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The Center of Excellence in Finance (CEF) is a leading regional knowledge hub located in Ljubljana, Slovenia. We were established in 2001 under the Stability Pact for South East Europe by the Slovenian Government at the initiative of the Slovenian Ministry of Finance and in close cooperation with other ministries of finance of former Yugoslav countries and Albania. In 2014 the CEF became an international organization. This will enable us to further improve the quality of our programs and projects.

**Our mission** is to support capacity development in public financial management and central banking topics for individuals and institutions. We do this by designing high-quality, practical and learning-centered specialization programs and training events; by promoting networks of professionals; and by stimulating regional cooperation. We partner with multilateral and bilateral agencies, knowledge institutions, and peer organizations, and we tap the expertise of a broad range of individual experts.

We support capacity development in: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey. The active role of our **constituency** through the CEF’s governance structure is essential to assure that our program is demand driven and that it fully responds to the needs of the region.

Online information is available at [www.cef-see.org](http://www.cef-see.org).

**Governance**

Through our governance structure, the CEF ensures that the interests of all stakeholders are represented.

**Governing Board** is a decision making body of CEF International. Members of the Governing Board are ministers of finance, central bank governors or heads of other relevant institutions or their nominated representatives that ratified the Agreement on Establishing CEF, and up to three representatives of the Advisory Board. The Governing Board meets at least annually. It supervises the activities of the CEF International and approves the annual work program and annual budget. The Director, appointed by the Governing Board for a term of five years acts as an ex officio member without voting powers.

**The Advisory Board** is a representative body of our donor partners. It assists in designing and in coordinating the delivery of activities of the CEF. Up to three representatives of the Advisory Board are members of the Governing Board. The Advisory Board meets annually.

**The Secretariat** is composed of Director, Staff and Experts. **Director** is appointed by Governing Board for the term of five years. The Director ensures proper, regular and efficient functioning of the CEF. It reports to the Governing Board and submits to the Governing Board a draft annual work program, budget proposal and report on their implementation.
Member countries’ ministries of finance and central banks nominate **CEF Coordinators**, who serve as lead contacts to ensure that the CEF maintains a strong understanding and responsive approach to the region’s training needs.

**Partnerships**

The CEF partners with many institutions that share our commitment to the region’s reform efforts: multilateral and bilateral agencies, knowledge institutions, and peer organizations. These partners draw upon our knowledge of the region’s needs to leverage their resources, and cooperating with the CEF helps expand the reach and impact of their efforts. Partners, in turn, contribute top-quality expertise to the CEF’s programs.

### Slovenia: A Unique Partnership
- Ministry of Finance
- Bank of Slovenia

### CEF multilateral partners:
- Central European Initiative
- European Central Bank
- European Commission
- European Court of Auditors
- European Insurance and Occupational Pensions Authority
- Eurostat
- International Monetary Fund
- Intra-European Organization of Tax Administrations
- Organisation for Economic Co-operation and Development
- United Nations Development Programme
- The World Bank

### Selection of CEF bilateral partners:
- Bank of Slovenia
- Government of Slovenia
- Federal Ministry of Finance of Germany
- Ministry of Finance, the Czech Republic
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovakia
- Ministry of Finance, Sweden
- Ministry of Foreign Affairs, Germany
- Ministry of Foreign Affairs, Poland
- Ministry of Health, Welfare and Sport, the Netherlands
- National Bank of Belgium
- National Bank of Moldova
- De Nederlandsche Bank (DNB)
- PricewaterhouseCoopers
- Tax and Customs Administration, the Netherlands
- U.S. Agency for International Development

### Knowledge institutions:
- Chartered Institute of Public Finance and Accountancy
- U.S.-based Lincoln Institute of Land Policy
- University of Ljubljana
- University of Oxford / European Studies Centre, St. Antony’s College

### Peer organizations:
- International Training Centre of the International Labour Organization
- Regional School of Public Administration (ReSPA)
- Joint Vienna Institute (JVI)
How Learning Works at the CEF

Capacity development empowers individuals, leaders, institutions, and societies. We see it as a process through which people, organizations, and entire countries build, strengthen, and maintain their capabilities to define and achieve their own development objectives over time. At the CEF, this means sharing knowledge and experience through workshops, seminars, tailored trainings, certification programs, communities of practice, and conferences.

We believe that capacity can only be developed when the effort has strong ownership by the countries themselves. Hence we support the implementation of public financial management reforms in South East Europe through tailor-made activities. We give our members access to cutting-edge knowledge and the latest practical experience, while helping them develop their own solutions. Our long-term goal is to assure sustainable reform throughout the region.

CEF Institutional Capacity Development and Knowledge Sharing

As a development training institution (DTI), the CEF pays a particular attention to capacity development of its own staff and involves in knowledge sharing with similar institutions.

Learning and Regional Cooperation

Learning Activities

Workshops and Seminars

The CEF provides tailor-made training to address immediate training needs and priorities in the region and share experiences in solving specific problems. Training is highly focused to offer guidance for current and future tasks in reforming public financial management, in central banking, and in adopting international standards. The CEF’s offerings cover many key areas:

Public Financial Management
- Tax Policy and Administration
- Budgeting
- Treasury
- Accounting
- Auditing
- General Public Financial Management

Central Banking

People and Process Management

Tailored Trainings

The CEF organizes tailored trainings to facilitate the exchange of experiences and knowhow in areas of particular interest to member countries. These usually include presentations by and on-site visits to ministries of finance, line ministries, central banks, and other institutions involved in public financial management or central banking. Occasionally the CEF also facilitates tailored trainings from non-member countries.
Certification Programs

The Public Accountants Certification Training (PACT) and Training of Internal Auditors in the Public Sector (TIAPS) programs emphasize the importance of establishing and maintaining international standards in public sector accounting and auditing and of raising the status of both professions. They aim to enhance recipient countries’ ability to implement a modern approach to accounting, to ensure an effective internal audit function in the public sector, and to improve the quality of public financial management.

Both programs are offered as two-level, post-graduate professional certifications. TIAPS program consists of three international modules and one national module at the certificate level and three international modules at the diploma level. PACT program consists of three modules at the certificate level and four at the diploma level out of which six have an international focus and are developed by the CIPFA while the seventh is a national module developed by local authors.

<table>
<thead>
<tr>
<th>Level</th>
<th>PACT</th>
<th>TIAPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – CIPFA Certificate Stage</td>
<td>Accountant in the Public Sector</td>
<td>State Internal Auditor</td>
</tr>
<tr>
<td>2 – CIPFA Diploma Stage</td>
<td>Verified Accountant in the Public Sector</td>
<td>Verified State Internal Auditor</td>
</tr>
</tbody>
</table>

These programs operate as distance learning and focus on international standards and best European practice in accounting and auditing, emphasizing practical application of standards to the special circumstances of the public sector. Although materials are designed for self-study, participants can upgrade their knowledge at regular meetings with tutors on more demanding topics. Students can also consult with tutors and other students through an internet forum.

After each of the modules, participants sit for a written exam or complete a workplace assignment. Students in the Slovenia’s TIAPS program are also required to complete a written final assignment after passing exams for the first level of qualification.

Both qualifications (certificate and diploma levels) are internationally recognized and are awarded by the United Kingdom Chartered Institute of Public Finance and Accountancy (UK CIPFA). Each participating country may also award a local certification.

Regional Cooperation

Building Capacities for Policy Design and Implementation

BCPDI is a program proposal prepared by the CEF at the initiative of beneficiaries in South East Europe, with input from the European Commission and the involvement of international financial institutions. The aim is to build beneficiary countries’ capacities for medium-term macroeconomic and fiscal policy analysis, design, and implementation and to foster stronger internal and external policy coordination for the medium term. The program entails three delivery components: training activities, communities of practice, and technical assistance. Under the first of these, the CEF has prepared two projects: the Fiscal Impact Assessment of Structural Reforms (FIASR), and Strategic Planning and Budgeting (SPB). For more details, see [www.cef-see.org/bcpdi](http://www.cef-see.org/bcpdi).
EU Strategy for the Danube Region

The EU Strategy for the Danube Region (EUSDR) is a macro-regional strategy adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. Its aim is to boost development by seeking synergies and coordination among policies and initiatives across the Danube region. The CEF is a coordinator for Priority Area 10 along with the City of Vienna: we are tasked with stepping up institutional capacity and cooperation. The focus is on challenges of institutional capacity and the public service, better coordination of funding, and collaboration among cities and citizens in the region. To date, it is one of the most active priority areas within the strategy.

PEMPAL – Public Expenditure Management Peer Assisted Learning Network

PEMPAL – the Public Expenditure Management Peer Assisted Learning Network – is a multilateral effort to develop capacity and share reform experiences among countries in Europe and Central Asia. Professionals from these countries can benchmark their systems against each other and pursue opportunities for peer learning. The network is supported financially and in-kind by a number of development organizations, including the World Bank, State Secretariat for Economic Affairs (SECO), the Ministry of Finance of the Russian Federation, OECD Sigma (Organization for Economic Co-operation and Development Support for Improvement in Governance and Management), and others. The CEF serves as its Secretariat.

The network operates in three Communities of Practice (COPs): Budget (BCOP), Internal Audit (IACOP), and Treasury (TCOP). Each drafts an action plan within a budget, allocated by the Steering Committee for the respective fiscal year. In addition, a plenary meeting brings together all three PEMPAL COPs to discuss common public financial management challenges.

Policy Conferences and Research

The CEF promotes effective policy dialogue by bringing together policy-makers, practitioners, academics, and other experts for discussions that balance theory and practice. Many policy events involve research efforts of longer duration and generate knowledge that is published on the CEF web site, in journals, or in book format.

Since 2006, the CEF has, in cooperation with partner institutions, addressed a number of policy topics: taxation, pension systems, tertiary education, turbulence in global financial markets, and European health systems. In 2009 and 2010 the CEF’s focus was on medium-term policy design and implementation, and in 2011 the CEF, in partnership with the World Bank and the IMF, organized a conference on international trends in public sector accounting. In 2013, the CEF held a high-level dialogue to address taxation issues.

Regional IMF Technical Advisors

The International Monetary Fund’s long-term regional advisor positions are part of a Japanese Government-funded program for strengthening fiscal management for SEE. The program has significantly boosted the resources available in the region for technical assistance and has contributed to a more programmatic approach to delivery. It focuses on achieving medium-term capacity building reform objectives in Public Finance Management and Tax Administration.
The partnership between the IMF and the CEF combines technical assistance and training and has proven to be a resource effective and efficient approach. Advisors benefit from using the CEF’s network of experts and training professionals, facilities, and conference and meeting venues. In turn, findings from advisors’ missions help identify needs for additional training at the CEF. The advisors collaborate closely with the CEF in formulating training programs and contribute as lecturers and coordinators to CEF courses.
Governance

Reception in Honor of Japanese Government for their Contribution to the Improved PFM in SEE Region

The CEF hosts two International Monetary Fund Fiscal Affairs Department (IMF FAD) technical advisors and their support staff, whose efforts were until recently funded by the Japanese government. To thank the Japanese government for this important contribution to the improved management of public finances in countries of South East Europe we together with the IMF organized a reception where we invited our partners that share our commitment to the SEE region's reform efforts.

High level representatives from regional public financial institutions, country ambassadors and representatives of international organizations attended the event. Mr. Dušan Mramor, Minister of Finance, Slovenia, Ms. Mira Dobovišek, CEF Director, Mr. Christopher Towe, Deputy Director, IMF's Fiscal Affairs Department, H. E. Mr. Shigemi Jomori, Ambassador of Japan to Slovenia and Mr. Bernard Brunet, Head of Unit, European Commission, DG NEAR addressed the guests.

The Japanese Government recognized the importance of presence of the IMF technical assistance advisors and started supporting them back in 1998. Italy, Norway, Slovenia and Sweden followed the Japanese example with intermediary contributions. The European Union took up the baton from Japan in June 2015. Nevertheless we hope Japan will remain involved in supporting public financial management reforms in SEE also through other projects.

Close cooperation between CEF and IMF technical advisors that use the CEF as hub for their missions and unique synergies in our work promote sustainable capacity development in our member countries. Our organizations' efforts in the region are complementary and mutually reinforcing. IMF technical assistance missions help pinpoint needs for learning and knowledge sharing among practitioners.

The CEF designs workshops that address these needs, bringing together peer institutions and experts from the region and beyond. Many of the learning activities are delivered by the IMF's advisors, who contribute content that is strongly informed by their missions. This learning deepens the benefits of technical assistance while helping the IMF advisors prioritize areas that need further work. These unique synergies have contributed to a steady rise in our member countries' demand for help with capacity development.
Moldova and Montenegro Became Members of the CEF International

Moldova and Montenegro recently ratified the Agreement on Establishing the Center of Excellence in Finance (CEF) as an international organization. Thus far five countries ratified the Agreement: Bulgaria, Macedonia, Moldova, Montenegro, and Slovenia. Countries that ratified the Agreement are full CEF members and can influence all major decisions through the CEF Governing Board.

In addition to countries that ratified or signed the Agreement the CEF also serves to Albania, Kosovo, Serbia and Turkey. CEF membership is open to any country or international organization that is interested in promotion of knowledge exchange, delivery of training and facilitation of technical assistance in public financial management, central banking and other areas of public administration.

The change of status facilitates the hiring of international staff and enhances cooperation with our partner institutions. This further strengthens the CEF’s role in developing of capacities of public servants and helps them respond to the challenges they are encountering at their work as effectively as possible.

Exploring Possibilities to Extend Cooperation with U.S. Government in Development Projects in SEE

The director of the CEF, Ms. Mira Dobovišek, hosted Ms. Elizabeth Mader, Political, Economic and Commercial Chief at the U.S. Embassy, Ljubljana. The CEF and the U.S. Government successfully cooperate in development projects in the region of South East Europe. At the meeting possibilities to extend cooperation were explored.

The Training of Internal Auditors in the Public Sector (TIAPS) Macedonia that is implemented by the CEF and jointly funded by the USAID within the U.S. Donors Challenge Fund and Slovenian Ministry of Foreign Affairs is currently taking place in Macedonia. The two year program will enable Macedonian officials to learn international internal audit standards and best practices according to the curricula developed by the British Chartered Institute of Public Finance and Accountancy. Program is building on the favorable results of previous generations of students that studied at the program. Expected long-term outcome is to achieve an independently and sustainably running program in Macedonia once the TIAPS completes.

At the meeting possibilities to extend cooperation between the U.S. Government and the CEF were explored. Ms. Mader expressed satisfaction on the CEF’s sustainable approach to capacity development in the region and will explore possibilities for future cooperation with the CEF.
How Learning Works at the CEF

CEF Institutional Capacity Development and Knowledge Sharing Activities

In the third quarter of 2015, to develop our own capacities and to develop and maintain our role of a knowledge hub, the CEF organized, shared knowledge, or participated in the following events:

Tax Administrations: Meeting Taxpayers’ Needs through Effective Self-services

We joined more than 180 delegates, heads of tax administrations and their representatives from 46 countries and 11 international organisations, at the 19th General Assembly of the Intra-European Organisation of Tax Administrations (IOTA). At the event several representatives of revenue authorities from our constituency were present as well which allowed us to discuss ways of how we can continue supporting their efforts in implementing modern approaches to tax compliance through learning.

This year opportunities and benefits provided by the increase in use of digital self-service channels and the positive impact this will have on overall tax compliance were at the heart of discussions. In most cases tax administrations are transforming their traditional taxpayer service channels as a part of e-government initiatives making it easier for citizens to comply with their tax responsibilities.

Taxpayer service approach to solving compliance problems will be part of the CEF tax related learning agenda in 2016 as well. In 2016 tax related learning opportunities will continue to be delivered as part of the Supporting Capacity Development of Tax Administrations in South East Europe (SEE) project which is primarily supported by the Dutch Ministry of Finance, Center of Excellence in Finance, International Monetary Fund, and Assistance Technique France (Adetef). To learn more about the joint efforts of future coordination and development of the training agenda on taxation issues in SEE please visit: www.cef-see.org/regional-cooperation/tax

The 19th General Assembly of the IOTA, organised under the Presidency of The Netherlands Tax and Customs Administration, was held on July 2-3, 2015 in Rotterdam.

CEF Contributing to Raising Standards for Government Accounting

Mira Dobovišek, CEF Director participated at CIPFA international seminar on raising standards for government accounting. She joined global experts, highlighting relevant examples and initiatives which promote effective and efficient management of public finances. Ms. Dobovišek and Olivier Boutellis-Taft, Chief Executive of the Federation of European Accountants agree that countries should learn PFM lessons from each other to become better and more efficient. On the occasion CIPFA granted Ms. Dobovišek with honorary membership.

CIPFA hosted its first ever International Seminar that highlighted the importance of sound public financial management and reporting in developing robust, transparent government accounting practice, in the public interest. In addition it considered how the accountancy profession can play a role in addressing the quality of public sector financial management.
CIPFA has granted Ms. Dobovišek honorary membership in recognition of her significant contribution to improving public financial management in the region of South East Europe.

The international seminar was followed by the CIPFA Annual Conference and Exhibition 2015. The 2015 Conference explored the theme of Aligning Public Services | Forging a Sustainable Legacy. Welcoming more than 800 public finance and accountancy professionals from across all public services, the conference provided delegates with in-depth insight and analysis, exploring the challenges and suggesting solutions to the most pressing issues facing us all in the post-recession world.

We Attended the Third International Conference on Financing for Development

CEF joined the country delegation of the Republic of Slovenia at the Third International Conference on Financing for Development in Addis Ababa on July 13-16. The conference provided a foundation for implementing the global development agenda expected to be adopted in September in New York, centered on the proposed 17 Sustainable Development Goals (SDGs).

Domestic resource mobilization was at the heart of discussions in Addis Ababa. Countries agreed to an array of measures aimed at widening the revenue base, improving tax collection and combating tax evasion and avoidance. Slovenia teamed up with other 30 countries and international organizations to launch the Addis Tax Initiative aimed at strengthening international cooperation in support of capacity development of revenue administrations.

This is key to the CEF’s work as one of the implementing channels of Slovenia’s international development cooperation. The Addis Tax Initiative’s focus on the need for more technical assistance and other capacity development initiatives aimed at revenue administrations as well as the need for peer-to-peer learning fully resonates with CEF’s work with revenue administrations.

This year we launched a two year program in close cooperation with the IMF’s Fiscal Department: Supporting Capacity Development of Tax Administrations in South East Europe, financed by the Ministry of Finance of the Netherlands and Assistance Technique France - Adetef. The program is designed to help revenue administrations to deal with the challenges they face in their attempts of achieving effective and efficient application of modern risk management approaches.

As countries and organizations meeting in Addis Ababa agreed on the need to strengthen the capacities of revenue administrations around the world, they also committed to continue providing support to governments’ efforts to strengthen the management of expenditures. This is in line with recognition that effective public expenditure management importantly contributes to strategic allocation of resources and efficient service delivery.

The EU prepared a list of key contributions to the post-2015 agenda and how it will finance for sustainable development. Slovenia committed to continue supporting capacity development of public financial management systems of partner countries in line with the focus of the CEF work and extensive experience since the establishment in 2001.
Learning Activities

Workshops and Seminars

The CEF organized 2 learning events in the second quarter of 2015 with 55 participants from the following:

- Member countries: Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Serbia, Slovenia, and Turkey.
- Non-member countries: Czech Republic, Germany, Latvia, Poland

More detailed information about the workshops is available under the following links:
- Enabling Fiscal Programming of Structural Reforms
- Steps Needed to Implement Accrual Accounting in Accordance with the IPSASs

Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries’ participation is estimated at EUR 11,000 and the participation of other countries at EUR 5,000 (at EUR 200 per participant per day, plus EUR 500 per travel). Participation in distance learning is estimated at nil costs; the same applies for participation from Slovenia (except when courses take place outside of Ljubljana).

<table>
<thead>
<tr>
<th>Country/entity</th>
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<th></th>
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<th>Estimated costs in EUR</th>
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<td><strong>Total</strong></td>
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</table>
Donors

Donor partners sponsor lecturers (travel expenses and lecturers’ fees) and materials for the courses. These were estimated at EUR 15,500. For this report, a half-day lecturer session is estimated at EUR 500 and travel expenses at EUR 1,500 per lecturer.

<table>
<thead>
<tr>
<th>Donor</th>
<th>No of sessions</th>
<th>Amount in EUR</th>
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<tbody>
<tr>
<td>Center of Excellence in Finance, Slovenia</td>
<td>4</td>
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<tr>
<td>Chartered Institute of Public Finance and Accountancy, United Kingdom</td>
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<tr>
<td>Ministry of Finance, Slovakia</td>
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<tr>
<td>International Monetary Fund</td>
<td>5</td>
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<tr>
<td><strong>Total sponsored lecturers</strong></td>
<td><strong>16</strong></td>
<td><strong>15,500</strong></td>
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</tbody>
</table>
Certification Programs

Public Accountants Certification Training (PACT)

PACT Macedonia

After successful completion of certification training in 2014-2015 Macedonian accountants from public sector continue their studies at diploma level in years 2015-2016. The program aims to train up to 40 students. The program will also enable training of thirteen local trainers per module. In-class training for the first module Audit and Assurance will start on September 7, 2015. Macedonian authorities will also be supplied with the training materials in local language. A task force for complete institutionalization and localization of the certification program will be established.

The program builds on the already-achieved progress in the public accounting certification area in the Republic of Macedonia. During 2007-2011 the Capacity Building in Public Accounting (CBIPA) program was implemented in cooperation with the CEF and the CIPFA. 25 successful attendees completed the program and obtained certificates and 23 of the attendees obtained diplomas. As a continuation of the program, the training has been renamed to Public Accountants Certification Training (PACT) with revised training material. It was delivered in Macedonia during 2011-2013 and 2014-2016 when 24 candidates successfully fulfilled criteria for obtaining the certificate. This professional certification program is made possible through joint funding from the World Bank SAFE Trust Fund and the Central European Initiative (CEI). Ministry of Finance of the Republic of Macedonia and the CEF offer to the program in-kind support.

The program will be implemented by the CEF. The Chartered Institute for Public Finance and Accountancy (CIPFA) developed materials and it will award international certificates and diplomas to successful attendees.

PACT Montenegro

The CEF together with the Ministry of Finance, Montenegro started with the implementation of project activities in the course of the Public Accountants Certification Training (PACT). The internationally recognized, professional qualification program is made possible through funding from the United Nations Development Program (UNDP).

The PACT training course is part of the Montenegrin government’s efforts to build and strengthen professional qualifications for public sector accountants. High-quality financial reporting is crucial to effective financial management in the public sector. It relies on a strong accounting process, supported by expert internal and external audit services. PACT addresses this critical need and emphasizes the importance of establishing and observing international public sector accounting standards and helps countries raise the status of the accounting profession in line with EU member states.

PACT training materials are developed by the Chartered Institute for Public Finance and Accountancy (CIPFA) that will also award international certificates and diplomas to successful attendees.

Funding for the project preparatory phase which includes selection and training of tutors, translation of the material and evaluation of current legislative status of public accountants is secured until end of 2015. Project delivery phase that aims to train up to 40 public sector accountants will follow in 2016.
**Training of Internal Auditors in the Public Sector (TIAPS)**

**TIAPS in the Region**

**TIAPS Macedonia**

In Macedonia the training of internal auditors in the public sector continues. With the introductory workshop and test the season 2015/16 will be opened at the beginning of September for the fourth group of internal auditors at the first - certificate level of training.

During the course of the training Macedonian officials will study international internal audit standards and best practices according to the curricula developed by the British Chartered Institute of Public Finance and Accountancy (CIPFA). The students will be assisted by local tutors, trained during the previous iterations of the TIAPS program in Macedonia. All related learning materials are already translated from English to Macedonian.

This professional qualification program is jointly funded by the United States of America and the Republic of Slovenia. Ministry of Finance of the Republic of Macedonia and the CEF offer to the program in-kind support. The CIPFA developed materials and it will award international certificates to successful students.

**TIAPS Montenegro**

In cooperation with Montenegrin Ministry of Finance, CEF has delivered «On the Job» practical work (OTJ) in June and July 2015 for six internal auditors, who have completed Level 1 of Training of Internal Auditors in the Public Sector (TIAPS). Practical work should contribute directly to the development of their professional competencies and give them opportunity to contextualize the theory they learned during the in-class training and preparation for the exams. The auditors were divided into two pilot groups and the practical work was facilitated by two local consultants from the Ministry of Finance and by an international consultant from CEF.

The topic of the OTJ practical work in both teams was “The audit of travel costs and related subsistence allowances” and the audit assignments targeted the auditors’ working environments. Both teams spent 4 days total in the field with the local and international consultants; 2 days in the 1st phase for planning the audit and 2 days in the 2nd phase for analyzing and wrapping up findings and reporting. They had 3 weeks of work period between both phases to conduct an interview with the auditee, gather the audit evidence, and prepare draft documentation and final audit report. During that time, local consultants provided expert advice and mentoring to the groups.

The pilot mission’s evaluation results will provide a good base for planning future OTJ practical work for TIAPS students of all training generations in Montenegro. The practical work will continue in smaller groups till November 2016.
Regional Cooperation

Building Capacities for Policy Design and Implementation

Building Capacities for Policy Design and Implementation (BCPDI) is a program the CEF launched at the initiative of beneficiaries in South East Europe (SEE). Under the BCPDI, the CEF is currently implementing the Strategic Planning and Budgeting (SPB) project, which started in spring 2013 and will last through September 2015. The SPB is an EU-funded project, designed to serve the needs of beneficiary institutions in EU candidate and potential candidate countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia and Turkey), and the recently acceded EU member Croatia; all these being also CEF member countries.

The SPB addresses capacity needs in policy design, implementation and coordination of medium-term macroeconomic and fiscal frameworks, and enclosure of the fiscal impact of structural reforms into these frameworks. The project aims to stimulate governance for growth of SEE countries by strengthening their capacity to design and implement medium-term macro-fiscal policies, and thus to help achieve the goals of the SEE 2020 strategy as established by the beneficiaries.

In the third quarter, the CEF has delivered the following learning events:
- Seminar on ‘Enabling Fiscal Programming of Structural Reforms’ (delivered at the CEF on September 15-17, 2015)
- High-Level Policy Dialogue on Economic Governance in South East Europe (delivered at Hotel Slon on September 18, 2015)

SPB team members have been travelling to Kosovo, Albania, and Macedonia, i.e. to learn about stories of value creation of past SPB activities, and to get input to CEF efforts to assure the project’s impact is sustained and extended through future action.

The SPB Newspaper has been released and shared with relevant stakeholders. It covers the latest figures on project implementation as well as impressions from beneficiaries about the impact of the project.

The SPB project has concluded with a festive lunch on September 18, 2015. In their closing words, Bernard Brunet (Head of Unit A3, DG NEAR, EC) emphasized that SPB serves as role model for successful multi-beneficiary IPA interventions, whereas Erjon Luci (Deputy Minister of Finance, Albania) emphasized the near to continue and deepen the SPB efforts through future action, and Jana Repanšek (Deputy Director, CEF) committed the CEF would continue its efforts to support beneficiaries on the SPB learning priorities identified.

The following Value Creation Stories was written:
"Group Simulation held at the CEF Workshop Helped me Prepare for Real Negotiations", Sashka Jovanovska Vukelikj, Macedonia
The CEF is coordinating a priority area of the EU Strategy for the Danube Region (EUSDR) which deals with institutional capacity and cooperation together with the City of Vienna.

The agreement for providing technical assistance for coordination of the priority area 10 of the EUSDR by the CEF expired on the last day of June. Proposal for continuation of the coordination was prepared and submitted to the Danube Strategy Point in September.

More on the EUSDR and Priority Area 10 activities is available at www.cef-see.org/regional-cooperation/eusdr
Regional IMF Technical Advisors

Duncan Last, Public Financial Management Advisor

This position is funded under a grant agreement from the European Union targeting fiscal reforms in six SEE countries – Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia.

Country Activities

Albania
In July the regional advisor visited Albania to meet with the senior staff of the Ministry of Finance and the PFM Reform pillar managers to review the recommendations made in June regarding the prioritization and sequencings of reform activities. A plenary meeting was held, followed by meetings with individual pillars to finalize expected outcomes for the 2014-20 period, and the sequence of activities that would deliver them. The resulting revision of the PFM Reform Strategy and Action Plan was submitted to the MoF management for approval in late August. The resident advisor prepared an aide memoire outlining the changes, which the authorities agreed to share with the EU Delegation.

The comments by the regional advisor on the proposed amendments to the Organic Budget Law and the draft law on fiscal rules were also discussed with key MoF staff in July. As a result, a number of changes to the authorities’ proposals were agreed, and new drafts were prepared for comment in late August. The resident advisor prepared written comments in September which were briefly discussed in a VC. The revised drafts were then to undergo a final review during a visit to Albania in early October. The proposed changes to the legal framework will introduce fiscal rules, establish a fiscal council, strengthen the MTBF, and enhance current provisions related to public investment, commitment control, accounting, and internal control and audit.

Bosnia and Herzegovina
A short term expert, Mr. Bostjan Vasle (Director of IMAD Slovenia), visited Bosnia and Herzegovina in July to provide advice and capacity building on macro forecasting, notably of GDP. The main beneficiary of the technical assistance was the Republika Srbska (RS) MoF, which was keen to expand the methodology it was using to forecast GDP. This was Mr. Vasle’s fourth visit to support macro forecasting in the RS MoF, which provided an opportunity to take stock of past recommendations. On the whole this technical assistance has helped improve the skills of staff responsible for GDP forecasting, although the high staff turnover implies that further capacity building support may still be required in future.

Mr. Vasle also visited the State level Directorate of Economic Planning (DEP) to discuss key challenges and issues in GDP forecasting and possible technical assistance needs. One of the main challenges is the timely availability of reliable statistical data essential to the preparation of quality GDP forecasts. The DEP also requested advice on improving their macro-economic publication, Outlook. The expert recommended a number of improvements to the Outlook publication, notably: to include the underlying assumptions; to explain major developments, to identify risks, and to include a summary table of key indicators.

The FAD mission to review the budget system which was planned for August/September has been postponed until such time as consensus is reached between the State and entity levels on the challenges to be addressed during the mission. The prospects for such a consensus improved in late July with the finalization of a common reform agenda agreed by all parties. A new IMF program is also being discussed with the authorities.
Kosovo
A request for technical assistance on public investment management was received by FAD in July. A mission is now planned for December 2015. The mission will use FAD’s new PIMA questionnaire to identify weaknesses in public investment management.

Macedonia
The regional advisor visited Macedonia in early July to discuss the Selected Issues Paper (SIP) on fiscal rules. Debt and deficit rules aligned to the EU framework are anticipated in a constitutional amendment pending in Parliament. The authorities are preparing a fiscal responsibility law to implement the fiscal rules once the Constitution is amended. They are also considering strengthening their MTBF process and introducing program budgeting. These are among the features highlighted in the SIP which is now publicly available (http://www.imf.org/external/pubs/cat/longres.aspx?sk=43242.0).

A PEFA assessment, funded by the EU, has also been undertaken in the last few months. The authorities plan to use the findings of the PEFA to prepare a PFM reform plan by the end of 2015. The regional advisor is expected to be involved in reviewing both these documents.

Montenegro
The regional advisor received the draft PFM Reform program for Montenegro at the end of September, and will submit comments in October.

Serbia
The regional advisor visited Serbia in late August to introduce the new SECO-funded resident budget advisor, Ms. Martina Dalic, to the Minister of Finance and key staff in the MoF. The visit coincided with the IMF mission and provided an opportunity to discuss Ms. Dalic’s tasks in the context of the IMF program. Ms. Dalic formally started her assignment on September 1.

The regional advisor prepared comments on the draft PFM Reform Program, and submitted these to the authorities in late August. The comments, based on an analysis of the resources and preconditions needed for each reform action, focused on prioritization and sequencing issues. Some adjustments to the draft program were also proposed. These comments were discussed during the FAD mission on the Budget System Law in September. The EC also reviewed the PFM Reform Program in August. Based on the comments received, the authorities prepared a revised draft for final review in early October. The PFM Reform Program is to be adopted by the government in November.

An FAD mission, including the regional and resident advisors, visited Serbia in September to review the Budget System Law. The mission proposed a number of priority changes, mainly in the fiscal framework and budget formulation areas, which the authorities are currently considering. The report will be finalized by the end of October.

Mr. Frans van Schaik made a third short term expert visit in August in support of the accounting reforms agenda. The focus this time was to identify key activities and milestones for the road map to accrual accounting. A draft road map was produced which is currently under consideration by the authorities. The next visit is planned for late October.

Finally, in September the Minister of Finance requested technical assistance in the area of PPPs and public investment management. This mission is planned for late January 2016, and will use FAD’s new P-FRAM (PPP assessment) and PIMA (public investment assessment) tools.
CEF Learning Events

The regional advisor participated in the planning and delivery of three CEF-led events during the reporting period:

a) The SPB final workshop in September on Enabling Fiscal Programming of Structural Reforms – the regional advisor delivered a presentation on PFM issues related to structural reforms and also provided inputs to a discussion on budget support. Mr. Christopher Towe, Deputy Director FAD, also made a presentation fiscal policy and economic growth at this workshop.

b) The SPB High-Level Dialogue on Economic Governance in South East Europe, a half day event held on September 18, in which Mr. Towe also participated – the regional advisor was joint moderator with Prof. Mojmir Mrak at the event.

c) The CEF-CIPFA workshop on IPSAS and Moving to Accrual Accounting – the regional advisor made a presentation on the issues and challenges in the transition to accrual accounting, drawing on FAD’s shortly to be published Technical Note and Manual on this topic.

The regional advisor also provided significant support to the CEF staff in the development of their 2016-2020 learning program. The support focused both on the content of the program given the reform needs in the region, and on the presentation of the document which will be key to CEF’s communication strategy during its initial years as an International Organization.
Steffen Normann Hansen, Tax Administration Reform Advisor for SEE

This position was created in January 2011 and funded by the Japanese Government until June 2015. The position is now funded by the EU as part of the Southeastern Europe EC-Financed Technical Assistance Project: Fiscal Reforms.

**Country Activities**

**Albania**
On July 1, Mr. Hansen ended the participation in a headquarters-led mission to the General Department of Taxes (GDT) and the General Customs Administration (GDC). The purpose of the mission was to find the causes of revenue underperformance and options for corrective measures.

**Kosovo**
During August 9 – 13, Mr. Hansen carried out a mission to the Ministry of Finance; the Tax Administration of Kosovo (TAK); and to Kosovo Customs (KC). The Government in Kosovo has decided to merge the tax administration and the customs administration and the mission’s task was to get informed about their plans and to deliver preliminary advice on the merger process.

**Montenegro**
During July 14 - 15, Mr. Hansen visited the Montenegro Tax Administration (MTA) to discuss with the Director-General of MTA the objectives and expected outcomes in the new EU program as well as possible TA activities.

**Other Activities**

On September 18, Mr. Hansen participated in the CEF-organized High-Level Policy Dialogue on Economic Governance in South East Europe.