1. **Basic Information**

1.1 **Desirée Number:** SK0003.01
1.2 **Title:** Support to new Budget Procedure/State Treasury Implementation
1.3 **Sector:** Economic criteria
1.4 **Location:** Slovak Republic

2. **Objectives**

2.1 **Wider Objective**

State Treasury system supports fiscal surveillance procedures
Macroeconomic stability strengthened

2.2 **Immediate Objective**

The Public Finances supported by the State Treasury rely on efficient financial management instruments

2.3 **Accession Partnership and NPAA priority**

Accession Partnership – medium-term priorities – Economic criteria

“Establish an annual fiscal surveillance procedure aimed at bringing the reporting, monitoring and control of public finances, specifically fiscal positions, in line with EU procedures”

2000 NPAA – Chapter 3.9 - Financial matters
The Ministry of Finance has prepared a “Strategy of the building of State Treasury system up to the year 2002” which is expected to be approved by Government by June 2000. This strategy envisages to introduce stepwise a modern Treasury function with cash and debt management practices to contain public deficit and therefore improve the instruments for the budget process and specially for budget execution. The sequencing of measures will allow to build the central capacities in the Ministry of Finance (MoF) for centralised cash and debt management.

3. **Description**

3.1 **Background and justification**

The Slovak Republic, in its transition process to a market based economy is currently engaged in an extensive reform process to redefine the overall financial management of the State financial resources and its expenditure management practices, specially cash/liquidity and debt management. Projects of assistance so far have reached a high level of maturity requiring heavy investment and implementation support following a
On the basis of an “Strategy of the building of State Treasury system up to the year 2002” which was approved by the Government on 14th June 2000, it will be possible to introduce stepwise a modern Treasury function with cash and debt management practices to contain public deficit and therefore improve the instruments for the budget process and specially for budget execution. The sequencing of measures will allow to build the central capacities in the Ministry of Finance (MoF) for centralised cash and debt management. It is evident that these functions require strong financial planning and forecast capacities to be effective. Needless to say that in modern financial management, accounting and reporting practices are in the centre of computerised operations. The project approach therefore has to be sufficiently broad to be effective and aim at a normalised/standardised/budget execution procedure. Only through increased accounting and reporting instruments of the treasury will it be possible to realise savings and a reprioritisation of expenditures in course of budget execution. Higher levels of revenue collection can be achieved more easily in the same time. As IT support can partly be based on existing networks, the support for equipment/co-financing can be kept at reasonable levels at this stage.

The sequencing of measures of the Slovak State Treasury Project follows 18 months and three years perspective. During the first phase of 18 months/mid 2000 to end of 2001, the institutional mechanisms and procedures for financial management on the aggregated level will have to be realised /Central Treasury and Treasury Agency, financial management reporting, Treasury Single Account and reformed payment system, financial planning and forecast capacities related to proper cash and debt management. In the three years period/mid 2000 to mid 2003 the financial management instruments will have to fully integrate financial and budget institutions/spending units on the decentralised level. The decentralised level will participate in the financial planning process fully, be it for revenue or for expenditure management. The concept foresees treasury for all State budget operations and will take into account future budget relations with the EU and more specially for EU pre-accession financial instruments and structural funds. The project success is therefore essential, seen from an instrumental side to cope with national and European requirements in a rational way.
Financial ex-ante control within the treasury process will allow to support fiscal policy targets and this control intervenes at the stages of commitment for given appropriation and allocations/before the State is engaged in uncontrollable expenditure dynamics and than later at the payment stage to verify that payments are based on approved expenditure levels and purposes in line with cost efficiency.

Activities described in this Project Fiche are only a part of the entire Slovak State Treasury Project. Their timing is described in Section 7, 12 and in Annex 1 and 3.

3.2 Linked activities

Through the 1997 National Programme, Phare financed some T.A. to the DataCentrum, which was then considered to be the basis for managing the reform of State Treasury; its main objectives were to review the DataCentrum situation and to assess its capacity to cope with its responsibilities and to implement the new information system. Phare also supported the financing for 1 year licence for 4 copies of SAS (Statistical Analytical System).

In the 1998, the outcome of the project “Data Models in the information system of MoF” was clear description of the actual treasury management system in MoF, development of high level data model of the system and recommendations for future developments.

In the 1999 in the project Development of the Business rules for the IS of the State Treasury prepared the basis for software development and applications of the future information system including necessary input to complete the work on data models, established the necessary co-operations between the expert for implementation of the new State Treasury and designed the basic operations for the Treasury Management System Architecture.

Project Strategy and Legal Support (Part I) designed the overall strategy, described a full set of regulations, created a conceptual model for the pilot sites.

At the base of the request of the Minister of Finance SR was elaborated Concept of Modification of State Treasury. This document described further proceedings, which were identified with a definition of financial means, human resources requirements and an outline of the structures needed for the management of the State Treasury Project.

The above mentioned projects are followed by projects in the year 2000. These projects concentrate on defining the legal framework (Legal support to the ST), strategy framework (Strategy support to the ST) functional structure of the system from defining the main functions to their decomposition into supplementary functions (Pilot Phase) and on linked project (IT Specification) that defines functional, organisational and informational architecture of the system and proposes of formalisation of inputs and outputs.

In parallel with these projects, the Ministry of Finance developed a “Strategy of the building of State Treasury system up to the year 2002”.

Twining project France/Finland No. SR 98/IB/FI/02 is defined in relation to financial control, the nature, procedures and tasks of ex-ante and ex-post financial control. Expected results according to the sub-components are: analysis report, definition of competencies of the financial controller, draft legislation, regulation amendment,
recommendations about structural funds regulation and control, analysis of state debt management and associated control procedures and training of MoF employees.

The Steering Committee will guarantee that there are no overlaps between Twinning project France/Finland and project “Strategy of the building of State Treasury system up to the year 2002”.

3.3 Results

Impact of the project enables the MoF, Government and budgetary organisations to create of a new treasury and budget execution set up: organisation wise/function/ and task wise. Regarding modern financial management (largely IT based) decisive capacity building to comply with future EU financial requirements and reporting, management of flows of funds between the national and the EU level, including structural funds, instruments created for fiscal policy for convergence, surveillance procedures and cohesion objectives / EUR criteria, through the achievement of the following 2 results is expected:

Result 1 – Government expenditures better controlled.

Within this result it is expected to introduce financial planning system which directly contributes to the control of revenues and expenditures within the defined short- and long-term objectives of the fiscal policy. The fiscal surveillance procedures are to be introduced with the aim of optimising the management of public finance, notably to ensure funds in sufficient extent for operational covering of debts keeping the minimal borrowing cost requirements. For this purpose it is necessary to plan present and future financial requirements of the Government in the process of realisation of public budgets.

Result 2 – Reporting instruments support financial management and fiscal reporting.

Adequate financial management instruments and an up-to-date information system are to be made available for the Government. The information system should be able to deliver comprehensive information on public finance development in relation to Ministry of Finance itself and to the European Commission.

It is understood that the minimum linkages/level of necessary parallel progress of the following results can be realised in an integrated way, as they are all needed for the financial management effectiveness. As expressed earlier, the approach follows a top/down methodology to allow for a later integration of the decentralised level. The centralised set-up will be implemented during a first phase of 18 months and within a total period of 3 years financial and budget institutions shall comply with standardised planning and management procedures, accounting/reporting/cash management features. Training for trainers will be organized on central level. These trainers will further disseminate the knowledge during courses for state employees on the de-centralised level. The upgrading of existing IT networks and IT development is decisive for the introduction of a modern financial management culture.

3.4 Activities

**Result 1 – Government expenditures better controlled.** This result contains six activities for planning instruments reviewed, cash management, debt management,
monitoring instruments which support medium term priorities, expenditure management control which supports deficit targets and information system.

**Activity 1.1. Financial planning instruments reviewed and established**

Medium term financial planning is the concept of medium term financial plans, whose compilation is determined by factor and institutional arrangements. Technical assistance by expatriate experts for products and services provided for capacity building are as follows: set up and training for concept medium term financial framework and link with medium-term expenditure framework.

Annual financial plans and financial plans of a duration less than one year are financial plans on daily, weekly and monthly bases. Their compilation will be co-ordinated with the Slovak Central Bank. Technical assistance will be in the following areas: designing the annual financial planning, implementing annual financial plan in detail, implementing daily cash plans in line with monthly cash plans, liquidity planning, co-ordination instruments for cash-liquidity-debt management, cash-spending limits for spending units – methods, forecast instruments for cash flows.

The above activities will require (short-term) technical assistance support for a total of 14 man/months of EU expertise and 30 man/months of local expertise respectively.

**Activity 1.2. Effective state centralised cash management**

New money market instruments will be introduced for short-term borrowing and investment of funds. Methodology for transactions conclusion, settlement, accounting and control will be prepared. Principles for short-term investments and borrowing will be set (instruments, maturities, limits) and approved. Technical assistance will be in these areas:

- assistance in setting the principles for short-term borrowings and investments, creating the procedures for money market trading, settlement, accounting and control,
- training the staff for money market trading and settlement,
- front-office and back-office system for cash management and new procedures will be implemented,
- implementation of the front-office and back-office system,
- training of the staff for using the system.

The above activities will require (short-term) technical assistance support for a total of 7 man/months of EU expertise and 10 man/months of local experts.

**Activity 1.3. Information system introduced and established**

Hardware and software in the State Treasury project. Processing of data will be done in the database part, which will be composed by multiprocessor database servers, which will enable to use the symmetric multiprocessing architecture (SMP) and massive parallel processing architecture (MPP). In order to increase security, reliability and speed, they will be connected into a cluster to facilitate parallel running of applications. The possibility to increase the memory of the disks and to increase the
number of processors is considered. Database servers will be interconnected with disk span, optical and tape library, where the data will be stored.

The analytical database servers will use software on Datawarehouse and analytical software. Database servers will be connected to the local network and will have a direct connection with application servers.

The application part will be composed of multiprocessor application servers and a log in server. In order to increase security, reliability and speed of operations the application servers will be connected to a cluster.

The application will be run on the application servers and it will communicate with the database on the database servers. The work with application for the individual workplaces of the State Treasury through the network will be enabled by network communicator software. Login server will serve for verification of individual employees from ST workplaces.

The workplace will be equipped by a monitor and back-up servers with operational system of “UNIX” type. Installed monitor software will enable the central administration of users for all platforms, network management, management and monitoring of security, inventory control on data of hardware and software, monitoring of the database, monitoring and management of the operational system.

The back-up server will enable backup of all used platforms and back-up of the database. Back up software will support hierarchical storage management (HSM) for the disk span, optical and tape library and will enable to organise the method of filling of individual media as well as saving the individual data on various memory media by the various criteria (time, importance, fast access to data, etc.). Unauthorised access of unauthorised persons through LAN will be stopped by “Firewall”.

The Ministry has currently basic equipment, which is needed to be completed by other devices and relevant software. Basic specification are detailed in Annex 6.

Activity 1.4. Medium-Term Financial Framework

The role of medium-term financial framework is to ensure the medium-term sustainability of the General Government deficit and debt. Public revenues and spending and deficit targets, as defined in the medium-term financial framework needs to be in line with medium-term economic priorities. In addition, the medium-term financial framework needs to be consistent with the medium-term expenditure framework.

Total short-term assistance required: 9 man/months of EU expertise and 9 man/months of local expertise.

Activity 1.5. Debt management and monitoring instruments support medium-term priorities

To analyse the risks associated with Government borrowings and set the general borrowing principles. New financial market instruments will be introduced to enable the active debt management. Methodology for transactions conclusion, settlement, accounting and control will be prepared. The expertise required will focus on the following fields:

• assistance in risk analysis of the government debt and setting the borrowing principles,
• assistance in preparing the internal procedures for borrowings, risk management of government debt, issuance procedures including settlement, accounting and control,
• training the staff for borrowing procedures

The above activities will require (short-term) technical assistance support for a total of 7 man/months of EU expertise and 15 man/months of local expertise respectively.

Front-office, back-office and risk management system will be implemented by technical assistance:
• in implementation of the system
• training of the staff for using the system.

The above activities will require (short-term) technical assistance support for a total of 3 man/months of EU expertise and 4 man/months of local expertise respectively.

Conditions for debt management outsourcing will be prepared - legislation for the debt agency, statute of the agency, organisational structure, setting the relationships to the Ministry of Finance, financial market participants, National Bank of Slovakia, adjusting the internal procedures for cash and debt management. Technical assistance will be provided to assist the Slovak authorities in preparing the legislation for the debt agency.

T.A. support required: 2 man/months of EU short-term expertise and 6 man/months of local short-term expertise respectively.

Activity 1.6. Expenditure management control supports deficit targets

Expenditure management for spending units with control mechanism will be introduced. Technical assistance will be in these areas: monitoring of expenditure data and trends, monitoring system for local credits, implementation of the new financial control system at the base of outputs of the Twinning Project France/Finnland, training on the job of control mechanism, methods for supervision for local budgets, specific credit for local government. The technical assistance including the legislation will be carried out by various short-term experts (total of 20 man/months of EU expertise) and 25 man/months of local expertise. Within this activity, it is also envisaged the training of 180 employees, including 2 seminars.

Result 2 – Reporting instruments support financial management and fiscal reporting. This result contains three activities for financial management accounting and reporting, effective state payment system and management and co-ordination of the project.

Activity 2.1. Financial management accounting and reporting established

State level consolidated accounting through technical assistance support:
• development and implementation of state level accounting (setting the TGL, auxiliary ledgers, debt ledgers)
• definition of accounting operations at the state level (table of accounts, definition of accounting principles),
• methodology and organisation of accounting on the spending units level, interconnection between the state level and the spending units level.

The above activities will require (short-term) technical assistance support for a total of 8 man/months of EU expertise and 18 man/months of local expertise.

All spending units in Slovakia will migrate their operation to the new set-up. All respective end users need to be lectured and trained. Technical assistance will be provided in these areas:
• training the trainers and hotline staff for methodology and organisation, 4*2 day seminars + preparation,
• end user training – development of automated interactive training program, Web based software solution for methodology and project management supervision and software solution development and end-user personal training,
• definition and development of effective set of reports for various governmental and institutional levels,
• assistance in implementation of defined reports.

The above activities will require (short-term) technical support for a total of 6 man/months of EU expertise and 32 man/months of local expertise.

A new fixed assets management system will be introduced in order to provide efficient cost of fixed assets operation. The system will include record keeping, depreciation of fixed assets, maintenance and evaluation. Technical assistance in this area will focus on the following tasks:
• development and implementation of effective asset management procedures,
• development and implementation of depreciation methodology system,
• assistance in pilot operations of the new asset management system.

The above activities will require (short-term) EU technical support for a total of 2 man/months and 10 man/months of local expertise.

All fixed assets at all levels in Slovakia will be recorded in the new assets management system. All spending units in Slovakia will migrate their operation to the new set-up. All respective end users need to be trained. Technical assistance will be in these areas:
• Training the trainers and hotline staff for methodology and organisation, 2*2 day seminars preparation,
• End user training – development of automated interactive training program, Web based software solution for methodology and project management supervision and software solution development and for end user personal training.

The above activities will require (short-term) EU technical support for a total of 2 man/months and 21 man/months of local expertise.
Activity 2.2. Effective state payment system established

The following activities need to be carried out in order to prepare the implementation of the identified functions of the State Treasury in Slovakia. All activities are derived from the global goal definitions as well as based on the implementation milestones of the appropriate functions as listed in article “Function implementation milestones”.

In co-ordination with the expenditure management implementation, the payment system will be the essential part of the expenditure control system. The present self-service system of execution of payment orders of all spending units will be modified. All payment orders will be part of the expenditure management process – a multi-level communication between the spending unit and the State Treasury. The major benefit will be the introduction of expenditure management system consequently providing sufficient information for financial planning, cash and debt management.

Phare will finance technical assistance in the following areas: function design, responsibility levels, migration from the National Bank of Slovakia, control mechanism and organisational set-up. For the Treasury Single Account definition and functions, technical assistance support will be provided by EU and local expertise.

The above activities will require (short-term) EU technical support for a total of 6 man/months and 12 man/months of local expertise.

Activity 2.3. Management integration and co-ordination of the project

The „Project of the State Treasury Building of Slovak Republic“ is managed by the Director of State Treasury Project Section, which is directly subordinated to the Minister. The Director of State Treasury Project Section has under his authority executive directors of departments, which are managing individual subprojects and activities.

The continuous monitoring of the project will be ensured by an ad-hoc Steering Committee, under the chairmanship of the Minister of Finance. The Steering Committee will include the following members: the Director of the State Treasury Project Section, a representative of an International Financial Institution and/or EU Member States Ministry of Finance and other specialists from the MoF and Slovak National Bank. The Steering Committee shall evaluate the progress achieved (both in terms of timely implementation and quality of the outputs), decide corrective measures as appropriate and, if necessary, decide on its interruption.

Taking into account the complexity of the project, one EU long-term expert (18 man/months) will assist the Director of the State Treasury Project Section in ensuring the effective and efficient overall project management, complemented by a local long-term expert (same duration).

4. Institutional Framework

The Ministry of Finance will be the recipient institution. The following ministerial department will play a key role in the implementation of the project: Section of the State Treasury Project, DG Budget, DG Control, DG Annual Accounts,
Debt and Accounting and also revenue collecting entities (tax, customs) and others. These activities are within framework of public administration linked with: National Bank & banking sector, as well as with spending units, Government and Parliament.

The most important expected institutional changes are: deregulation of the Slovak National Bank (retail banking), centralised cash and debt management, new debt agency, new asset management, new supervisory functions within financial management and financial planning requirements, new control mechanisms. These changes will affect the institutional framework and the division of current and new tasks among public entities.

This project will be implemented in accordance with the “Strategy of the building of State Treasury system up to the year 2002”.

5. **Detailed Budget**

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<th>Phare support</th>
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(*) The Slovak Government, (in particular the Ministry of Finance) will ensure the necessary co-financing: for the IB activities through provision of office premises, equipment, adequate personnel, etc.

6. **Implementation Arrangements**

6.1 **Implementing Agency**

CFCU  
Mr. Milan Michalicka, Director  
Mlynské Nivy 61, 821 09 Bratislava, Slovak Republic  
Tel.: 00421-7-53418093/4  
Fax: 00421-7-53418095

Implementing Authority:  
Ministry of Finance – Section of the State Treasury Project  
Mr. Daniel Ferjancek, Director  
Štefanovicova 5, 810 05 Bratislava, Slovak Republic

6.2 **Twinning**  not relevant

6.3 **Non-standard aspects:** not relevant

6.4 **Contracts:** 1 contract covering the whole technical assistance  
1 supply contract
7. **Implementation Schedule**

7.1 **Start of tendering**: 4th quarter 2000
7.2 **Start of project activity**: 2nd quarter 2001
7.3 **Project Completion**: 3rd quarter 2002

8. **Equal Opportunity**

Equal opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed

9. **Environment**: not relevant

10. **Rates of return**

Financial rate of return is not directly measurable. Indirectly measurable with:
- decreased capital cost of borrowing,
- improved resources and collection,
- increased instrument resources
- improved the positive affect on the state budget
- improved know-how of staff
- increased quality of data needed for the decision-making process.

Sources of indicators are annual reports of the MoF, National Bank of Slovakia and official statistical reports.

11. **Investment criteria**

11.1 **Catalytic effect**

The Slovak Government committed itself in its Programme Declaration, approved by the National Council Resolution no. 69 from 2 December 1998, to address thorough the State Treasury System project, the consolidation of financial discipline, the prevention of unauthorised use of state budget funds and the increase of the effectiveness in management control of public finance.

The introduction of the State Treasury system in the Slovak Republic and the acceptance of Law about the State Treasury is one of the tasks of „Time schedule of tasks resulting from Regular Report of European Commission about readiness of the Slovak Republic for the EU membership“ (task no. 33). The mentioned document was approved by the Resolution of Government of the Slovak Republic no. 52/1999 from 20. January 1999.

The Ministry of Finance lacks of adequate technical know-how in the field and without Phare financial support, the project implementation would face important delays.
11.2 Co-financing

The Project will be co-financed by the Slovak government in the amount of 0.84 MEUR (investment component), well beyond the minimum requirements defined by the Phare guidelines.

11.3 Additionality

Phare financial contribution will accelerate the establishment of an annual fiscal surveillance procedure aimed at bringing the reporting, monitoring and control of public finances, specifically fiscal positions, in line with EU procedures.

11.4 Project readiness and Size

TORs for relevant activities and technical specifications for the IT equipment are being prepared.

11.5 Sustainability

The Ministry of Finance will borne any future costs required for the maintenance, improvement or development of IT equipment.

11.6 Compliance with state aids provisions: not relevant

11.7 Contribution to National Development Plan: not relevant

12. Conditionality and sequencing

Milestones of the project:

Phare financing of this project is conditional to the Governmental approval of the “Strategy of the building of State Treasury system up to the year 2002” and related co-financing.

Review and definition of financial planning instruments 9 / 2001
Medium term financial framework 1 / 2002
Debt management and monitoring instruments defined and established 7 / 2001
Effective state payement system established 9 / 2001
Expenditure management control supports deficit targets 7 / 2001
Financial management accounting and reporting adapted to fiscal reporting requirements 1 / 2002
Major procedures established in the MoF for centralised cash management, 1 / 2002
Treasury information system supports majority of functions 4 / 2002
Financial management co-ordinated 4 / 2002

The base of the system of the State Treasury which is possible to built independently from other functions is the function of financial planning (ID3) and the
function of accounting (ID4). The preparation of medium-term financial framework will follow only after the execution of financial planning instruments. The execution of debt management function (ID7) can go in parallel with preparation of financial planning function with assumption that some of the functions of financial planning are prepared (medium-term plans of revenues and expenditures). The preparation of payment system function (ID6) will go in parallel with preparation of accounting function (ID4) and its full functionality is conditioned by building and preparation of procedures for the accounting of cash flows to TSA. It is possible to start to building the centralised cash management (ID8) only providing the sufficient development of financial planning function (ID3) and payment system function (ID6). The expenditure management (ID9) is connected with financial planning (ID3) and with payment system (ID6) and cash management (ID8). The information system will be built in parallel with all other functions. A graphical representation of links between the individual functions is on the following page.

**ANNEXES TO PROJECT FICHE**
1. Logical framework matrix in standard format (compulsory) (see overleaf)
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of program (including disbursement period)
4. List of relevant Laws and Regulations
5. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies, etc)
6. Past Phare activities and projects
7. Technical specification of HW and SW
8. Technical specification of HW and SW co-financed by Slovak republic
### Annex 1 to Project Fiche

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<th>ID</th>
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<td>Thu 1.3.01</td>
<td>Wed 3.4.02</td>
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<tr>
<td>13</td>
<td>Management and integration</td>
<td>57 wks</td>
<td>Thu 1.3.01</td>
<td>Wed 3.4.02</td>
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<tr>
<td>Logical Framework Planning Matrix for:</td>
<td>Programme name: Support to new Budget Procedure/State Treasury Implementation</td>
<td>Date of drafting</td>
<td>Total budget (MEUR)</td>
<td>4.84 Sheet no.</td>
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<tr>
<td>Programme no.: SK0003.01</td>
<td>Contracting period expires: 31.12.2002</td>
<td>April 2000</td>
<td>4.84</td>
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<tr>
<td></td>
<td>PHARE contribution (MEUR) 4.0</td>
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<table>
<thead>
<tr>
<th>Overall objectives:</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST system supports fiscal surveillance procedures</td>
<td>Instruments for financial management and debt management introduced and operational by 2002</td>
<td>Budget plans, annual accounts, data on fiscal positions</td>
<td>Relevant legislation approved by Government and Parliament</td>
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<tr>
<td>Macro-economic stability strengthened</td>
<td></td>
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<table>
<thead>
<tr>
<th>Project purpose:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>The Public Finances supported by the State Treasury rely on efficient financial management instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Instruments for financial management and debt management introduced and operational by 2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget plans, annual accounts, data on fiscal positions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Relevant legislation approved by Government and Parliament</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results:</th>
<th></th>
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<tbody>
<tr>
<td>1. Government expenditures better controlled</td>
<td>Unpaid expenditure eliminated by the end of the project</td>
<td>Report from the State Treasury</td>
<td>Relevant legislation approved by Government and Parliament</td>
</tr>
<tr>
<td>2. Reporting instruments support financial management and fiscal reporting</td>
<td>Data output available to the MoF in time (1 day after collection) by July 2003 – when information system is in place</td>
<td>Daily data report from MoF/ST</td>
<td>Competences and responsibilities clearly defined for involved administration/ MoF/NBS/ Spending units</td>
</tr>
<tr>
<td></td>
<td>20% decrease of capital cost of borrowing at the end of the project</td>
<td>Financial newspaper by MoF, internal accounting records</td>
<td>Third level legislation in place</td>
</tr>
<tr>
<td></td>
<td>20% of spending units are controlled ex-ante</td>
<td>Annual report of MoF</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chart of accounts available</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intended routines as described in manuals are fully in operation by the end of 2002 at least in the pilot regions.</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>Specification of means</th>
<th>Specification of costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Financial planning instruments reviewed and established</td>
<td>14 m/m of EU short-term expertise, financial planning specialists</td>
<td>400.000 EUR</td>
</tr>
<tr>
<td></td>
<td>30 m/m of local short-term expertise, financial planning specialist</td>
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<tr>
<td>Logical Framework Planning Matrix for:</td>
<td>Programme name: Support to new Budget Procedure/State Treasury Implementation</td>
<td>Date of drafting: April 2000</td>
</tr>
<tr>
<td>--------------------------------------</td>
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<tr>
<td>Programme no.: SK0003.01</td>
<td>Contracting period expires: 31.12.2002</td>
<td>PHARE contribution (MEUR): 4.0</td>
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</table>

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2. Effective state centralised cash management</td>
<td>7 m/m of EU s/t expertise, cash management + training 10 m/m local s/t expertise, cash management + training</td>
<td>210.000 EUR</td>
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<tr>
<td>1.3. Information system introduced and established</td>
<td>Hardware 9 m/m of EU s/t expertise, financial planning 9 m/m local s/t expertise, financial planning</td>
<td>1,000,000 EUR 250,000 EUR</td>
<td></td>
</tr>
<tr>
<td>1.4. Medium – term financial framework</td>
<td>12 m/m of EU s/t expertise, debt management + training</td>
<td>380,000 EUR</td>
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</tr>
<tr>
<td>1.5. Debt management and monitoring instruments support medium-term priorities</td>
<td>25 m/m of local s/t expertise, debt management 20 m/m of EU s/t expertise, expenditure management 25 m/m of local s/t expertise, expenditure management</td>
<td>580,000 EUR (including seminars) 590,000 EUR</td>
<td></td>
</tr>
<tr>
<td>1.6. Expenditure management control supports deficit targets</td>
<td>16 m/m of EU s/t expertise, financial accounting + training</td>
<td>590,000 EUR</td>
<td></td>
</tr>
<tr>
<td>2.1. Financial management accounting and reporting established</td>
<td>57 m/m of local s/t expertise, accounting and software 6 m/m of EU s/t expertise, payment system + training 12 of local s/t expertise, payment system</td>
<td>190,000 EUR 400,000 EUR</td>
<td></td>
</tr>
<tr>
<td>2.2. Effective state payment system established</td>
<td>1 EU long-term expert (18 m/m), management 1 local long-term expert, (18 m/m), management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACTIVITIES</td>
<td>2001</td>
<td>2002</td>
<td>Responsibility</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Result 1: Government expenditures better controlled</td>
<td></td>
<td></td>
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<tr>
<td>Activity 1.1. Financial planning instruments reviewed and established</td>
<td>X X X X</td>
<td>X</td>
<td>Financial Planning Unit</td>
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<td>Activity 1.2. Effective state centralized cash management</td>
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<td>Activity 1.3. Information system introduced and established</td>
<td>X X X X X X X X X</td>
<td>X X X X X</td>
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<tr>
<td>Activity 1.4. Medium - Term financial framework</td>
<td>X X X X</td>
<td></td>
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<tr>
<td>Activity 1.5. Debt management and monitoring instruments support medium term priorities</td>
<td>X X X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Activity 1.6. Expenditure management control supports deficit targets</td>
<td>X X X X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result 2: Reporting instruments support financial management and fiscal reporting</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Activity 2.1. Financial management accounting and reporting established</td>
<td>X X X X X X X X X X X X</td>
<td>Treasury Accounting</td>
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</tr>
<tr>
<td>Activity 2.2. Effective state payment system established</td>
<td>X X X X X X X</td>
<td>Central Treasury Off.</td>
<td></td>
</tr>
<tr>
<td>Activity 2.3. Management integration and coordination of the project</td>
<td>X X X X X X X X X X X X X X X</td>
<td>Central Treasury Off.</td>
<td></td>
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</table>
## Contracting and disbursement schedule by quarter

### CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (MEURO)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Contracted</td>
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<td>4.0</td>
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<td>4.0</td>
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<tr>
<td>Disbursed</td>
<td>0.4</td>
<td>0.8</td>
<td>1.8</td>
<td>2.4</td>
<td>3.0</td>
<td>3.5</td>
<td>3.8</td>
<td>4.0</td>
<td>4.0</td>
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</table>
List of relevant Laws and Regulations

List of the laws, which require amendment in reference to acceptance of Law about State Treasury:

a) Act no. 511/1992 Coll. about tax and duty administration and about changes in the system of local financial institutions in the wording of the subsequent amendments
b) Act no. 254/1993 Coll. about local financial institutions in the wording of the subsequent amendments
c) Act no. 286/1992 Coll. about taxes from revenues in the wording of the subsequent amendments
d) Act no. 289/1995 Coll. about the value added tax in the wording of the subsequent amendments
e) Act no. 310/1993 Coll. about the excise tax from beer in the wording of the subsequent amendments
f) Act no. 309/1993 Coll. about the excise tax from wine in the wording of the subsequent amendments
g) Act no. 229/1995 Coll. about the excise tax from alcohol in the wording of the subsequent amendments
h) Act no. 312/1993 Coll. about the excise tax from tobacco and tobacco products in the wording of the subsequent amendments
i) Act no. 316/1993 Coll. about the excise tax from hydrocarbon fuels and lubricants in the wording of the subsequent amendments
j) Act no. 180/1996 Coll. Custom Law in the wording of the subsequent amendments
k) Act no. 530/1990 Coll. about obligations in the wording of the subsequent amendments
l) Act no. 566/1992 Coll. about National Bank of Slovakia in the wording of the subsequent amendments
m) Act no. 214/1992 Coll. about stock exchange in the wording of the subsequent amendments
n) Act no. 600/1992 Coll. about the security papers in the wording of the subsequent amendments or eventually elaboration of amendments of laws and regulations
o) eventually other laws at the base of requirements during the process of State Treasury Preparation
Reference to relevant Government and Ministry of Finance Strategic plans and studies

System of State Treasury building in SR is included in these basic documents:

1. Program Declaration of Slovak Government from 1999 to 2001


   D: 31 January 2000


## Technical Specification of Hardware and Software

<table>
<thead>
<tr>
<th>Hardware and Software description</th>
<th>Pieces</th>
<th>Price/MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DataWarehouse Server - 4xRISC, RAM: 8 GB, HDD 2x18 GB WIDE ULTRA SCSI, min. VGA 800x600 and 256 colors, CDROM, 19&quot; Monitor min. 64kHz, Keybord US/SK, Mouse 2 Buttons PS/2, LAN Cards PCI</td>
<td>1</td>
<td>0.09</td>
</tr>
<tr>
<td>2 Application Database Server – 4xRISC, RAM: 8 GB, HDD 2x18 GB WIDE ULTRA SCSI, min. VGA 800x600 and 256 colors, CDROM, 19&quot; Monitor min. 64kHz, Keybord US/SK, Mouse 2 Buttons PS/2, LAN Cards PCI, server will be part of cluster</td>
<td>2 nodes</td>
<td>0.18</td>
</tr>
<tr>
<td>3 Monitoring Server - 4xRISC, RAM: 8 GB, HDD 2x18 GB WIDE ULTRA SCSI, min. VGA 800x600 and 256 colors, CDROM, 19&quot; Monitor min. 64kHz, Keybord US/SK, Mouse 2 Buttons PS/2, LAN Cards PCI</td>
<td>1</td>
<td>0.09</td>
</tr>
<tr>
<td>4 Backup Server 4xRISC, RAM: 8 GB, HDD 2x18 GB WIDE ULTRA SCSI, min. VGA 800x600 and 256 colors, CDROM, 19&quot; Monitor min. 64kHz, Keybord US/SK, Mouse 2 Buttons PS/2, LAN Cards PCI</td>
<td>1</td>
<td>0.09</td>
</tr>
<tr>
<td>5 Firewall RISC Processor, RAM: 256 Mhz, HDD 2x20 GB WIDE ULTRA SCSI, min. VGA 800x600 and 256 colors, 15&quot; Monitor min. 64 kHz, Keybord US/SK, Mouse 2 Buttons PS/2, LAN Cards PCI</td>
<td>1</td>
<td>0.03</td>
</tr>
<tr>
<td>6 Libraries equipment – Disc and System Rack 9GB SSA HDD</td>
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<td>0.04</td>
</tr>
<tr>
<td>7 Libraries equipment – Medium for Optical Library 5,2 GB</td>
<td>50</td>
<td>0.05</td>
</tr>
<tr>
<td>8 Libraries equipment – High Performance Tape Subsystem (10/30GB)</td>
<td>1+50</td>
<td>0.04</td>
</tr>
<tr>
<td>9 Laser Printers</td>
<td>3</td>
<td>0.03</td>
</tr>
<tr>
<td>10 Database Management Information System (Licences for Users)</td>
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<td>0.18</td>
</tr>
<tr>
<td>11 Tools (MS Visual Studio, Microsoft Technet, CASE, Graphic,...)</td>
<td></td>
<td>0.18</td>
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<tr>
<td><strong>Total (in MEUR)</strong></td>
<td><strong>4</strong></td>
<td><strong>1.0</strong></td>
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