation to implement them by law. In *Montenegro* the effect of the project intervention in property tax became visible and calculable in the present. Concretely, in the municipality of Sveti Nikole, the property tax in the raised from EUR 93,977 in 2021 to EUR 291,984 for 2022, which represents 210% increase in the property tax collection in the Municipality.

Output II - Private Sector in Development Cooperation Programme - Supporting the Private Sector Engagement into the development cooperation

This component is implemented mainly through projects supported by Resource Mobilization Facility (RMF). In 2022, overall, 13 projects have been implemented, out of which four were completed and three newly supported. The projects mainly focused on green energy, waste management and smart cities.

Each project brought its specific results that contribute to fulfilling the SDGs, to be listed in the following sections.

Output III - Capacity development for MF SR development professionals

Since the early 2000s, UNDP has been the partner of choice for Slovak ODA, helping to build the entire system of national ODA. To this day, UNDP is closely connected with the Slovak Ministry of Finance not only as the implementer of its ODA project, but also as the main partner for building its own ODA capacities and linking it with other ODA providers.

The capacities of the experts in the MFSR ODA team were enhanced by six capacity building events, in line with the capacity building plan developed in the beginning of the year. This component aimed at development of technical capacities as well as soft skills of development ministry professionals, mainly the ODA team. The most significant result is that MFSR institutionalized the organization and processes related to deployment of MFSR experts for development cooperation activities through the FIN4DEV financial instrument. Progress was also recorded in strengthening MFSR position in PEFA network¹. MFSR is not only the active player and the PEFA Donor, but it made concrete steps to involve its technical experts in PEFA activities (e.g. peer reviews).

In 2022, the IRH Partnership team organized the **Slovak Partnerships Days**, bringing together the UNDP Country Offices that are implementing the initiatives under the Slovak Partnership projects, IRH and Donor representatives. The event was important as a platform for knowledge exchange on project scopes and implementation, to review Slovak-UNDP partnership priorities, and to identify opportunities for strengthening the results of the cooperation and potential new areas of cooperation. The mutual objective is to elevate the impact of all Slovak-funded initiatives and increase their synergies with others. The meeting was very useful in developing a common understanding among Slovak project partners about common challenges and solutions in various countries/settings. Topics and tools for future cooperation have also been identified.

¹ PEFA - Public Expenditure and Financial Accountability program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management using quantitative indicators to measure performance. More: <https://www.pefa.org/>

Project communication: The project prioritized communication with a specific focus on raising the visibility of the Slovak contribution and awareness on challenges and solutions. PPF project, its activities and results are communicated through Public Finance for Development [website](#) and dedicated social media, [Facebook](#) and [LinkedIn](#).

Project Evaluation: IN May 2022 the Evaluation of PPF project began. The purpose of the evaluation is to provide an impartial review of the Project in terms of its relevance, effectiveness, efficiency, impact, sustainability, management, and achievements. The evaluation shall provide concrete evidence to support its findings and recommendations that need to be concise, actionable, and well targeted for relevant decision-makers that can affect the positive evolvement of results later in the current phase and impact of the project. The first draft reports were delivered at the beginning of November 2022. However, due to the fact that the evaluation was prepared on the basis of desk research and interviews conducted only online, IRH management recommended for data validation that the evaluator also carry out personal missions to IRH and two UNDP COs. They were already implemented at the beginning of 2023.

Key challenges and risks

In 2022, the entire region faced the challenges associated with the war in Ukraine and the energy crisis. In combination with the fact that the consequences of the Covid 19 pandemic continued, this year can be considered as globally challenging. Even though this region is the most influenced by the mentioned challenges, they did not have a significant impact on PPF project implementation. All risks were closely monitored, and the project also tried to address emerging challenges to timely respond with policy solutions, e.g., support to Moldova in building a resilience policy framework to accelerate efforts in recovery and resilience and support socio-economic inclusion (set up of Energy Vulnerability Fund).

Funds utilization update: In March 2022, the Project Board approved Annual Working Plan and budget in the amount of USD 3,325,359. 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 in October 2022 to USD 2,244,203 and later in December 2022, the budget was adjusted to USD 1,990,743 for year 2022.

The actual 2022 budget spending is USD 1,833,181.04. It is expected that activities not yet performed will be delivered in 2023 at the latest.

The delay in delivery was mainly because the project management blocked some funding to be used for Ukraine response, which did not materialize in the end and was channeled back to RMF and PFD budgets. Project budget revisions were made later in the year to reflect these changes and a realistic estimate around the new initiatives. For detailed analyses of unspent planned fund, see the chapter VII – Financial Summary.

Key lessons learned and recommendations:

The project implementation brought a number of lessons learnt. Following are the main points to be mentioned:

- Proactive involvement of partner institutions in the design of PPF sub-projects ensures that most interventions address specific needs. This approach should be followed further to be able to gain applicable results and ownership of the project results beneficiaries.
- Although PPF is a project that is financially smaller compared to many projects implemented by UNDP, it is significantly influential with its catalytic impact. Therefore, targeting niche areas, where Slovak expertise and support could be applied as part of the broader framework of the country and the CO portfolio, helps to bring important results and also position Slovakia as a strategic Donor in certain areas.

- The flexibility of the project should be maintained so that it can promptly respond to changes in the environment and current requirements of partners. This added value is also communicated by national stakeholders and project beneficiaries within the project evaluation.
- The actively triangulated dialogue between IRH – COs – and Donor should be maintained as source of information and strategy making. The dialogue on technical aspects helps the beneficiary institutions better shape their expectations for TA and capacity building.

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. The PPFD project is implemented from 2017 (the second phase of the PFD project launched in 2020).

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 (SDGs). Project specifically focuses on:

- I. Strengthening partners' capacities in public finance management
- II. Supporting the Private Sector Engagement into the development cooperation
- III. Capacity 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. This is not a traditional development project, but rather a facility that provides catalytic development cooperation support for implementing policy priorities of partner countries in line with the country programmes. As such, it aims to create a catalytic impact tapping into various funding and technical resources.*

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 Programme Specialist. The Programme Specialist is also responsible for Project monitoring.

Section 1: Overall progress against outcomes

As per the project document, PPF contributes to RPD Outcome 2²: ***Addressing poverty and inequalities through more inclusive and sustainable development pathways***

The Project contributes to this outcome by building effective public finance management in partner countries and mobilizing private financial resources for development goals. Both, directly even if differently, contribute to solving the problems of poverty and inequality.

The management of public finances, as one of the most important prerequisites for the sustainability and functioning of the state, requires constant reforms and improvement of systems and processes to ensure better and efficient use of public finances. Healthy public finances are one of the most important frameworks for addressing the issues of poverty or inequalities. Having this in mind, the project in 2022 provided number of concrete technical assistance and capacity building in public finance management (from support to budgeting, review of expenditures, accounting, controlling and auditing) as well as in the field of development finance. Each assistance was specifically targeted to the specific needs of the given country and fit into the broader portfolio of the needs of the beneficiary institutions.

The project also supports the mobilization of funds from the private sector for development projects, specifically by supporting investment projects that directly solve development problems in a specific area and in a specific territory. Ongoing 20 projects are supported by PPF project reflecting the priorities of energy efficiency, climate change, effective water and waste management, digitalization or global need for decarbonization.

Section 2: Monitoring of Activities

In 2022, 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 and summarizes updates from project partners. In 2022, the project team completed several missions during which they met with number of stakeholders directly, or indirectly involved in the project's activities. Meetings were also held with the beneficiaries in order to monitor, but also to discuss potential improvements and scale up current needs that might be addressed through Slovak support.



In fall 2022, the project team organized the Slovak Partnership Days (SPDs), where all Project Managers or CO cluster Team Leaders involved in the implementation of the PPF supported initiatives met. The aim of the SPDs was to create a space for exchange of experience and information between the project implementers and brainstorming about current needs and possibilities for further improvements in the project implementation and reflect them into the Project. The event also served de facto to monitor the implementation of supported projects. The sensemaking methodology, which frames discussions to identify connections

² [Regional programme document for Europe and the Commonwealth of Independent States \(2018-2021\)](#)

between various processes/initiatives and opportunities for synergies. The event was highly appreciated by the UNDP country offices, as proved also by preliminary findings of the PPFD evaluation.

The PPFD project is categorized as **gender neutral** (GEN 1), however it fully considers the gender and human rights aspects in all its components and activities. Respecting the gender aspect is a strong precondition of all implemented events, including the capacity building events, where the gender ratio is not applied only regarding the composition of the participants, but also regarding events organization to ensure everyone's participation.

Even though most of the project results are gender-neutral, initiatives implemented under the project monitor gender-related data where possible. For example, in North Macedonia the project team during the implementation of the digital tool for property tax in the municipality of Sveti Nikole gathered data on the gender of the property owners in 2021 and 2022. The data showed that women own 22.24% of the properties in the municipality compared to men who own 77.76%. Based on these findings, the project team prepared extra awareness raising events on gender-based property ownership especially aimed on property inheritance or property purchase rules. In another example, UNDP North Macedonia project team became a member of the governmental tax reform working group that designed the changes of the law on value added tax. In this way, UNDP contributed to the introduction of so-called pink tax that decreased the VAT percentage from 18% to 5% starting for women's health products.

Section 3: Progress against each output

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

Achieving the goals of this output is realized through projects implemented by UNDP COs in Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia and Serbia. This represents in total six (6) ongoing projects in 2022, which consist of 18 intervention areas. All of them concern the management of public finances or planning and budgeting. The full list of projects and intervention areas can be found in Annex IV.

Output indicators <i>(For details related to the indicators of this output, see Annex V)</i>	Targets 2022	Progress against targets
1.1 Number of country specific initiatives launched	Baseline: 23 AWP target: 1	Reporting period: 4 Cumulative total (2020-2022): 27
1.2 Number of policies / laws / recommendations / analyses related to public finance on national and/or local level developed for partners organizations	Baseline: 40 AWP target: 8	Reporting period: 34 Cumulative total (2020-2022): 74
1.3. % increase in knowledge and understanding of specific public finance issues by the public officials ³	Baseline: 0 AWP target: <50%	Reporting period: 74% Cumulative total (2020-2022): n/a

³ The summary indicator is based on a qualitative recalculation and estimation of indicators provided by UNDP COs.

Current financial budget utilization and budget for next years

Output	2020 Expenses	2021 Expenses	2022 Expenses	2023 Budget	Total output budget
Output 1 - PFD	474,785.18	1,027,402.37	1,320,009.30	1,752,626.08	4,574,822.93

Key Activities and Results

In 2022, most of the planned activities were implemented according to the approved project documents and related work plans. Moreover, the Project Board approved some changes in projects supported under the *Output 1 Public Finance for Development*, specifically (more details about changes can be found under each country report):

- Deadline extension of the project *Strengthening capacities and systems for effective Public Finance Management in the Republic of Moldova* implemented by UNDP Moldova⁴;
- Cost revision of the project *Strengthening Transparent and Accountable Public Finance Management in Montenegro* implemented by UNDP Montenegro³;
- Cost revision of the project *Support to Public Finance Management Reform in the Republic of North Macedonia* implemented by UNDP North Macedonia³;
- Deadline extension³ and cost-revision⁵ of the project *Support for Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia* implemented by UNDP Serbia and its implementation partner Standing Committee for Cities and Municipalities (STCM)

Under this Output, the Project Board also approved a new project *Support the Development of Resilience Policy Framework in the Republic of Moldova* that is implemented by UNDP Moldova⁶.

Public information about PFD can be found on the [program website](#).

Main activities and results achieved under the following country-based projects in 2022:

BOSNIA AND HERZEGOVINA (BIH)

Despite the fact that country is still facing challenges such as complex administrative structure, frequent political changes and slow reform pace, in June 2022 the European Council expressed its readiness to grant Bosnia and Herzegovina the status of EU candidate country. The project **ADVANCING PUBLIC FINANCE MANAGEMENT IN BOSNIA AND HERZEGOVINA** already reflects the key priorities set by the EC for *countries readiness to enter the EU*. In 2022, the project recorded important developments, especially in terms of contributing to the broader UNDP efforts related to SDG financing. The project is implemented through three main project components:

- Development Finance Assessment for SDG financing (DFA)
- Linking financing with development results

⁴ Approved by the Project board on 8 March 2022.

⁵ Approved by the Project board on 16 June 2022.

⁶ Approved by the Project board on 16 June 2022.

- Strengthening of internal controls and value for money approach in local governments in Bosnia and Herzegovina

Development Finance Assessment for SDG financing (DFA)

In 2022, the project developed documents that are crucial for preparation of the SDG Financing Strategy in 2023. In cooperation with the Ministry of Finance and Treasury, the project finalized **SDG Public Expenditure Reviews (SDG PERs)** that provide the overview of existing public finance allocations for sustainable development priorities. SDG PER carried at multiple governance levels (state, entity, canton) will serve as an input into the process of SDG Financing Strategy preparation, as well as a baseline for the future for defining spending priorities and their monitoring. Review clearly shows that with the allocation of approx. USD 3 billion per year for SDGs BiH needs to foster cooperation with all development actors to identify new and more effective public-private financing arrangement and financial instruments. In this context, it is worth mentioning that the PPF project supported the application of such a public-private financing model (ESCO model) through RMF project (more details in Project Output II Activities and Results).

In addition, the **Review of Sustainable Development Financing Instruments** applied globally was completed. The review identifies financial instruments, applicable in BiH, which have the highest potential to accelerate the SDG achievement in the short-term horizon (e.g., SDGs Strategic Investment Fund, SDGs syndicated loans, SDGs APEX for SMEs, green bonds). The proposed financing instruments will be reflected in the SDG Financing Strategy and connected reforms to be implemented to mobilize additional finance.

Linking financing with development results

This area relates to strengthening the links between development strategies/policies and budgets. Specifically, the two entities adopted a new legal framework on strategic planning which, for the first time, orders clear links between strategic and financial planning documents (development strategies – mid-term and annual institutional workplans – mid-term and annual budgets). However, the capacities of finance staff for applying the new legislation were insufficient and the Project aimed at **designing specific guidelines and capacity development** actions to bridge this capacity gap, addressing specific challenges such as direct and indirect costing, determining modalities of cost-sharing of programs within one or among different ministries, etc.

The intervention initially focused on Federation Bosnia and Herzegovina (FBiH) considering its efforts on introducing program-based budgeting. But the FBiH introduced the new budget legislation late and it will not come into force until 2025, and it is assumed that it will still be subject to change until then. Therefore, the project support could not be fully put into action. However, the learning materials were slightly adjusted to be used in Republika Srpska. Since this entity did not change its budget legislation, the process of linking goals and finances was launched at the end of 2022. Based on the request of the partners, the project launched mentoring support for 15 ministries for the preparation of their medium-term and annual work plans. In addition, the project supported the creation of practitioners' networks which serves as a platform for exchange of practical experiences.

The DFA process, combined with capacity building resulted in the establishment of a system of public finance management and planning that is fully in line with Agenda 2030. It is one of the tools for the effective use of public finance, which, among other things, is also in line with the EU requirements.

Strengthening of internal controls and value for money approach in local governments in Bosnia and Herzegovina

Project milestone at the local level is also the capacity development of local government employees in internal financial control. Following a **Review of the Internal Control Environment** in 15 local governments and 2 cantons, a training program was designed to tackle the knowledge gaps at the local level in a practical manner. The Review which examined the current legislative and policy framework, administrative setup and practices shows that the basic legal and organizational preconditions for applying the internal control and internal audit in the public sector are established and their development has begun, but further steps, such as harmonization of practices, capacity development and monitoring of impact are lacking. The Review report also includes specific recommendations for the participating public authorities, and defines the necessary regulatory and institutional changes and capacity development measures.

Based on the above findings, UNDP initiated the process of developing a comprehensive **training program** for trainers on internal financial controls and value for money for municipalities and cantons. Three trainings held in November 2022 took place through the formal education systems for local government employees in the country⁷. This **resulted** in solving the issue with lack of capacities and vice versa strengthening the system of internal control, by introducing the official training system financed by the government.

MOLDOVA

An initiative funded by the project supports the Government in strengthening capacities and building effective budget framework and public finance management for a resilient and evidence-based financial ecosystem that stimulates sustainable recovery and SDGs achievement. The Slovak expertise and support provided became even more relevant in 2022, when the government faced the challenges of increased demand for financial resources in the context of the Covid 19 pandemic consequences, the energy crisis and the security crisis. Slovakia reacted very promptly to the crisis caused by the war in Ukraine and supported Moldova in the preparation of a resilience policy framework addressing the energy crisis. Now, the partnership under the PFD is covered by two separate projects: *Strengthening capacities and systems for effective Public Finance Management in the Republic of Moldova* project with two components and *Support the Development of Resilience Policy Framework in the Republic of Moldova* project.

PROJECT: STRENGTHENING CAPACITIES AND SYSTEMS FOR EFFECTIVE PUBLIC FINANCE MANAGEMENT IN THE REPUBLIC OF MOLDOVA

The no-cost extension request for the project until October 2023, which was launched in 2020 with a planned end in December 2022, was approved by the Project board⁸. Political developments in Moldova cause certain delays in implementation, but the government's interest in continuing the started activities persisted and was communicated to the UNDP. Moldova was granted the status of EU candidate country in June 2022. All of the support provided to Moldova under the PPF project is fully in line with the EU standards that the country will have to adopt.

⁷ Civil Service Agency in the entity of the Federation of Bosnia and Herzegovina and Ministry of Administration and Local Government in the entity of Republika Srpska

⁸ Support to the project Support the Development of Resilience Policy Framework in the Republic of Moldova was approved by the PPF Project Board on conducted 16 June 2022.

Assessment of financial flows and budgetary spending

Spending reviews: The spending review (Public Expenditure Review) *in the health sector* in Moldova that was almost fully implemented in 2022 focuses on the pre-hospital emergency medical care systems, primary health care, specialized outpatient medical care, community and home medical care. Based on spending reviews results, efficient measures to save the budgetary resources in amount of at least MDL 250 mil (above USD 10 mil) are to be proposed by the Joint Order of Ministry of Finance, Ministry of Health and National Medical Insurance Company to be included in the budget for 2024. The goal is to contribute to the achievement of medium-term budgetary and fiscal goals and to create fiscal space for new reforms.

The project also supported the government in the systematic control of public expenditures and identification of areas in which budget funds can be saved. With the support of the project, the **Public Expenditure Control Methodology** (spending reviews methodology) was developed for the government. As a priority of Public Finance Management Strategy 2023-2030, the implementation of public expenditure rationalization will be institutionalized (primary and secondary legislation) and mandatory implemented by public authorities.

The project also supported the **Development Finance Assessment (DFA)**, which identified financial challenges and opportunities to support the SDGs achievement. It provided the government with a well-structured process to analyze the financial flows and needs and to build consensus for designing holistic financing strategies to drive recovery from the pandemic and the achievements of SDGs. DFA is fully compatible with the spending review implemented by the Government⁹. The proposed INFF roadmap financing instruments (e.g., tax policy change towards green growth, mapping of potential and regional funds to apply for Moldova, thematic bonds, development of venture capital funds) is reflected in the Public Finance Management Strategy 2023-2030 and other reforms to be implemented to mobilize additional finance.

Results: Although the exercise is not yet complete, some of the measures identified in the health sector expenditure review have already been used in the preparation of the 2023 budget, some will be used in the 2024 budget. The MF expressed its commitment to carry out expenditure revisions in the long term. As such, (i) Moldova PFM Strategy 2023-2030 recently approved by the government, includes the need for spending reviews implementation and institutionalization, (ii) MF initiated the restructuring of Financial Inspection (with the support of PFD project) and in line with this action, a new department for spending reviews is planned to be included in the new structure of the institution, and finally (iii) MF intends to request support for the institutionalization of spending reviews in the normative acts (law on public finance and budgetary responsibility, secondary normative acts, etc.) and therefore, to have the implementation of SR as an obligation on a regular basis for ministries.

Strengthening budgetary process

The Fiscal Impact Assessment of the Reorganization of Financial Inspection was carried out aiming to increase the efficiency of public finances by changing the role of Financial Inspection from the organization based exclusively on control of public authorities into a budget analytical and research center based on programs and spending sectors. One of the major objectives of this structural reform

⁹ As the budget is two sides composed, spending reviews is the assessment of the efficiency of the 'public expenditures' (budget allocations), while DFA is the tool which is focused more on the opportunities and instruments to finance the national priorities such as 'tax policy, fiscal incentives, debt instruments, blended finance, venture capital funds, PPPs' etc. In addition, SR is looking just to public sector (budget allocations), while DFA covers public, private, domestic and external sectors.

is to increase the use of public capital expenditures, which in 2021 reached the level of 77%. The activities will be mostly carried out and finalized in 2023.

PROJECT: SUPPORT TO THE DEVELOPMENT OF RESILIENCE POLICY FRAMEWORK IN THE REPUBLIC OF MOLDOVA

This project was supported by PPF project primarily in response to the war in Ukraine and energy crisis. It aims to reduce the risks facing the country by supporting the Office of the President and the Government in addressing the need for an institutionalized resilience policy framework, including socio-economic recovery and energy resilience. The project was approved by the Project Board on 16 June 2022. The project has three interconnected areas of intervention:

- Support the Office of the President with the development of the long-term Resilience Plan for Moldova
- Support the Government with the development and implementation of short-term socio-economic recovery/resilience, with particular focus on energy and food poverties
- Support the Government in addressing energy poverty and building energy resilience at the level of vulnerable households in Moldova

In 2022, the project managed to achieve the following key specific [results](#):

- The Office of the President was supported in designing the Resilience and Security Vision for Moldova (towards 2030) and the development of the Resilience Strategy. The strategic papers and laws ensure the systematic approach in building a long-term resilient society and effective recovery process.
- The project provided policy support to the government in analyzing food and energy poverty and vulnerability in Moldova in the context of the current war in Ukraine and the socio-economic crisis, including the energy crisis that started in the autumn 2021. The [Report on energy poverty for Moldova](#) and [Moldova Potential impacts of increased food and energy prices on poverty and vulnerability](#) report were prepared. Specific recommendations to address energy poverty were developed and discussed with the government.
- Project provided support to the Government in the design and full-fledged implementation of the Energy Vulnerability Reduction Fund (EVRF), a mechanism to tackle energy vulnerability and poverty with a national coverage of about 800,000 households and a total budget of around 300 mil. EUROS, out of which mobilized through UNDP – app. 16 mil. EUROS. With the significant support of the Project, in October 2022 the [Energy Vulnerability Fund was launched](#). The fund represents a national mechanism to provide on-bill compensation for all energy poor households in Moldova in the winter period to compensate for people’s energy consumption expenses.



The Project proved an extremely important instrument to support the Government in times of crisis, with a flexible and agile approach and it provided catalytic funding that gave the possibility to the Government and UNDP to mobilize significant additional resources for tackling the emerging development issues, particularly related to the current energy crisis.

MONTENEGRO

The political development in Montenegro partially affected the overall project implementation. Two intervention areas were not implemented due to the change of priorities or changes in senior management of the Ministry of Finance of Montenegro. However, during last period, Montenegro

adopted several strategic documents, with UNDP support through the project **STRENGTHENING TRANSPARENT AND ACCOUNTABLE PUBLIC FINANCE MANAGEMENT IN MONTENEGRO** within the framework of the PPF project.

UNDP Montenegro requested the project revision, adding some new activities to the ongoing interventions and especially addition of a new intervention area: *Support in Strengthening of Finance Services and Payment Transactions in Montenegro* and a no-cost project extension until October 2023 to implement these changes. The new intervention area is the result of continuous monitoring of the beneficiary needs related to public finance management, which is the core of the overall project.

The project is implemented under five intervention areas. In 2022, the project implementation focused on two of them, since one has no activities planned for 2022 and two were dropped from immediate priorities of the country. In 2022, project brought the following results:

Supporting the reform of public finance management and reporting

Under this component, the project aims to provide technical assistance to the MF of Montenegro (MF MNE) in improving the public sector accounting and reporting systems (introduction of accrual accounting) in line with international standards, including the EU. The Law on Accrual Accounting and secondary legislation prepared with significant support of the project were already adopted. However, the Law's entry into force was postponed from 2022 to 2024. Until then the MF MNE will need further support for ICT system upgrade and trainings.

Strengthening capacities for public revenues increase

Under this component project supports MF MNE in improving the normative and institutional framework related to the games of chance. The draft Law on Games of Chance and Prize Games was submitted for public consultation earlier and its adoption is still pending. A significant number of comments obtained still need to be reflected in the draft Law. Comments received from the EC (early 2023) were positive regarding the assessment of the law compared to the previous legislation. EC stated that the *“current proposal of the Law on Games of Chance and Prize Games is a considerable improvement of the existing legal framework in this area, particularly having in mind the recommendations regarding money laundering and financing of terrorism”*. During 2022, the project finalized drafting bylaws to the Law, which were approved by the MF.

In addition, the staff of Montenegrin Games of Chance Administration capacities were raised through bilateral exchange of knowledge with their peers from Gambling Regulatory Authority of the Slovak Republic during the study visit to Slovakia.

Intervention so far has resulted in a better framework for public revenues increase from gambling. Once fully in force, it is expected to bring significant increase of public revenues and decline of informal economy caused by untaxed hazard.



Reinforcing public finance at local level

This intervention area focuses on improving the financial and regulatory situation of Montenegrin municipalities. UNDP supports MF MNE in introducing three new PFM concepts at the local level, which support citizen participation in monitoring the implementation of public policies and services. The introduction of the programme budgeting (PB) and mid-term budget framework (MTBF) were introduced in 2021, followed by the introduction of **capital budgeting** in 2022. During the year the

Manual on Capital Budget of Local Governments was developed and followed by trainings of municipal officers. The project contributed to economic change at the local level, which will have further impact on the realization of the planned structural reforms and capital projects (such as infrastructure) in municipalities.

The new **Public Finance Management Reform Programme (2022-2026)** was prepared and adopted by the Government with the support of UNDP and other actors. The activities defined by the new PFM Reform Programme will focus, *inter alia*, on accrual accounting, programme-based budgeting, implementation of Economic Reform Programme, alimending between strategic planning and mid-term budgetary framework and reinforced work on the public finance reforms at local level. UNDP is perceived as one of the most important partners of MF MNE in all mentioned areas.



The project also provided support to the MF MNE in the preparation of the **Economic Reform Programme 2023-2025**, outlining the economic policy for next three years, which is the basis for the economic dialogue within the framework of EU integrations. This programme contains a comprehensive agenda of structural reforms in all areas relevant for the country's development and growth and the EU accession. It received a positive assessment from the EC regarding the relevance of the selected reforms

and the participatory process of preparation.

Both documents directly contribute to economic and social change in the country.

Support in financial programming, macroeconomic analyses and projections

This component implied the preparation of Montenegro Development Directions 2021-2024, but the Government decided temporarily to postpone its preparation. Project team will follow the situation and need of the MF to reflect potentially in 2023.

Support in strengthening of finance services and payment transactions in Montenegro

This component was not implemented in 2022 due to the changes in MF MNE senior management. The area is not a priority for the new management of MF MNE. Project team will follow the situation and need of the MF to reflect potentially in 2023.

NORTH MACEDONIA

Despite the fact that North Macedonia faced in 2022 the challenges connected mainly with economic and energy crisis, this period was at the same time characterized by intense efforts, which led to the start of the EU accession negotiation process including the clear recognition of the determination to implement EU related reforms. The project implemented under the PFD programme, **SUPPORT TO PUBLIC FINANCE MANAGEMENT REFORM IN THE REPUBLIC OF NORTH MACEDONIA**, with its very wide scope of interventions, is clearly connected with this effort in the field of the management of public finances.

In 2022, the project underwent a cost revision, while new activities were added to the ongoing interventions, including the expansion of the second intervention area of the project, where a new area *Strengthening the capacities of the Ministry of Finance in determining and monitoring cash flow* was added. All new activities are the result of project implementation and follow the new requirements of the beneficiaries. Within this revision the State Control Office of the Republic (SAO) of North Macedonia

became a new project beneficiary. However, partially participated in the project before, concretely its representatives participated on study visit to Slovakia, where specific needs were formulated.

The implementation of the project is divided into 3 intervention areas, which brought the following results in 2022:

Reducing the informal economy and fight against tax evasion and tax fraud

This component, focusing on reducing the informal economy and fighting against tax evasion and tax fraud, made a significant impact in the Public Revenue Office (PRO) and the Ministry of Finance (MF), introducing new areas of work for the institutions. The project contributes directly to the reduction of the informal economy by building several tools, without which the state would not be able to fight against the informal economy.

In 2021-2022, the project initiated for the first time for North Macedonia, the **transfer pricing** mechanism. All implemented activities resulted in amendments to the *Act on the Public Revenue Office* and *Act on Profit Tax and Tax Balance* aimed at improving the financial statements that companies submit to the PRO and improving reporting and fact-checking procedures in the financial statements. All these changes ensure the legal ground for applying transfer pricing.



The project also developed two guidelines for the PRO, *Guidelines on risk management and risk assessment* and *Guidance Note on transfer pricing audit* which have already been adopted. The guidelines ensure that the quality of the processing of reports is maintained, and efficiency is increased in the handling of transfer pricing reports.

To ensure the practical application of transfer pricing, the project also provides capacity building for concerned experts. In 2022, this capacity building included the study visit to Slovakia and national round table for exchange of experience and presenting achieved changes.

However, the main practical result in the fight against tax evasion and tax fraud is the preparation of three transfer pricing reports for international companies operating in the country. Two of the three reports revealed transfer pricing irregularities and will result in a tax audit of the companies during 2023, which will ultimately result in tax returns in the near future.

All this shows the progress that has been made, however the quantifiable results of how much tax return the Public Revenue Office will make from transfer pricing will be visible in the next two to three years. According to the data of the Central Register of the Republic of North Macedonia, 408 companies are representative offices of international corporations and seven of them are among the 10th most profitable companies in the country. This poses serious opportunities for tax evasion that can be significantly reduced with the complete implementation of the transfer pricing activities.

In the area of **Automatic exchange of information for tax purposes**, the main achievements are related to the preparation of the *Law on Automatic Exchange for Tax Purposes* by the MF based on the legal analyses and recommendations provided through the project.

The project has also developed *Internal Instruction Guidelines on Practical Procedures and Rules Regarding the Exchange of Information* already adopted by the PRO. Guidelines define the daily work of the working group for automatic exchange for tax purposes. Through the study visit and the capacity building programmes, the staff of the MF and PRO gained the necessary knowledge about

the international standards that are needed to include North Macedonia in the international automatic exchange of information for tax purposes.

Knowledge of data protection and IT requirements for the automatic exchange system is crucial, as the MF and PRO will work with the new IFMIS (Integrated Financial Management Information System) from 2023. IFMIS integrates automatic exchange of information for tax purposes. For the new competencies of the Tax Office and the MF, it was crucial to develop appropriate legislation and ensure the legal right to carry out activities in both areas, transfer pricing and automatic exchange of information, which was carried out within the project.

The MF expects that the first automatic exchange of information for tax purposes will take place on 1 January 2026. This reform exceeds the time frame of the project and the first quantitative results from the activity are expected in the first quarter of 2027. Based on the reports of the Macedonian National Bank of Republic, in 2022, domestic residents transferred from their foreign bank accounts or received funds from international companies approximately 40 million euros. With automatic exchange of information (on current personal tax rates of 10%), the expected tax collection ranges between 2 and 4 million euros which represents a huge reduction of the current tax evasion.

In the area of **informal economy**, significant results have been achieved with the support of the project. The MF calculated the informal economy as GDP percentage, for the first time in 17 years. Following was achieved by the MF with the support of PPF project:

- Development of study on the key reasons for the informal economy with recommendations for reduction;
- Integrating the recommendations into the new draft Action Plan with activities for reducing of the informal economy developed by the MF;
- Development of indicators for informal economy monitoring.

With additional CO funds (USD 57,000) UNDP supported the MF in targeted awareness raising activities as organizing citizen survey, focus groups of informal workers and media campaign for improving the tax moral among citizens.

Project activities contributed to the reduction of the informal economy, which in 2020 amounted to MKD 12,308 million (approx. USD 200 mil.), and in 2021 the indicator decreased to MKD 9,385 million (approx. USD 152 mil.).

In the area of **audit of accrual financial statements** project developed an *Analyses for Improving Methodological Tools for Accrual Financial Statements Audit* that include the set of recommendations for auditing methodology improvement for State Audit Office (SAO). The project is also working on a Strategy for introducing accrual accounting in the public sector and public enterprises, that represents significant reform for changing the cash-based accounting to accrual accounting. The reform will enable the public sector and the public enterprises to have a better budget overview, increase transparency, better asset management and better budget planning, which is crucial for the efficient work of the institutions. This knowledge will be crucial for the state auditors to prevent and correct the first accrual financial reports developed by the public sector and public enterprises.

To ensure proper and sustainable reform, the UNDP is in constant communication with the Center of Excellence in Finance in Ljubljana, traditional partner of the Donor, Ministry of Finance of the Slovak republic in supporting the capacities development in Western Balkan and Moldova region, that runs a project that will follow up and support the strategy implementation in the area of accountant certification and bylaws writing.

Strengthening the fiscal autonomy and revenue mobilization capacities of the local self-government units (fiscal decentralization)

The activities were mainly implemented during 2020 and 2021, however their effect and practical use are becoming visible and calculable in the present. The analyses on the *Law on Property Taxation*, *Study on Fiscal Decentralization* as well as *the Analysis on Possible Modifications and Effects of the Tax Scope and Property Tax Rates and Communal Taxes* contributed to amendment of the *Act on Property Taxation*.

With the changes to the Act, the scope of the properties that are subject to **property tax** was increased. Also, the tax rate for uninhabited property or not used properties was increased for 50%. Additionally, uncultivated agricultural land becomes the subject of property tax. All these interventions increased the revenue mobilization of the local self-government units. Based on project results, UNDP CO further provided knowledge-based support to government reforms. This reform ensured a change in the central government grant mechanism for local government by introducing two new funds, the Equalization Grant Scheme and the Performance Grant Scheme. The reform increased the percentage of value added tax transferred from the state budget to municipalities from 6% to 7.5%. The reform is effective from January 2022.

The practical result is a **pilot project** in the municipality of Sveti Nikole, where the design and development of the application of the property tax assessment and collection system showed that the municipality lacked or even misses data on taxable properties. A significant number of properties were not subject to property tax or were incorrectly assessed. This is the case for almost all municipalities across the country, especially the small urban and rural ones. With this activity the foreseen property tax in the municipality is raised from EUR 93,977 (approx. USD 99,000) in 2021 to EUR 291,984 (approx. USD 309,000) for 2022, which represents 210% increase in the property tax collection in the Municipality.

The methodology developed by the project and the results in Sveti Nikola were presented to other municipalities. On their basis, four municipalities (Tetovo, Radovis, Dojran and Tearce) have decided to apply this methodology and have already published public tenders for the development and implementation of a digital tool for property tax.

Strengthening fiscal efficiency and discipline in providing public goods and services

The implementation of this component is delayed due to the late adoption of the new [Budget Act](#). After more than one and a half years in Parliament, the Budget Law was finally adopted in September 2022. The late adoption of the Budget Law affected the implementation of two pillars of the project the *Establishing Value for Money department within the Ministry of Finance* and *Increase the capacity of the Ministry of Finance for efficient implementation of the new Budget Act*. The main results in this pillar are the capacity building training of the state auditors for value for money performance audit. Due to this training the state auditors are now prepared to make value for money performance audit that are part of their programme for work for 2023. The project will report on their results by the end of the project.

SERBIA

In Serbia, the PFD programme is implemented through the project **SUPPORT FOR IMPROVING GOVERNANCE AND ECONOMIC PLANNING AT THE LOCAL LEVEL FOR ACCELERATING THE IMPLEMENTATION OF SDGs IN THE REPUBLIC OF SERBIA**. In 2022, the project underwent a cost revision, which was approved by the PPF Project Board on 16 June 2022. Based on the revised project the support is provided to five additional local self-

governments (LSGs) in drafting their Local Development Plans. They have been selected in cooperation with the [Public Policy Secretariate](#) and the SCTM to extend the coverage of LSGs in need of external expert assistance in preparing their strategic framework for local economic development. The total number of municipalities receiving support from the project has thus increased to 15 (see the overview below). The project is based on the following two intervention areas, which are fully related to each other, both are applied to all beneficiary municipalities:

Organizational development and optimization of the operations of local self-governments in Serbia and improved local development planning

Selected LSGs were supported in adjusting their internal organizational structure to meet functional and operational requirements with aim to optimize their business processes, increase functionality and capacities for absorbing and blending their own funding with available external financing for sustainable development (EU pre-accession funding).

In 2022, the Local Development Plans for a minimum period of seven years were developed and adopted by five LSGs Plans (see below).

The Project provided civil servants of selected LSGs with specialized trainings on Project Cycle Management, procurement procedures according to the Law on Public Procurement and EU PRAG procedures¹⁰, internal control procedures and new methodologies for implementing operational activities. LSG staff were also introduced to EU best practices in program budgeting and local economic development in comparable EU member states and socio-economic development assessments that might be applied in Serbia.

Improved medium term economic planning and resource mobilization for sustainable development.

In 2022, Medium-Term Plans in line with the new Law on Planning System were prepared for five LSGs.

Slovak expert Jan Marusinec prepared and presented a comparative, comprehensive study on municipal Medium-term budgetary framework (MTBF) and fiscal arrangements that allow the LSGs to extend the horizon for fiscal policy making beyond the annual budgetary calendar.



Introductory meetings with Local Development Plan Coordination Team in the municipality of Žitorađa

¹⁰ EU PRAG - [Practical Guide on Contract Procedures for European Union External Action](#)

Overview of project progress:

	Municipality	Functional reviews	Socio-economic Development Assessments	Local Development Plans	Medium Term Plans
1	Bački Petrovac	Yes	Yes	Adopted 2019	adopted 2022
2	Kuršumlija	Yes	Yes	Adopted 2019	adopted 2022
3	Mali Zvornik	Yes	Yes	adopted 2019	adopted 2022
4	Petrovac na Mlavi	Yes	Yes	Adopted 2019	adopted 2022
5	Sjenica	Yes	Yes	Adopted 2019	adopted 2022
6	Blace	Yes	Yes	adopted 2022	
7	Prokuplje	Yes	Yes	adopted 2022	
8	Bač	Yes	Yes	adopted 2022	
9	Tutin	Yes	Yes	adopted 2022	
10	Nova Varoš	Yes	Yes	adopted 2022	
11	Neogotin	In progress	In progress	In progress	
12	Žabari	In progress	In progress	In progress	
13	Žitorađa	In progress	In progress	In progress	
14	Ljubovija	In progress	In progress	In progress	
15	Preševo	In progress	In progress	In progress	

All activities carried out within both components are expected to result in more efficient realistic planning and long-term budgeting of municipalities. Most municipalities have adopted plans and partially put them into practice. But due to different priorities such as those brought by Covid 19 pandemic or the energy crisis, not all of the municipalities fully applied the documents in practice.

The project implementation partner, Standing Committee of Cities and Municipalities prepared the **Manual for Developing the Medium-Term Plan of the Local Self Government**. That provides the methodology, already tested on project beneficiaries, for the preparation of Mid-term Plans that is required by the Law to other Serbian municipalities. As of March 2023, 73 municipalities out of 145 already adopted plans, so still 72 municipalities are in need to prepare their plans. Important project benefit is that it developed and tested the methodology that will be further used by other municipalities.

Project Output 2: Increased private sector engagement on development projects

Output indicators <i>(For details related to the indicators of this output, see Annex VI)</i>	Targets 2022	Progress against targets
2.1 Number of Slovak companies participating on IFIs and/or IGOs tenders (incl. those in consortia).	Baseline: 11 AWP target: 2	Reporting period: 0 Cumulative total (2020-2022): 11
2.2 Number of solutions developed through RMF funding	Baseline: 40 AWP target: 4	Reporting period: 12 Cumulative total (2020-2022): 52
2.3 Number of projects where Slovak expertise has been applied	Baseline: 9 AWP target: 3	Reporting period: 1 Cumulative total (2020-2022): 10

Current financial budget utilization and budget for next years

Outputs	2020 Expenses	2021 Expenses	2022 Expenses	2023 Budget	Total output budget
Output 2 - PSE	563,514.13	176,774.64	455,786.78	1,414,235.04	2,610,310.59

Within a framework of this output, the project supports raising the awareness and building the capacities of Slovak entrepreneurs about development cooperation and their opportunities to participate in it. One of the tools is the RMF, which supports the processing of feasibility studies and other documents that are necessary for the implementation of major investment projects.

Key Activities and Results

In 2022, 13 projects supported under the RMF were continuously implemented or monitored.

In February 2022, the IRH asked the UNDP COs to submit the project ideas for future projects that could be supported by RMF. IRH requested to focus on one of the three thematic areas: green energy, waste management and smart cities. Overall, 20 project ideas were considered out of which three (3) were supported by RMF within the selection criteria that define the areas of support - green energy and decarbonization, electronic self-government and waste management and require proof of financial feasibility, or possibilities of obtaining financial resources for subsequent investments. Two projects in Serbia, focusing on the production of biogas from municipal waste and the extension of the Just Transition project in Montenegro.

RMF PROJECTS 2022

BOSNIA AND HERZEGOVINA (BIH)

Development of the design documents for construction of the “Peace Bridge” on Bosna River in Maglaj

The project of the Peace Bridge near Maglaj, developed the project documentation necessary for obtaining permits and the actual construction of the bridge, which connects the disputants of the commune divided by the war. Representatives of the local and national government pledged to soon provide the resources needed to build the bridge. This is followed up by project management.

The project, in addition to the practical result of the construction of the bridge, also has a strong symbolic aspect of the ongoing post-war reconciliation of communities in BIH. Its implementation was strongly acknowledged by Slovak diplomacy and the OSCE.



Project completed within 2022.

Private-public investment model for EE street light systems in Bosnia and Herzegovina (2018-2021)

Project developed financing models and feasibility studies for the reconstruction of 12 municipalities. Based on developed documents, municipalities have been able to search for financing, or carry out the reconstruction themselves.

As part of the monitoring of projects completed before 2022, we found that the Energy service companies(ESCO) financing model¹¹, which was described and introduced into legislation with the project support has been particularly successful. The description and introduction of the ESCO financing model was one of the main recommendations in the preparation of projects for EE reconstruction of public lighting. It was used for the first time by municipalities during the reconstruction of public lighting in Bosnia and Herzegovina. Already, more than half of the participating municipalities are implementing total or partial reconstruction of public lighting based on delivered projects. ESCO model of financing is already used in more than 30 projects throughout the country.

Project completed within 2022.

Clean Energy Transition through Utilization of Solar Energy Potential in Bosnia and Herzegovina (2021-2023)

As part of the broader UNDP energy efficiency portfolio, this project focuses on (i) development of Interactive Solar Atlas integrated into Energy Management Information System, (ii) Optimization of solar project design and implementation practices, and (iii) development of financial mechanisms for municipalities and private to be able to install the solar modules. The expected project results includes

¹¹ ESCOs) deliver energy efficiency projects that are financed based on energy savings. This model guarantees savings for a set period of time in exchange for payment from the energy cost savings. An ESCO will assess the efficiency opportunity.

the document mapping the solar energy environment in BIH that will simplify the entry of new users to this market.

MONTENEGRO

A Just Transition Roadmap for Montenegro – reaching national consensus on coal phase-out pathway

Decarbonization and the shift away from fossil fuels are currently one of the main *green agenda* of the world and above all of Europe, including the Western Balkans. This process is captured in all basic documents, including the Ageda 2030 and national plans, as well as UNDP plans. The search for new sources of energy is a *priority for the changes* that all Western Balkan countries must undergo and is also part of their pre-accession negotiations with the EU. UNDP is leading these processes across the region, including Montenegro. International financial institutions such as the World Bank or the EBRD are ready to finance these changes together with national governments. These efforts are even more significant today due to the war in Ukraine and the need for independence in energy production in Russia. It is UNDP Montenegro that is one of the main promoters of this agenda within the framework of UNDP in the Western Balkans, which also strives for higher integration and cooperation of the relevant COs.

Estimated investments in the entire process are estimated at several billion euros. Investments are of different nature and spread over a period of several years.

Montenegro is still in the initial stage of preparation for decarbonization, during which it is significantly inspired by Slovakia and its experience with the recent closure of coal mines and the shutdown of the most important coal- power plant, one of the first closed power plants in Europe. The project supports institution building and stakeholder engagement for the just transition of the Pljevlja coal region in Montenegro. In the framework of the project, a ***coal phase-out socio-economic study*** was carried out, which describes the current situation of employees who are directly or indirectly involved in coal mining and coal-fired power generation. The study also points out the changes that are expected in the medium-term future related to the efforts to decarbonize the region. UNDP ensures the involvement of various stakeholders including the business community, civil society, academia, media, political decision-makers and citizens in the complex process of phasing out through using various engagement tools, like surveys, conferences, workshops, etc.

The project is only one part of the many activities that the Pljevlja region implements together with UNDP in the field of decarbonization. Decarbonization is an extremely long-term and multidimensional process. UNDP enters the process mainly by supporting the participatory solution of the socio-economic situation of the workforce. The decarbonization of Pljevlja is also supported by the Slovak Ministry of Finance through other UNDP project that focuses on involvement of young people in the process of transformation. The Donor's multidimensional support helps to better position Slovakia in this topic on the ground.

Project completed within 2022.

Just Transition II.

Project is a follow up of the Just Transitions I project supported by RMF. In this phase the project concentrates on finalizing the roadmap with all elements and the guidelines for its practical implementation drafted by the Just Transition Working Group and presented to the National Sustainable Development Council.

"Dialogue for Just Transition in Montenegro" conference held in Podgorica, under the aegis of the prime minister Dritan Abazović

Project was approved in 2022.



Montenegro: Solar Development in Montenegro (2021-2023)

The project supports an enabling environment for clean energy, specifically solar energy use in Montenegro by reducing the technical and legislative barriers, the preparation of ready-made financing models to facilitate obtaining subsidies or bank financing. There were trainings for those interested in getting involved in projects "Solari - 3000+" for households and "Solari - 500+" for legal entities and individuals. The expected long-term result is increased awareness of solar use, thus higher demand for this clean energy source.

NORTH MACEDONIA

Development of a Feasibility Study for improvement of irrigation and drainage system in Bregalnica River Basin

The project solves the problem of climate change in connection with the need for irrigation and the sustainability of agriculture around the Bregalnica river in North Macedonia. Irrigation is a key factor for the country to utilize its resources and gain comparative advantages in agricultural production.

The **Feasibility Study for Improvement of the Irrigation and Drainage system in Bregalnica River** was developed. The study evaluates different options and their socio-economic impact and provides technical and investment plan for the reconstruction of the irrigation and drainage infrastructure in the Bregalnica River basin. As such, it can also be used for the prioritization and sequencing of the reconstruction of the current facilities.

It is expected that the Ministry of Agriculture, Forestry and Water Economy and the Water Management Organization use the feasibility study to initiate a discussion with the government on the financing of the proposed reconstruction either from the state budget, IPA funds, through the mobilization of resources from donors, or IFIs to obtain favorable loans

Project completed within 2022.

Waste Into Food (Organic waste in green economy)

The project supports the efforts of municipalities from the Gradsko microregion (North Macedonia) to achieve sustainable and ecological local development, specifically in greening waste management. Project fully mapped and partially implemented separate collection of bio-waste. The **feasibility study of organic waste reduction in landfills**, including calculation of economic effects of the circular economy was developed. Project also supported practical

collection of bio-waste by the **introduction of container collection** in selected parts of the city. These studies were developed for a specific region, but their applicability is transferable, and other municipalities are already interested in engaging. The project showed how waste can be reduced by turning it into a secondary raw material. The project also created conditions for the involvement of the private sector in waste processing.

The project significantly contributed to better bio waste management in the city of Gradsko. On the one hand, optimizing the collection of bio-waste reduced fuel consumption and CO2 production during its transportation, and at the same time reduced the amount of waste that ends up in the landfill without further use. At the same time, the separated biowaste began to be used as fuel for the production of biogas. A large part of the bio-waste used for energy production is transformed into natural fertilizer after processing, which increases the fertility of agricultural land.

Project completed within 2022.

Macedonian Model of E-municipality 2021 – 2022

The project developed and piloted the Macedonian National Model of Electronic Self-Government, which supports the digitization of self-government performance and the establishment or improvement of electronic services. The project is building the conditions for direct private sector engagement through development of software and hardware solutions. Two basic documents have been drawn up and approved: *e-Readiness Assessment* and *Methodology for Digital Transformation of Municipalities* and the pilot phase of the project has started. It is expected that the project will bring more municipal e-services and that the methodology will support the interest in e-services in other municipalities. The experience and capacities of the private companies allow the public administration to introduce process management and execution of services for the population.

SERBIA

Use of biomass for cogeneration in wastewater treatment

The aim of the project is to develop the technical documentation, including the techno-economic analysis of the supply chain of appropriate available biomass for heat and/or electricity production in the Co-generation Plant of wastewater treatment in City of Čačak, Serbia.

Project was approved in 2022.

Potential of biogas production from biowaste in urban and peri-urban regions

Project aims on development of a study of the potential of biogas production from biowaste in the selected village(s). A new model of cooperation with municipalities will be used in the framework of the project. The city in which the project will be implemented will be selected based on a public call. The project will develop a precise procedure for individual municipalities to convert their waste into energy. The results of the study will be applicable to any municipality in Serbia or elsewhere in the region.

Project was approved in 2022.

Energy Efficiency Renovation of Central Government Building in Serbia 2021 – 2022

Project develops the feasibility Study on energy efficient Renovation of governmental buildings in Serbia, specifically in Belgrade. Geothermal boreholes have been drilled and their energy output measured. On the basis of their results, a study on their use in the EE renovation of the SIV3 building was started.

Project fits into the CO broader portfolio of public energy efficiency introduction.



Public LoRaWAN network in Kragujevac 2021 – 2022

Project developed project and technical documentation for building local Internet of Things (IoT) network in the city of Kragujevac in Serbia. The local network the electrification of the work of municipalities, specifically flood monitoring, public lighting management, better waste collection (trash cans chips to monitoring the need of waste collection).

In 2022, MoU has been negotiated and signed with the City of Kragujevac. The MoU specifies the involvement of the city, the connection of the city infrastructure and the scope of the implemented services. Procurement for the selection of the designer has started.

Project Output 3: Strengthen capacities of development professionals

Output indicators <i>(For details related to the indicators of this output, see Annex VII)</i>	Targets 2021	Progress against targets
3.1 Number of relevant capacity building plans / and participation of MFSR staff on development events and trainings	Baseline: 19(plans) / 41 (events) AWP target: 3/9	Reporting period: 1 (plans)/ 6(event) Cumulative total (2020-2022): 20/47
3.2 Number of presentations of MFSR and project staff at national, regional and global fora	Baseline: 8 AWP target: 3	Reporting period: 5 Cumulative total (2020-2022): 13
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: 19 AWP target: 1	Reporting period: 1 ¹² Cumulative total (2020-2022): 20

Current financial budget utilization and budget for next years

Outputs	2020 Expenses	2021 Expenses	2022 Expenses	2023 Budget	Total
Output 3 - Development Capacity Building	15,749.07	17,290.24	57,384.96	\$128,525.04	218,949.31

Since the early 2000s, UNDP has been the partner of choice for Slovak ODA, which has supported Slovakia in building the national ODA system, including the policy, legislation as well as building the capacities of ODA professionals. To a certain extent, this support continues to this day, when UNDP not only jointly implements projects with two Slovak donors, including the MFSR, but also continues to support the professional capacities of Slovak ODA specialists. This support is implemented through the CB component of the project, specifically by building individual capacities, but also by supporting the exchange of experience and knowledge or supporting the communities of practice in a wider context, for example, the UNDP thematic communities, the community of project partners and the like. The overall goal of this component is to ensure that Slovakia implements modern, efficient and high-quality ODA. And at the same time, to be well established within the international donor community.

Key Activities and Results:

In 2022, based on submitted MFSR Capacity Building Plans approved by the Project Board on 8 March 2022 the overall six **capacity building events** (List of CB event – Annex VII) aimed at strengthening individual technical or policy capacities or relevant soft skills were implemented under this project component and brought following results¹³:

- I. Capacity building significantly supported technical, managerial and soft skills of the development cooperation team. The business opportunities conference and Slovak partnership days enabled the team to better understand what works and what could be improved in development cooperation activities aimed at bringing the private sector in development cooperation and in

¹² Slovak Partnership Day, 19-20 October 2022

¹³ The presented results are based on self-assessment of the CB participants from MFSR.

providing effective PFM technical assistance beyond 2023. The ideas for improvement will be duly incorporated in preparation of the new project phase starting from 2024. The Learn4dev annual meeting brought light into the some challenges regarding capacity building projects, such as promoting gender transformative learning environment. The group work and practical examples inspired the ODA team and provided concrete solutions for implementing the gender / intersectional approach in next PPFD project phase. The information and examples strengthened the ODA team in leading the conversation and discussions, which was implemented in their daily work.

- II. Based on experience of cooperation with UNDP and above all with the PFD implementation and to strengthen ODA staff capacities, MFSR made systematic and strategic steps towards its active role at Public Expenditure and Financial Accountability program ([PEFA](#)), of which Slovakia is a member since 2019. PEFA is currently a supporting pillar of the EU in helping partner countries to set up efficient, responsible and transparent management of public finances. In this area, it is a priority program of the European ODA. In 2022, ODA team focused on broadening the pool of MFSR experts skilled at PEFA methodology to be able to engage their experts in PEFA peer reviews of assessment reports in the near future. ODA team actively participates on PEFA planning and setting the agenda. DEV team is currently discussing with the PEFA Secretariat on the pilot engagement of two MFSR experts to the PEFA review.
- III. Thanks to regular participations at OECD WP STAT meetings, Slovakia managed to report its ODA figures fully in line with OECD directives, despite budgeting shortcomings (out of control of the ODA team) that negatively impacted development of the Slovak ODA database. Several additional CRS fields are now included in Slovak ODA files, such as new cooperation modalities or keywords. We have also supported the MFA in reporting the TOSSD figures, and in attempts to cover more Pillar II activities.
- IV. As part of the MFSR's efforts to strengthening the national ODA system, the MFSR uses the FIN4DEV tool to use the MFSR technical expertise within the framework of development cooperation. FIN4DEV was developed based on long-term cooperation with UNDP, specifically based on experience with the implementation of the PFD programme. Due to the need for more efficient use of this tool, in 2022 Dev team updated the FIN4DEV financial instrument document to follow the need of its flexibility and attractiveness for the experts. In line with this, DEV team prepared the internal guideline which defines the processes of expert participation in development cooperation. Both materials will become effective in first half of 2023.

In October 2022, the IRH Partnership team organized also the **Slovak Partnership Days**. The event brought together the UNDP Country Offices that are implementing the initiatives under the Slovak Partnership projects, IRH and Donors representatives which exchanged the information of projects scopes, exchanged the experience of projects implementation, views on Slovak partnership priorities and identify opportunities for improvement the cooperation and the potential new areas of cooperation. The aim is to get higher impact of Slovak funded initiatives.

The sensemaking methodology used during the SPDs helped to generate several insights related to the PPFD project:

- ✓ Key features of the Slovak funding are: adaptiveness, demand-driven and fast response to actual needs. These features have been key in strengthening relationships with the ministries and other institutions and responding to emergent needs and opportunities. There is high appreciation for the project activities amongst local stakeholders - municipalities, ministries and others.
- ✓ An overarching theme across the projects was just and green transition. As the old economic model is obsolete and local governments struggle to generate greener economic models, directly or indirectly many projects/pilots focus on how to manage a transition towards a greener

economy. This is most noted in Pljevlja, Montenegro, the last remaining coal town - where multiple Slovak projects are supporting the municipality in transitioning to a greener economy. Similarly, in both BIH and Serbia, Slovak resources are being utilized to prepare for and accelerate energy transition.

This meeting brought a higher knowledge of Slovak project partners about solutions and initiatives implemented in individual countries. Conditions have been created for potential partnerships and the use of knowledge that the projects have already generated. Certain topics and tools were also identified, the use of which should be considered for future cooperation.

The planned reflection of the recommendations:

- Slovak partnership team will organize, on the basis of current events, specialized Slovak Partnership Days. Their goal should be in a specific area, for example energy efficiency, to communicate the solutions used in the framework of Slovak support so that the experiences of individual implementers are transferable and usable by more implementers (UNDP CO and their beneficiaries);
- Taking into account the existence of knowledge build by the project in one country, the project team will proactively look for potential partners in another country and will enable to familiarize themselves with implemented support (e.g., by participating in study visits, or support their direct exchange of knowledge). This could eventually ensure the transferability of knowledge from one country to another. The advantage of the project is that it is implemented in region with the same historical experience and therefore similar systems. Likewise, mutual interest in the transferability of experience can also be positively influenced by the fact that all project partner countries are currently EU candidate countries and must deal with the same tasks in the near future.
- The focus on green and just transition is fully implemented in RMF and the potential of its implementation to the PFM need to be reviewed in terms of existing knowledge, interest of beneficiaries and capacities. This could be reflected in new project, as the plans until the end of project period are already set.

In 2022, UNDP commissioned the mid-term **evaluation** of the project. Upon receipt of the draft report and having seen that the lack of field-based assessments impact the quality of the report, IRH Senior management recommended field visits to the IRH and selected countries for data verification. The mission for data verification was conducted and the final Evaluation report is expected by mid-June 2023.

KEY CHALLENGES, LESSONS LEARNED AND RECOMMENDATIONS

In general, 2022 was an extremely challenging year. No country has yet fully recovered from the Covid 19 pandemic, and the beginning of the year brought other global challenges such as the war in Ukraine and following energy crisis. Transfer of public resources were often re-directed to solve acute problems. However, this year brought, not only negative challenges, but also certain positive decisions, including the decision of the EU to grant a number of countries candidate status (Bosnia and Herzegovina, Moldova). Now, all PPF project partnering countries gained EU candidacy status.

The energy crisis caused a higher interest in renewable energy sources and *vice versa* greater SDGs reflection. Mentioned developments were also practically reflected at the project level, for example the support of a new project aimed at building the resilience of society in Moldova or increased interest in investments in energy efficiency, including green energy through RMF projects.

In 2022, the project underwent (not yet completed) the mid-term evaluation, which brought several preliminary findings and recommendations. The final report of the mid-term evaluation is not available yet so the final evaluation results will be presented later, in the next annual report. Some preliminary findings of the evaluation have already been taken into account in the current phase of project implementation, the other relevant will be integrated in the next phase of the project.

Number of lessons learnt were identified:

- Proactive involvement of partner institutions in the design of PPF sub-projects ensures that most interventions address specific needs. This approach should be followed further to be able to gain applicable results and ownership of the project results beneficiaries.
- Although PPF is a project that is financially smaller compared to the many projects implemented by UNDP, it is nevertheless significantly influential. Therefore, uncovering the right niche, where Slovak expertise and support could be applied and its proper setting into the broader framework of the country and the CO portfolio, helps to position Slovakia as strong Donor in certain areas.
- The flexibility of the project should be maintained so that it can promptly respond to changes in the environment and current requirements of partners. This added value is also communicated by national stakeholders and project beneficiaries within the project evaluation.
- The active triangulated dialogue between IRH – COs – and Donor that is a significant source of expertise, should be maintained. Especially the dialogue on technical aspects helps the beneficiaries to better shape their expectations for TA and capacity building.
- The need for better project results-based monitoring and reporting should become an integral and necessary part of the projects management. Project management will have to bring its attention also to project data management.

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 2022 occurred only in small extent and did not impact the Project implementation. In 2022 all the risks will be closely monitored as per the monitoring plan.

PARTNERSHIPS, SUSTAINABILITY, COMMUNICATION AND KNOWLEDGE PRODUCTS

The most important **partners** for the project are Ministries of Finance (MF Bosnia and Herzegovina, MF of Montenegro, MF of North Macedonia, MF of Moldova; line ministries in Moldova, in 2022 Ministry of Health care where the spending reviews were conducted; Ministry of Labor and Social Protection of Republic of Moldova, State Audit Office and Public Revenue Office in North Macedonia, direct partners of the project are 17 municipalities in Serbia where the mid-term planning and budgeting was introduced and indirect beneficiaries of the Project are the municipalities of North Macedonia.

The implementation partner of the Project 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. Consultations for potential RMF support 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.

All mentioned partners are actively involved in the planning, implementation, monitoring, and evaluation of the projects. UNDP COs are responsible for communication with public entities, project beneficiaries to ensure the relevant use of funds and setting up 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](#). Web site provides the information and news on project's public finance as well as private sector components. Project also communicates through social media, [Facebook](#) and [LinkedIn](#).

For the UNDP internal communication, the project is communicated under the Slovak partnership on UNDP intranet site [Partnership with the Slovak Republic \(sharepoint.com\)](#)

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

Donor	Leftover from previous project phase (2017-2019)	Contribution (2020)	Contribution (2021)	Contribution (2022)	Total Project Resources (2020-2023)
MFSR	1,455,286.77	1,500,000.00	3,000,000.00	1,452,423	7,407,709.77

Table 2: Overview of allocation and utilization per Output¹

Output	Budget 2022 USD (December 2022)	Budget Utilization USD
Output 1 - Public Finance for Development	1,456,145.00	1,320,009.30
Output 2 - Private Sector for Development Cooperation	467,998.00	455,786.78
Output 3 - Development Capacity Building	\$66,600.00	57,384.96
Total	1,990,743.00	1,833,181.04

In March 2022 the Project Board approved Annual Working Plan and budget in the amount of USD 3,325,359. 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 in October 2022 to USD 2,244,203 and later in December 2022 the budget was adjusted to USD 1,990,743 for year 2022.

The actual 2022 budget spending is USD 1,833,181.04. It is expected that activities not yet performed will be delivered in 2023 at the latest.

The most significant delivery delay was recorded under the Output 2 – Resource Mobilization Facility. The reasons were mainly:

- Procurement of two projects (Solar Atlas and LoRaWan) needed to be moved to the beginning of 2023 due to a better specification of the procurement conditions negotiated with the beneficiaries;
- After an informal agreement with the Donor, the sum of USD 250,000 was booked for some project in Ukraine. Due to the situation in the country, the negotiations with UNDP Ukraine are considerably complicated, both in terms of time and technicalities. The project aimed on Guarantees of Origins was shaped, however the CO had to step back and did not use the possibility of supporting this project due to the situation and the necessity to focus on other priorities and larger projects. Possible cooperation is still being sought in Ukraine;
- In Fall 2022 the preparation of new projects in total approx.. amount of USD 250,000 started. However the projects were fully approved in early 2023, not in 2022.

¹⁴ 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)

Another, minor, differences in delivery concerned primarily non-full use of the budget:

- Output 1 – needs assessment, M&E, coordination and support to public finance management capacities development in partners countries. The first budget line should cover the activities above the same activities of the project management team. In 2022, these costs did not arise in such and extend that the planned budget would be used. In this project phase (the last year of PPF implementation) the support to PFM budget line is intended for additional activities of already ongoing projects, which prove to be very important for achieving better results. Funds from this item will be used to finance those projects cost-extensions already submitted for approval.
- Output 3 - Development Capacity Building. In the framework of the MFSR Capacity Building budget line, there is overall lower delivery than was set in the project document. Despite the fact that the capacities of the beneficiaries of this activity are limited and the needs are covered by the implemented activities, the set output goals can be achieved. Therefore, in 2023, project management will propose the transfer of unused resources to other activities.

Total Project budget for 2020-2023 is USD 7,404,080.44 (this number represents USD 5,952,423 approved for this project cycle plus leftover from previous (2017-2019) project cycle). Actual total project spending for the period 2020-2023 is USD 4,108,696.67 (55,5 % budget utilization).

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

Output 1	Indicators	Baseline	Annual Target	Progress
Public Finance for Development. Budget (December 2022 revision): USD 1,456,145.00 2022 Expenditures: USD 1,320,009.30	1.1 Number of country specific initiatives launched	23	1	4
	1.2 Number of policies / laws / recommendations / analyses related to public finance on national and/or local level developed for partners organizations	40	8	34
	1.3. % increase in knowledge and understanding of specific public finance issues by the public officials	0	< 50%	74%
Planned activities	Results			
Activity 1.1 Needs assessments, planning, coordination, monitoring	<p>Based on ongoing needs assessments for initiatives were either enlarged or newly added:</p> <ol style="list-style-type: none"> 1. New: Support in Strengthening of Finance Services and Payment Transactions in Montenegro with the PFD project in Montenegro 2. Strengthening the capacities of the Ministry of finance in detecting and monitoring cash flow within the PFD project in North Macedonia. 3. Extension of existing PFD project in Serbia to five new municipalities, in which local development plans will be elaborated and support to five local authorities, which share competence over the Golija mountain region in piloting a coordination mechanism for micro-regional development planning and a methodology for designing micro-regional development plans 4. New project: Support the Development of Resilience Policy Framework in the Republic of Moldova 			
Activity 1.2 Support to public finance management capacities development in partner countries	<p>A number of new tools improving public finance management and planning were introduced. Their resulted to changes of PFM systems, improved budgeting with focus of effectiveness and transparency in Montenegro and North Macedonia (including spending review, controlling, auditing, accounting, etc.), developed and tested new local taxation system in North Macedonia, improved governance and planning on local level (Serbia)</p> <p>Within this activity were developed number of documents. Full list is in Annex V</p>			
Activity 1.3 PFD Assessment	Not implemented			

Output 2	Indicators	Baseline	Annual Target	Progress
Increased private sector engagement on development projects Budget (December 2022 revision): USD 467,998.00 2022 Expenditure: USD 455,786.78	2.1 Number of Slovak companies participating on IFIs and/or IGOs tenders (incl. those in consortia).	11	2	0
	2.2 Number of solutions developed through RMF funding	40	4	12
	2.3 Number of projects where Slovak expertise has been applied	9	3	1
Planned activities	Results			
2.1 Rozvojmajstri	n/a			
2.2 Resource Mobilization Facility	New solutions prepared and some already implemented in energy efficiency and green economy, digitalization and waste management on partner countries. Full list of solutions developed by the 13 ongoing projects are in Annex VI.			
2.3 Private sector Assessment	Not implemented in 2022			

Output 3	Indicators	Baseline	Annual target	Progress
Strengthen capacities of development professionals Budget (December 2022 revision): USD 66,600.00 2022 Expenditure: USD 57,384.96 (including mid-term evaluation costs)	3.1 Number of relevant capacity building plans / and participation of MFSR staff on development events and trainings	19 plans/41 activities	3/9	1/6
	3.2 Number of presentations of MFSR and project staff at national, regional and global fora's	8	3	5
	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	19	1	1
Planned activities	Results			
3.1 MFSR Capacity building	MFSR position as an active member of ODA professional community strengthen, especially within PEFA, lern4dev. Capacities for further transfer of Slovak technical expertise amended (FIN4DEV).			
3.2 Capacity building events	The better exchange of information, knowledge and understanding of other initiatives between all UNDP CO which implements projects under PPF was ensured thanks to organized Slovak Partnership Days			
3.3 Project Assessment	The PPF mid-term evaluation began. The first draft of the Evaluation Report developed. However, the final Report is expected in Spring 2023.			

Annex II: Updated Risk Log

Description	Date Identified	Type	Impact & Probability	Counter-measures / Mngt response	Owner	Last Update	Status
War influence on region	March 2022	Political Operational	The risk could significantly impact the priorities of the Project partner Governments and cause the delays of the planned activities or even deviation from some planned/launched activities Likelihood = 5 / Impact = 3 Risk level: Substantial	Increased monitoring of the situation in each country, especially in Moldova, and a quick response to the possible adaptation of the project to the given situation and the request of the partners	Project manager, UNDP COs, Project Board	31 December 2022	Risk is still ongoing, even slightly reduced toward the end of the year
Political changes in the country (primarily elections) will affect the course of the project	1 January 2020	Political	Even though the political changes connected to early elections or repeated changes of the governments 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	31 December 2022	Reducing Some risks occurred, but till the end of 2021 were solved. However still expecting in 2023 due to upcoming elections in Montenegro
Lack of capacities for the implementation of the reforms	1 July 2022	Operational Political	Most of the partner countries are already introducing the public administration and public finance reforms, also in line with their EU accession process, however number of partner institutions are facing the problem of lack of experts (especially analytical) capacities. (e.g. Moldova) Likelihood = 3 / Impact = 4 Risk level: Moderate	Involve beneficiaries into project activities designing, get beneficiaries official commitment of the project implementation plan	Project manager, UNDP COs	31 December 2022	Moderate (Some political changes and instabilities slightly influenced the project implementation, mainly in Montenegro and North Macedonia)
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 or not available in certain period	Existing networks engaging with Slovak companies will be	Project manager, UNDP COs	31 December 2022	Moderate (Project did not face this risk in 2022, however it

			<p>Likelihood: 2 / Impact: 4</p> <p>Risk Level: Moderate</p>	fully used to mitigate this risk			remains on a level of moderate rather than low)
Limited interest from Slovak private companies to participate in the project; limited outreach to companies in beneficiary countries	1 January 2020	Strategic Operational	<p>Lack of interest and expertise reduces participation of Slovak private sector in development cooperation</p> <p>Likelihood: 2 / Impact: 3</p> <p>Risk level: Moderate</p>	Existing networks engaging with Slovak companies will be fully used to mitigate this risk	Project manager, UNDP COs	31 December 2022	<p>High</p> <p>The risk of low final interest still persist</p>
A limited number of relevant CO projects submitted for financing from the RMF	1 January 2021	Strategic Operational	<p>Number of the projects that meet the minimum criteria for potential financing of the follow up investment are limited.</p> <p>Likelihood: 3 / Impact: 3</p>	Support the UNDP COs with the definition of the proper projects, support them with searching the financing			

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

OUTPUT	PLANNED ACTIVITIES	Expenses/Budget by Year					Responsible Party	Funding Source
		2020 (Expenses)	2021 (Expenses)	2022 (Expenses)	2023 Budget (revised 15 Mar-23)	Total		
Output 1 - Public Finance for Development	1.1 Needs assessments, planning, coordination, monitoring	1,312.86	0	9,071.16	25,004.56	35,388.58	IRH	MFSR
								MFSR
	1.2 Support to public finance management capacities development in partners countries	234,153.67	26,110.46	0.00	87,284.05	347,548.18	IRH	MFSR
	1.2.1 Moldova - PFM support	19,135.72	37,488.63	140,967.35	152,582.18	350,173.88		
	1.2.1.1 Moldova - Resilience support		0.00	94,998.35	105,001.65	200,000.00	MLD CO	MFSR
	1.2.2 Montenegro - PFM support	30,925.36	222,948.03	193,582.13	275,834.87	723,290.39	MNE CO	MFSR
	1.2.4 Serbia - PFM support	12,457.55	179,035.00	118,642.65	189,235.20	499,370.40	SRB CO	MFSR
	1.2.5 North Macedonia - PFM support	45,737.43	294,689.40	271,923.79	182,571.38	794,922.00	MKD CO	MFSR
	1.2.6 Bosna and Herzegovina - PFM support	5.52	11,768.15	249,697.56	338,528.77	600,000.00	BIH CO	MFSR
	1.4 PFD Assessment	0.00	0.00	0.00	0.00	0.00	IRH	MFSR
	Sub -Total for PFD	343,728.11	772,039.67	1,078,882.99	1,356,042.66	3,550,693.43		
Communication and Visibility	Communication consultant	8,937.85	13,708.00	18,246.55	38,045.45	78,937.85	IRH	MFSR
	Visibility, support web, translation, proofreading	4,282.27	4,972.21	3,558.73	27,693.27	40,506.48	IRH	MFSR
		Sub -Total for Visibility	13,220.12	18,680.21	21,805.28	65,738.72	119,444.33	
Project Management	Project Manager	105,067.32	211,434.00	200,887.58	90,000.00	607,388.90	IRH	MFSR
	Project Associates				50,000.00	50,000.00	IRH	MFSR
	Rozvojmajstri Coordinator				80,000.00	80,000.00	IRH	MFSR
	Travel				19,112.42	19,112.42	IRH	MFSR
	Operational expenses	12,769.63	25,248.49	18,433.45	91,732.28	148,183.85	IRH	MFSR
		Sub -Total for Project Management	117,836.95	236,682.49	219,321.03	330,844.70	904,685.17	
	Sub -Total for Output 1	474,785.18	1,027,402.37	1,320,009.30	1,752,626.08	4,574,822.93		
	2.1 Rozvojmajstri	13,583.32	15,879.32	14,742.35	25,008.47	69,213.46	IRH	MFSR
	2.2 Resource Mobilization Facility	549,930.81	14,807.46	0.00	198,068.89	762,807.16	IRH	MFSR

Output 2 - Privat Sector for Development Cooperation	2.2.1 Bosna i Hercegovina		48,533.88	126,956.35	432,515.98	608,006.21	IRH/BiH CO	MFSR
	2.2.2 Montenegro		11,561.98	91,741.86	185,138.23	288,442.07	IRH/MNE CO	MFSR
	2.2.4 Serbia		0.00	69,844.43	314,855.57	384,700.00	IRH/SRB CO	MFSR
	2.2.5 North Macedonia		85,992.00	152,501.79	154,868.90	393,362.69	IRH/MKD CO	MFSR
	2.2.6 Moldova	0.00	0.00	0.00	83,779.00	83,779.00	IRH/MLD CO	MFSR
	2.4 Private sector Assessment	0.00	0.00	0.00	20,000.00	20,000.00	IRH	MFSR
	Sub -Total for Output 2	563,514.13	176,774.64	455,786.78	1,414,235.04	2,610,310.59		
Output 3 - Development Capacity Building	3.1 MFSR Capacity building	14,238.45	17,290.24	6,949.49	72,360.51	110,838.69	IRH	MFSR
	3.2 Capacity building events	1,510.62	0.00	32,307.56	32,692.44	66,510.62	IRH	MFSR
	3.3 Project Assessment	0.00	0.00	18,127.91	23,472.09	41,600.00	IRH	MFSR
	Sub -Total for Output 3	15,749.07	17,290.24	57,384.96	128,525.04	218,949.31		
TOTAL		1,054,048.38	1,221,467.25	1,833,181.04	3,295,386.16	7,404,082.83		

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 1,455,286.77. Thus, the **total available** funds for the project for the period 2020-2023 are **USD 7,407,709.77** (5,981,947 - 29,524 +1,455,286.77).

ANNEX IV: Overview of PFD ongoing projects in 2022

Country	Project title	Project intervention areas
BOSNIA AND HERZEGOVINA	Advancing Public Finance Management in Bosnia and Herzegovina	<ol style="list-style-type: none"> 1. Development Finance Assessment for SDG 2. Linking financing with development results 3. Internal controls and value for money approach in local governments in Bosnia and Herzegovina
MOLDOVA	Strengthening capacities and systems for effective Public Finance Management in the Republic of Moldova	<ol style="list-style-type: none"> 1. Assessment of financial flows and budgetary spending (<i>budget spending reviews and DFA and Roadmap for implementation of the Integrated National Financing Framework (INFF)</i>) 2. Strengthening budgetary process (<i>training programs on financing and budgeting tools</i>)
	Support to the development of resilience policy framework in the Republic of Moldova	<ol style="list-style-type: none"> 1. Support the Office of the President with the development of the long-term Resilience Plan for Moldova 2. Support the Government with the development and implementation of the short-term socio-economic recovery/resilience, with particular focus on energy and food poverties 3. Support the Government in addressing energy poverty and building energy resilience at the level of vulnerable households in Moldova
MONTENEGRO	Strengthening Transparent and Accountable Public Finance Management in Montenegro	<ol style="list-style-type: none"> 1. Supporting the Reform of Public Finance Management and 2. Strengthening Capacities for Public Revenues Increase (gambling) 3. Reinforcing Public Finance at Local Level (incl. Montenegro Economic Reform Programme) 4. Support in Financial Programming, Macroeconomic Analyses and Projections 5. Support in Strengthening of Finance Services and Payment Transactions in Montenegro (<i>added by the project revision approved by PB 6 March 2022</i>)
NORTH MACEDONIA	Support to Public Finance Management Reform in the Republic of North Macedonia	<ol style="list-style-type: none"> 1. Reducing the informal economy and fight against tax evasion and tax fraud 2. Strengthening the fiscal autonomy and revenue mobilization capacities of the local self-government units (fiscal decentralization) 3. Strengthening fiscal efficiency and discipline in providing public goods and services
SERBIA	Support for Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia	<ol style="list-style-type: none"> 1. Organizational development and optimalization of the LSGs and local development planning 2. Medium-term economic planning and resource mobilization for sustainable development

ANNEX V: Output 1 - Enhanced public finance management practices in partner countries 2022 indicators

Indicator 1.1 Number of country specific initiatives launched (4)

1. MNE (approved by PB 8 March 2022) – new intervention area added: Support in Strengthening of Finance Services and Payment Transactions in Montenegro
2. North Macedonia (approved by PB 8 March 2022) – new intervention area added: Strengthening the capacities of the Ministry of finance in detecting and monitoring cash flow.
3. Serbia (approved by PB 16 June 2022) – extension of the project **Support for Improving Governance and Economic Planning at the Local Level for Accelerating the Implementation of SDGs in the Republic of Serbia**. The submitted project proposal expands the number of recipients of aid from the project for the preparation of municipal development plans by 5 municipalities. The project has also expanded to include support five local authorities, which share competence over the Golija mountain region in piloting a coordination mechanism for micro-regional development planning and a methodology for designing micro-regional development plans.
4. Moldova (approved by PB 16 June 2022) - New project: **Support the Development of Resilience Policy Framework in the Republic of Moldova**

Indicator 1.2 Number of policies / laws / recommendations / analyses related to public finance on national and/or local level developed for partners organizations (34)

Bosnia and Herzegovina:

1. 13 SDG-based public expenditure reviews (state level, 2 entities, Brcko District BIH, 9 cantons) – even though in total 13 reviews were conducted, the value 1 was used for this indicator, since all reviews use the same methodology
2. Overview of the legal and regulatory environment for internal controls in Bosnia and Herzegovina
3. Report on the results of the survey on internal controls in 15 partner LGs and two Cantons in Bosnia and Herzegovina with list of the recommendations and action plan for the implementation of recommendations
4. Manual *Practical Application of the System of Internal Financial Controls*

Moldova

5. Spending Review methodology
6. Development Finance Assessment (DFA) report
7. Integrated National Financing Framework (INFF) roadmap
8. Fiscal Impact Assessment of the Reorganization of Financial Inspection package of docs (Government decision, regulation, informative note, impact assessment, organigramme)
9. [Report on energy poverty for Moldova](#); an updated version of the report will be developed in 2023, to include lessons learned from the implementation of the Energy Vulnerability Fund
10. Moldova [Potential impacts of increased food and energy prices on poverty and vulnerability](#) ;
11. [Law 241 on the energy vulnerability](#)
12. [Government decisions for the operationalization of the Law 241 \(related to the attribution of the vulnerability categories for local households and related to the development and implementation of the information system for the Energy Vulnerability Reduction Fund\)](#)

Montenegro

13. Montenegro Economic Reform Programme 2022-2024
14. Manual on Capital Budget of Local Governments in Montenegro

North Macedonia

15. Analysis for Improvement of Methodological Tools applied by State Audit Office in Auditing Financial Statements Prepared on Accrual Basis
16. Guidance note on transfer pricing audit
17. Internal Risk Assessment and Risk Management Guidance
18. The key reasons for existence of the informal economy in Republic of North Macedonia and indicators for calculating and monitoring of informal economy
19. Guidance Notes on the Implementation of the Country-by-Country Reporting within the Republic of North Macedonia
20. Guidance on the Practical Implementation of the Common Reporting Standards
21. Amendment for changes of the Profit Tax law and Tax balance
22. Analysis for improving the methodological tools for audit of financial reports from local self-governments
23. Analysis for Introducing Accrual Accounting in the Republic of North Macedonia

Serbia

24. Manual for Developing the Medium-Term Plan of the Local Self Government
25. Municipal development plan Nova Varos 2022 – 2028
26. Municipal development plan Tutin 2022 – 2028
27. Municipal development plan Bac 2022 – 2028
28. Municipal development plan Prokuplje 2022 – 2028
29. Municipal development plan Blace 2022 – 2028
30. Municipal Mid-term development plan Sjenica 2022 – 2024
31. Municipal Mid-term development plan Kursumlija 2020 – 2027
32. Municipal Mid-term development plan Backi Petrovac 2022 – 2024
33. Municipal Mid-term development plan Mali Zvonik 2022 – 2024
34. Municipal Mid-term development plan Petrovac na Mlavi 2022 - 2024

Indicator 1.3. % increase in knowledge and understanding of specific public finance issues by the public officials

This indicator is evaluated directly by implementers of concrete activities. The PPF project team designed a set of two questionnaires to be delivered to beneficiaries of project interventions as inspiration. First is capturing the Evaluation of Trainings and Workshops looking at Demographics, Knowledge Transfer and Skills Improvement, Feedback and Evaluation (including narrative evaluation) and work-life balance to uncover gender aspects of the event. The second one is the Guidelines and template for evaluation in focus groups.

The summary indicator is based on a qualitative recalculation and estimation of indicators provided by UNDP COs.

BIH: Training of trainers on financial controls and value for money for 34 (30 F/4 M); over 75% of participants evaluated the training as extremely useful and interesting.

Moldova: Based on questionnaires:

- satisfaction 95%
- Increase of knowledge and skills: 60%

North Macedonia: ranges between 65-75% and above – average quantitative estimation: 70%. The evaluation was prepared for each training.

ANNEX VI - Output 2 - Increased private sector engagement on development projects 2022 indicators

Indicator 2.2 - Number of solutions developed through RMF funding (13)

Bosnia and Herzegovina - Development of the design documents for construction of the “Peace Bridge” on Bosna River in Maglaj (1)

- Feasibility study of construction of a bridge across the river Bosnia in Bradici, Fojnica and Krsno

Bosnia and Herzegovina - Clean Energy Transition through Utilization of Solar Energy Potential in Bosnia and Herzegovina (3)

- Guidelines for optimal solar project design and implementation
- Situational analysis of solar investment environment in Bosnia and Herzegovina
- Guidebook for investing into solar energy in Bosnia and Herzegovina,

Montenegro - A Just Transition Roadmap for Montenegro – reaching national consensus on coal phase-out pathway (1)

- Diagnostic of Socio-Economic situation of coal region Pljevlja

North Macedonia – Project: Waste into Food (Organic waste in green economy) (3)

- Feasibility study on sustainability through organic waste reduction
- Models for Public-Private partnership for organic waste management in Gradsko, Lozovo and Rosoman
- Sustainable action plan for waste collection and processing for Gradsko micro-region

North Macedonia – Project: Development of a Feasibility Study for improvement of irrigation and drainage system in Bregalnica River Basin (1)

- Feasibility study for the modernization of the irrigation systems within the Bregalnica River Basin

North Macedonia - Macedonian Model of E-municipality (2)

- Methodology for Digital Transformation of Municipalities
- e-Readiness Assessment of Macedonian municipalities

Serbia - Energy Efficiency Renovation of Central Government Building (1)

- Geological methods and extraction of petrogeothermal resources and natural SIV III" in Novy Beograd;

Indicator 2.3 - Number of projects where Slovak expertise has been applied

North Macedonia – Project: Waste into Food (Organic waste in green economy) (1)

- EIB Consult – Ms. Elena Bodikova

Annex VI – Output III - Strengthen capacities of development professionals 2022 indicator

Indicator 3.1 Number of MFSR staff participation on development events and trainings

Event	Place	Dates	Participant
PEFA Steering Committee Meeting	Luxembourg, Luxembourg	19-22 June 2022	Tatiana Žilková
CSEE IFI Investment Promotion and Business Opportunities Conference	Belgrade, Serbia	14 September 2022	Tatiana Žilková
Learn4dev Annual Meeting	Paris, France	16 - 18 November 2022	Marianna Macášková
Slovak Partnership Days	Istanbul, Turkey	18 - 21 October 2022	Tatiana Žilková, Soňa Gabčová, Marianna Macášková
Micro-trainings	Place	Dates	Participant
Excel II. advance training	Bratislava, Slovakia	11 November 2022	Erika Madajová, Tatiana Žilková, Soňa Gabčová, Lineta Uhrinová, Marianna Macášková, Zuzana Špinderová, Marek Ročkář, Pavol Meluš, Barbora Piskaiová, Dominika Horňáková
Training on critical thinking "Pasce mysle"	Bratislava, Slovakia	30 November 2022	Lineta Uhrinová, Erika Madajová, Soňa Gabčová, Tatiana Žilková, Marianna Macášková, Janka Loreková, Barbora Piskaiová, Dominika Horňáková, Pavol Meluš

Indicator 3.2 Number of presentations of MFSR and project staff at national, regional and global fora's

Date	Event	Type of contribution	Presenters
April 2022	OECD webinar on innovative finance	Innovative finance tools for development – What MFSR supports and what impact the support brought	Tatiana Žilková
June 2022	PEFA Steering Committee in Luxembourg	Input during the strategical discussion on PEFA as a knowledge hub	Tatiana Žilková
October 2022	Capacity Building of the Slovak diplomats on the topics Development cooperation of the Slovak Ministry of Finance and the international financial institutions	Lectures / presentations Each participant gave lecture	Tatiana Žilková Soňa Gabčová Dominika Horňáková Marianna Macášková
November 2022	PEFA global webinar on “Can Public Investment Policies integrate Climate Change and Livelihood? Insights from South Asia”	Opening remarks – Slovak position in PEFA, strategic views on PEFA development	Marianna Macášková

November 2022	Learn4dev Annual meeting Promoting Gender Transformative Learning Environments: Where do we stand? What can be done? in Paris	Contribution during the workshop based on the scenario -How to handle resistance to applying inclusive approach in the capacity building project / resistance at the political level	Marianna Macášková
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Annex VIII: List of the projects selected for support from RMF in 2022

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.