4th Meeting of the Supervisory Board

Report from the Advisory Board
Report to: The Supervisory Board
From: The Advisory Board

1. The Advisory Board (AB) held its second meeting at the Center of Excellence on May 20, 2004. This Report is submitted to the Supervisory Board in accordance with the Statute.

2. Membership of the AB consists of institutions actively supporting the CEF and/or the region. The following organizations attended the second meeting:

   - World Bank; represented by Mr Roger Grawe
   - Ministry of Finance of the Netherlands; represented by Mr Enrico van Exel
   - US Treasury; represented by Mr Regis Chapman
   - OECD/SIGMA; represented by Ms Anke Freibert

The President of the Management Board, Ms Irena Sodin, welcomed the members of the Advisory Board. The Director, Ms Mira Dobovisek, attended on behalf of the CEF along with three observers, Ms Anne Kester of the IMF, Mr Luigi Passamonti of the World Bank, and Mr. Larry O’Toole, the IMF Advisor to the CEF for 2004.

3. The AB thanked Mr Enrico van Exel of the Netherlands for serving as Chair during the past year and asked him to continue for another year. Mr Regis Chapman, US Department of Treasury, has agreed also to serve for one more year as Alternate Chair.

   The Board agreed to hold an additional consultation mid-way between meetings to maintain momentum; the members will confer either by teleconference or by e-mail this autumn with timing and agenda to be determined by the Chair.

   The necessary quorum of members was present to approve this report to the SB.

Annual Report

4. The AB reviewed the Annual Report for 2003 and wishes to commend the Director and staff of the Center for the successful completion of a heavy program including the start-up of the Capacity Building in Public Accounting project and the launching of the Summer School ‘Introduction to Public Expenditure Management’ for young economists.

5. The Center’s success in its short 3 year history has already brought it close to full capacity at its current level of staff and premises. This situation challenges all parties involved, Supervisory Board, Management Board, Advisory Board and donors, as well as the Director and the staff. It demands that all parties be aware of the need to make the most effective possible use of the available CEF capacity in the coming period. Questions that need to be considered in a situation where demand is greater than supply are for instance:

   - Are the highest priority courses being selected for the curriculum?
   - Can more students take advantage of each course?
   - Can we increase the participation of students from member countries that are currently somewhat underrepresented?

The Advisory Board unanimously came to the conclusion that these issues cannot be handled by the CEF without strong cooperation of members. The active involvement of coordinators in each member institution is essential to focus communications with the CEF on training priorities, student selection and evaluation.
While it is, of course, the decision of each member on who to designate, the Advisory Board thinks that the position of head of the Human Resources Department or a post with comparable responsibilities will be the best location for this task in the long run.

6. As a first concrete initiative after the designation of the coordinators, the Advisory Board proposes the idea of holding a meeting in autumn between coordinators of the nine member countries and the CEF. During this meeting coordinators would be able to discuss with the CEF and with their colleagues the educational needs and wishes of their organizations and how this could best be translated in the CEF’s program for the following year.

The Ministry of Finance of the Netherlands has already indicated its willingness to co-sponsor such a meeting.

7. The Advisory Board considered the status of the CEF’s donor base and was pleased to see that the donations in kind are financially valued and included in the Annual Report. The Advisory Board considers the current donor base basically sound provided that it can be preserved at the current level. However a further strengthening would be welcomed. In this respect it suggests that the recruitment of one or two additional bilateral donors should be feasible. Furthermore, involving the European Commission in CEF’s activities should be aimed for.

If the Supervisory Board approves this idea, a coordinated approach by CEF’s management and the Advisory Board should be launched towards the European Commission later in 2004.

**Business Plan**

8. The AB also reviewed the 2004 Business Plan, noting the very full program of workshops and the introduction of the Global Development Learning Network in partnership with the World Bank.

The Advisory Board recommends that the Supervisory Board approve the Business Plan subject to the comments below which are related to the questions of focus and selectivity mentioned above.

9. Some courses and workshops are in the category of general skills training, such as Report Writing, Management Skills and Project Management, rather than public finance subjects as such. The Advisory Board notes that such courses compete for the CEF’s scarce resources with the core topics in public finance.

The Advisory Board recommends that courses such as these be given a lower priority on the curriculum and eliminated unless healthy member demand is evident.

10. Fiscal decentralization is recognized to be a major issue in the region and there have been suggestions the CEF develop courses to introduce expenditure
management to local government officials. The Advisory Board feels that this should be left to other organizations since it would lead the CEF far away from its core clientele in central government.

The Board recommends that, at least for the time being, the CEF concentrate on training central government staff on the policy and operational aspects of fiscal decentralization.

11. The Capacity Building in Public Accounting (CBIPA) project will complete its first phase next year. The Advisory Board agrees that it would be desirable to offer the same opportunity to countries beyond the current three, and it discussed preliminary options for finding the necessary new funding. This will be a key issue for next year.

**Convergence Project**

12. The Advisory Board took note of the very interesting Convergence Project of the World Bank, “Assessing, Managing and Supervising Risk”, presented by Mr. L. Passamonti. The Advisory Board much appreciates the fact that the World Bank proposes this project and sees it as recognition of CEF’s professionalism. The organizational and administrative implications of taking this project “on board” could be substantial and will need to be discussed further in the coming period.

The Board agreed that the CEF should be open to the Convergence proposal but that it would be important for any future arrangement to be financially neutral for the CEF.

**Conclusion**

13. The Advisory Board members take pride in helping, through their advice, to increase the levels of expertise and knowledge in the public sector in South East Europe and to foster regional cooperation. They wish to assure the Supervisory Board that they remain fully committed to continue.