Our mission:
We 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.
Annual Report 2014
Learning and Regional Cooperation
in South East Europe
CONTENTS

5 Director’s Welcome

6 CEF Became an International Organization

8 PLAYING THE ROLE OF A KNOWLEDGE HUB IN PUBLIC FINANCIAL MANAGEMENT AND CENTRAL BANKING FOR SOUTH EAST EUROPE
10 Capturing Knowledge and Experience
12 Packaging Knowledge and Experience
14 Sharing Knowledge and Experience

16 GOVERNANCE
18 Supervisory Board
21 Management Board
22 Advisory Board
24 Coordinators

26 PARTNERSHIPS
27 Multilateral Partners
32 Bilateral Partners
37 Knowledge Institutions
38 Peer Organizations
39 Affiliated Experts

44 LEARNING AND REGIONAL COOPERATION
45 Learning Activities
64 Regional Cooperation

76 FINANCIAL REPORT

90 STAFF

92 FACILITIES

93 APPENDIX
In 2014 our long-term efforts for changing the CEF’s legal status bore fruits and I am delighted to say that the CEF became an international organization. The path to this change was often faced with challenges but we managed to overcome them with the help of our valuable partners and supporters.

I would especially like to thank our colleagues from the Slovene Ministry of Finance and the Ministry of Foreign Affairs for their support, professionalism and dedication to our common goal as well as the CEF staff for their contribution and dedicated work. I also thank our member countries – it was the strong political commitment of the governments of the signatory and ratifying countries that helped steer the way to CEF becoming an international organization. The success of this process and the support of our members give us impetus for new challenges ahead.

Today we can proudly say that we are a globally recognized regional knowledge hub in public financial management and central banking. We have exceeded the expectations that we set to ourselves thirteen years ago when the CEF was established, and I believe that as an international organization the CEF will further strengthen its role.

We will continue to pursue our main objective: to develop capacities of public officials so that they are able to respond to the current and future challenges as effectively as possible. I believe that with the change of status we will be even more successful in doing so. The change of status will facilitate hiring procedures for international staff and enhance cooperation with our partner institutions.

Excellent cooperation with the partners is one of the keys to success. 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. In turn, they contribute top-quality expertise, financial and other resources to the CEF’s programs. Together we have created an atmosphere that helps us all in achieving our goals.

The CEF’s program is shaped in cooperation with our member countries, the majority of whom have supported also our efforts for the change of legal status. Without the firm support and strong political commitment of the signatory and ratifying countries of the Agreement Establishing the CEF as an International Organization we would not be where we are today.

The change of legal status is only one step on the CEF’s development path for the benefit of our members, partners-donors and Slovenia as the founder. I am aware of the great responsibility we have, while I am also confident that our excellent mutual cooperation, dedicated work, professionalism and good will take us to new joint successes.

Mira Dobovišek
Director
The process of changing the CEF’s legal status to an international organization was successfully concluded in 2014.

After successful negotiations on the Headquarters Agreement between the Government of the Republic of Slovenia and the CEF, the Agreement was signed by Minister of Finance Dr. Dušan Mramor and CEF Director, Ms. Mira Dobovišek on December 18, 2014. The Agreement defines the terms and conditions under which Slovenia will host and finance the CEF as an international organization.

“We are proud of the progress the CEF has achieved since 2001, when it was established by the Slovenian Government at the initiative of the Slovenian Ministry of Finance. In 13 years, the CEF has grown into a renowned knowledge hub in public financial management and central banking in the region of South East Europe,” said minister Mramor at the signing ceremony. He emphasized that the Government of Slovenia would continue to support the CEF in its operations and in enhancing cooperation with other countries and international organizations.

The first official step towards becoming an international organization took place on September 3, 2013 when the Agreement on Establishing the Center of Excellence in Finance as an International Organization was signed by ministers of five CEF member countries (Bulgaria, Croatia, Macedonia, Montenegro, and Slovenia) at the signing ceremony in Bled, Slovenia. Three other members, Bosnia and Herzegovina, Moldova and Romania, signed the Agreement subsequently.

With three countries (Slovenia, Bulgaria and Macedonia) ratifying the Agreement, it entered into force just before the end of 2014. The effective turnover of legal status took place on January 1, 2015. The operation of the CEF as an international organization will be regulated by the Rules and Regulations to be approved at the first session of the Governing Board on March 31, 2015.

Ms. Mira Dobovišek expressed her belief that as an international organization the CEF will further strengthen its role in developing the capacities of public servants, with an aim to help them respond to the challenges they encounter at work as effectively as possible.
Playing the Role of a Knowledge Hub in Public Financial Management and Central Banking for South East Europe

Knowledge hubs are institutions that have the capacity to capture, package, and share broad or very sector specific experience with domestic and international partners in order to accelerate reform processes.

Thematically we focus on public financial management (PFM) and central banking reforms, and geographically on countries of South East Europe (SEE).

To accelerate reform processes, we understand that we need to combine expertise in public financial management and central banking, and contextual specifics of countries in the region with a good comprehension of how reforms take place, and how to nourish and expedite learning among individuals and institutions.
Capturing Knowledge and Experience

We are in constant dialogue with our member countries to be informed of their reform efforts in public financial management and central banking, and to understand who is leading the changes. We search for knowledge providers to share their know-how and further accelerate reform processes. We support learning by designing knowledge products that take into account different learning theories and use a variety of learning methods and tools.

REFORMING PUBLIC FINANCIAL MANAGEMENT AND CENTRAL BANKING SYSTEMS

WORKING CLOSELY WITH THE REGION AND BEYOND

Through the Supervisory Board (see p.18), we talk annually to ministers of finance and governors of central banks of our members countries to capture reform efforts in the region and collect views on our previous work.

We consult our regional representatives within ministries of finance and central banks - the CEF Coordinators (see p.24). They are human resources professionals who focus on strategic personnel retention and talent development. They not only help us capture reform efforts in their countries but also tell us who the leaders in their countries are, embarking on the change processes to make reforms in public financial management and central banking happen.

To capture the specifics of thematic priorities, we communicate with other key liaison officers in CEF member countries; members of the Program Development Committee on Central Banking; representatives of tax administrations; local coordinators of our certification programs; and experts advising us on the delivery of Strategic Planning and Budgeting activities (see p.65).

We partner with a variety of institutions that share our commitment to the region’s reform efforts: multilateral and bilateral agencies, knowledge institutions, and peer organizations (see p.26). On our own and in cooperation with them we search for knowledge providers in different thematic areas to help the region further accelerate its reform processes.

MATCHING OUR WORK WITH THE IMF’S TECHNICAL ASSISTANCE

Our activities are complemented by technical assistance from the International Monetary Fund’s Fiscal Affairs Department (IMF FAD). We function as a hub for two IMF FAD advisors in public financial management and tax administration for SEE (see p.28).

IMF technical assistance missions help us pinpoint needs for learning and knowledge sharing among practitioners. Based on these needs, we design the necessary learning activities, bringing together peer institutions and experts from the region and beyond. Many of the courses are co-delivered by IMF advisors, who contribute content that is strongly informed by their missions.

SUPPORTING CAPACITY DEVELOPMENT THROUGH LEARNING

Working closely with our member countries to support their capacity development endeavors through learning, we need first to be equipped with knowledge and skills on theories and approaches to capacity development, and second with theories of learning and an understanding how to mix appropriate learning approaches, methods and tools to make learning happen.

Research on how to support capacity development shows that capacity is not only about skills and procedures but also about incentives and governance, and that four inter-related elements need to be considered when designing any capacity development activities: resources, management, institutional framework, and support structures. Amid research findings, and based on our experience, we have developed our own understanding of capacity development.

We see capacity development as a process through which individuals and institutions build, strengthen, and maintain their knowledge and skills to define and achieve their own development objectives. We believe that capacity can only be developed when the effort has strong ownership by individuals and institutions.

We believe in the transformative role of learning and innovative learning solutions as key to supporting capacity development. We are also convinced that learning and opportunities for learning are transforming: in today’s digitalized world, content for learning and providers of knowledge are everywhere, and learning is becoming more individualized and personalized. Learning is also being transformed to the extent that knowledge no longer resides in the classroom only but among networks of individuals who share their passion and interest in certain topics.

As a knowledge hub and knowledge broker between knowledge providers and seekers, we are increasingly recognizing these transformations and aim to provide innovative learning solutions in a changing environment.
Packaging Knowledge and Experience

We design learning products, projects, and programs that fit the needs of our partner institutions and different learning theories of individuals. Based on well-defined objectives and as experts in learning, we assure that the knowledge exchange products are well facilitated.

FACILITATING KNOWLEDGE SHARING IN THE REGION

We support knowledge and experience sharing in public financial management and central banking through a variety of learning and regional cooperation formats, such as certification courses (see p 58), communities of practice (see p 71), conferences (see p 72), expert and study visits (see p 56), policy dialogue events (see p 72), seminars, and workshops (see p 45). We provide both face-to-face and online knowledge products that allow officials in the region to interact with one another in different forms.

IDENTIFYING CHANGE AGENTS AND KNOWLEDGE PROVIDERS

We carefully select the knowledge providers to our learning activities. Besides ensuring that they have technical knowledge, we pay attention to non-technical skills, such as their understanding of the importance of leadership skills, team and change management, team work, and enabling environment in general.

We also take note of their knowledge of contextual elements, such as country specifics and regional culture. We help experts, usually practitioners, feel at ease as lecturers. Our objective is to encourage jointly with our knowledge providers we encourage participants at our learning events to share their knowledge during the events and also once they return to their work places.

DESIGNING AND DELIVERING INTERACTIVE KNOWLEDGE EXCHANGE PRODUCTS FOR THE REGION

We take participatory approach to learning. We engage participants in the design, delivery and monitoring of our learning events, and build on participants’ experience. We strive to make learning events practical and in line with individual and institutional needs.

We not only put an emphasis on understanding how learning takes place but also on how it influences individuals, their colleagues, and consequently their institutions.

Our participatory approach to learning includes:
• Working continuously to understand and keep pace with the learning needs of individuals and institutions as well as regional reform agenda.
• Setting clear learning objectives to help participants understand the knowledge and skills they will gain. Setting objectives also helps us choose the right learning methods and tools, and evaluate the performance of lecturers, participants, and our own staff.
• Ensuring that learning is participant-centered and experience-based. All courses are designed to maximize interaction between lecturers and participants, and among participants themselves, using a wide range of learning methods and tools.
• Incorporating participants’ feedback throughout the process: before, during, and after the course.

ASSURING FINANCIAL SUSTAINABILITY OF REFORM EFFORTS IN THE REGION

We work with a number of partners to ensure financial sustainability of our work. We collaborate with strategic partners who share our long-term approach to reforming public financial management and central banking in South East Europe. Our partners are institutions with particular interest in the promotion of knowledge exchange, delivery of training, and facilitation of technical assistance in public financial management and central banking as well as other areas of public administration in the SEE region (see p 26).
SHOWCASING THE REGION’S SUCCESSES

We look for ways to showcase reform successes in the region through a variety of different forms, such as publications, our annual reports or publishing what we call value creation stories narrated by our participants.

To systematically collect stories from the region, we follow the conceptual framework developed by top-notch experts on social learning systems and communities of practice, Beverly Wenger-Trayner and Etienne Wenger-Trayner.

By following the Wenger-Trayner conceptual framework, we collect value creation stories that combine different cycles of value creation. The story of the value created through attending a learning event starts with a description of the immediate value of the shared learning experience (cycle 1). The story may continue to highlight the created knowledge capital, the potential value of which may be realized only later on (cycle 2). Next, the story may explain the application of some of this capital to a specific situation, and the results of it (cycle 3). Finally, the story may link the learning experience to actual performance changes that are meaningful to participants and their organizations (cycle 4); and even contribute to a reflection on the performance definition, or reconsideration of strategies, goals and values (cycle 5).

SHARING OUR EXPERIENCE GLOBALLY

We attend international conferences, partner with peer institutions and are members of international networks, such as learn4dev, to share our work experience as a thematic regional knowledge hub.

USING SOCIAL MEDIA, WEBSITES AND OTHER COMMUNICATION TOOLS TO SHARE KNOWLEDGE

We use social media to share information with our partners about our work, interesting research findings or learning events that we are organizing. We are on:

- Facebook
- LinkedIn
- Storify
- Twitter
- YouTube

In 2014 we launched a blog, CEF - Knowledge Hub, to share knowledge and experience with our partners on learning and knowledge exchange. The blog is available at http://knowledgehub.cef-see.org/.

Our website functions as a set of virtual windows to our institution and activities. We publish a monthly electronic newsletter that informs recipients of the most important and newsworthy events.
Governance

As part of our commitment to capacity development, the CEF maintains close cooperation with stakeholders.

The CEF currently has several governance bodies with distinct, complementary goals and responsibilities.

With a change of the legal status to an international organization, the governance structure will be slightly adjusted and will also become leaner. The current Supervisory and Management Boards will merge into the Governing Board of the CEF International. The roles of the Advisory Board and Coordinators will not change.
Supervisory Board

Participating countries oversee the work of the CEF through the Supervisory Board, which meets annually to set guidelines for CEF operations, adopts a work plan and program for the forthcoming year, and approves the Annual Report with financial accounts for the previous year. Members of the Supervisory Board are ministers of finance and governors of central banks, or their nominated representatives, from the CEF member countries.

After the change of legal status into an international organization the current Supervisory Board will merge together with the Management Board into the Governing Board of the CEF International.

The 14th CEF Supervisory Board Meeting was held in Washington DC on the margins of the International Monetary Fund (IMF) and World Bank 2014 Annual Meetings on October 10, 2014.

At the 14th meeting, the Supervisory Board:
• Approved the CEF 2013 Annual Report and Financial Statements for 2013.
• Endorsed the proposed activities in CEF 2015 Work Plan.
• Endorsed proposals of projects “Further Supporting Capacity Development in Strategic Planning and Budgeting in South East Europe” and “Supporting Capacity Development of Tax Administration in South East Europe” and appealed to donors to financially support the projects.
• Took note of progress in changing the legal status of the CEF and supported a timely conclusion of the process.
• Assented to the report of the Management Board for 2013.
• Assented to the report of the Advisory Board for 2013.

Members of the Supervisory Board on December 31, 2014:

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<thead>
<tr>
<th>Country</th>
<th>Member</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Shkëlqim Cari</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Elia Gjoni</td>
<td>First Deputy Governor</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Neida Spirić</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Kemal Kozarić</td>
<td>Governor</td>
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<tr>
<td>Bulgaria</td>
<td>Vladislav Goranov</td>
<td>Minister</td>
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<tr>
<td></td>
<td>Ivan Iskrov</td>
<td>Governor</td>
</tr>
<tr>
<td>Croatia</td>
<td>Boris Lalovac</td>
<td>Minister</td>
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<tr>
<td>Kosovo</td>
<td>Besim Beqaj</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Bedri Hamza</td>
<td>Governor</td>
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<tr>
<td>Macedonia</td>
<td>Zoran Slavenski</td>
<td>Minister</td>
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<td></td>
<td>Dimitar Bogov</td>
<td>Governor</td>
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<td>Moldova</td>
<td>Anatol AраЪu</td>
<td>Minister</td>
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<td></td>
<td>Dorin Drăguțanu</td>
<td>Governor</td>
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<tr>
<td>Montenegro</td>
<td>Radoșe Ţujić</td>
<td>Minister</td>
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<td></td>
<td>Miojica Dakić</td>
<td>Governor</td>
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<tr>
<td>Romania</td>
<td>Ioana Maria Petrescu</td>
<td>Minister</td>
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<tr>
<td>Serbia</td>
<td>Dušan Vujović</td>
<td>Minister</td>
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<td></td>
<td>Jorgovanka Tabaković</td>
<td>Governor</td>
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<tr>
<td>Slovenia</td>
<td>Dušan Mramor</td>
<td>Minister</td>
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<td></td>
<td>Baššjan Jazbec</td>
<td>Governor</td>
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<tr>
<td>Turkey</td>
<td>Cavt Dağlılas</td>
<td>Undersecretary of Treasury</td>
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I would like to congratulate the Center of Excellence in Finance for becoming an international organization after a successful completion of its legal status change process. The process that started in 2007 was implemented last year with the support of participating countries.

We are proud of the progress that the CEF has achieved at the initiative of the Slovenian Ministry of Finance since its establishment in 2001. Starting with only three employees, the CEF has grown into a renowned knowledge hub in public financial management and central banking in the region of South East Europe.

Over the past 13 years the CEF has expanded its network of beneficiary countries and donors, as well as its program. Given that the program has been demand driven, identification of the needs of the region remains based on close cooperation with ministries of finance, central banks and other public institutions from the member countries of South East Europe.

Like in most knowledge sharing and capacity building institutions, the CEF’s success is a result of its professional, hard-working and dedicated staff. They, 25 employees at present, are crucial for its accomplishments and growth and I am convinced that they will continue to contribute to the CEF goals also in the future.

On this occasion, I would like to point out that the Government of Slovenia will continue to support the CEF in its operations, as well as in enhancing its cooperation with other countries and international organizations.

I look forward to continuing our strong cooperation.

Dušan Mramor
Minister of Finance
Republic of Slovenia
In more than ten years of its existence, the CEF has, with its gradual expansion of programs and activities, which have responded to the region’s capacity building needs in public financial management and central banking, grown into a renowned knowledge hub in the region of South East Europe. All this would not have been feasible without highly professional and dedicated staff, and strong support from donors and partner institutions. The Management Board supports the diversification of CEF partnerships and is pleased that the CEF again fortified its partnership with the Ministry of Finance of the Netherlands that contributed to the CEF’s project of Supporting Capacity Development of Tax Administrations in South East Europe.

The Management Board believes that the CEF is well placed to continue making a difference in the way knowledge and skills can be built for the future.
Advisory Board

The Advisory Board is a representative body of the CEF’s donor partners. It advises the Supervisory Board and management on the guidelines of the CEF training program and prepares periodic assessments of the CEF operations that it presents to the Supervisory Board. The Advisory Board meets annually.

After the change of legal status into an international organization the role of the Advisory Board will not change. Up to three representatives of the Advisory Board will be members of the Governing Board.

The 12th annual meeting of the CEF Advisory Board was held in Ljubljana on September 26, 2014. Altogether 18 participants representing 16 institutions attended the meeting that was organized back-to-back with the meeting of the CEF Coordinators. This enabled the direct exchange of views on trends and capacity development needs in public financial management (PFM), revenue administration and central banking between the CEF Coordinators, partner institutions and the CEF staff.

At the meeting the Advisory Board members examined how cooperation and coordination among the CEF partners can be strengthened for the benefit of our members, and what changes are foreseen in the governance and operations of the CEF once the international legal status comes into effect. The Advisory Board also welcomed its new chair, Mr. Mitja Štrukelj from the Slovenian Ministry of Foreign Affairs.

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The Slovenian Ministry of Foreign Affairs is proud to have supported the CEF in its changeover. For Slovenia, the CEF has been a role model for successful implementation of our development cooperation.

Participating institutions at the Advisory Board meeting in 2014

| ADETEF – Assistance Technique France |
| Bank of Slovenia |
| CIPFA – Chartered Institute of Public Finance and Accountancy |
| Embassy of Germany to Slovenia |
| European Commission (DG Elarg) |
| European Commission (DG Taxud) |
| IOTA – Intra-European Organization of Tax Administrations |
| IMF – International Monetary Fund |
| Ministry of Finance, the Netherlands |
| Ministry of Finance, Slovakia |
| Ministry of Finance, Slovenia |
| Ministry of Foreign Affairs, Poland |
| Ministry of Foreign Affairs, Slovenia |
| National Academy for Finance and Economy, the Netherlands |
| National Bank of Belgium |
| OECD – Organisation for Economic Co-operation and Development |
| ReSPA – Regional School of Public Administration |
| UNDP Bratislava Regional Centre |
Coordinators

The CEF Coordinators are regional representatives responsible for capacity development, who are involved in the strategic management of human capital within their respective institutions. As human resources professionals they focus on strategic personnel retention and talent development, and thus have an important role in influencing the organizational growth of their institutions.

After the change of legal status into an international organization the role of the Coordinators will not change.

The Coordinators meet periodically to discuss the CEF program for the upcoming years and to help the CEF establish training needs and priorities in the region. The 2014 meeting of the CEF coordinators was held on September 24–26 in Ljubljana. The group of CEF coordinators was for the first time augmented by several groups of other key liaison officers in our member countries so as to provide additional insight into capacity development needs in the main thematic priorities of our learning program and regional cooperation efforts.

At the meeting participants identified the main capacity development challenges in central banking, tax administration, accounting, auditing and budgeting, and ways how to address them in the CEF post-2015 agenda. They discussed these challenges in thematic groups and on the last day of the meeting they presented the outcomes to the CEF Advisory Board, which represents our donors and partners. The meeting of the Coordinators and Advisory Board were held back-to-back to identify ways of strengthening strategic cooperation and coordination, and to establish new alliances in promoting capacity development in South East Europe.

Hristina Lozanoska
Head of HR Development Division
HRM Department
National Bank of the Republic of Macedonia

It is my pleasure to be part of the CEF network as a coordinator from the National Bank of the Republic of Macedonia, because it gives me an additional value to my professional life. This professional network provides me a lot of useful information about the human resources management and capacity building practices in other similar institutions in CEF member countries. Apart from networking, transparent communication and exchange of experience, I also appreciate the informal activities in the form of friendly meetings, where the greatest contribution is made by the CEF team with their creative arrangements and dedication.

I find the CEF’s way of organization of interactive workshops very creative and innovative, they are particularly useful, and institutions can contribute to the creation of CEF’s future programs, intended for central banks and ministries of finance. Therefore I also find the CEF’s seminar program very rich and up-to-date, with relevant topics, which meet the needs and expectations of central bank employees as regards their day-to-day work priorities. Building institutional capacities in any organization is done through proper training and effective knowledge sharing among the employees.
CEF 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, financial and other resources to the CEF’s programs.

Multilateral Partners

The CEF achieves significant results by working with a wide range of multilateral partners. Their reach, specialization, and expertise help us meet our objectives for capacity development in the member countries. In turn, they gain from our in-depth knowledge of the region’s training needs. Over time, cooperation with some of them has become multidimensional, including the International Monetary Fund, the World Bank, and the European Commission.

Multilateral partners that we worked with in 2014:
- Central European Initiative
- European Commission
- European Court of Auditors
- European Insurance and Occupational Pensions Authority
- European Property Institute
- International Monetary Fund
- Intra-European Organization of Tax Administrations
- Organisation for Economic Co-operation and Development
- United Nations Development Programme
- The World Bank
To address our member countries’ priorities and needs, the CEF works closely with the International Monetary Fund, through the Fiscal Affairs Department (IMF FAD), whose regional technical assistance advisors for South East Europe use the CEF as their hub for missions.

The CEF hosts two IMF FAD advisors and their support staff, who are funded by the Japanese government. 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 then designs workshops that address these needs, bringing together peer institutions and experts from the region and beyond. Many of the courses are delivered by the IMF advisors, who contribute content that is strongly informed by their missions. Our learning events are highly participatory and include an evaluation process to ensure that we capture input to inform and strengthen the future activities. This 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.

This excellent cooperation with the IMF and its advisors promotes sustainable capacity development in our member countries. We expect to continue hearing from beneficiaries about the positive results.

Europe remains at a difficult juncture, with several euro area countries facing the challenges of low growth and low inflation (or even deflation). Weak activity in the euro area could lead to spillover effects for countries in South Eastern Europe, especially where fiscal vulnerabilities remain high. Strengthening fiscal institutions to reduce vulnerabilities and ensure fiscal sustainability over the longer term remains a key objective.

There has been encouraging progress in improving fiscal institutions, including in public financial management (PFM) and revenue administration (RA) capacity. For example, in PFM, many countries have continued to strengthen their medium-term budget frameworks; increase the capacity of independent fiscal agencies; improve the quality of fiscal forecasts and reports; and better integrate cash and debt management. Similarly, in RA, efforts continue to better align tax administrations with good international practices, including establishing corporate development plans; modernizing laws; streamlining organization structures; redesigining business processes; upgrading IT systems; and most importantly, gradually phasing in modern compliance risk models.

Yet, large challenges remain in the region. In PFM, medium-term budget frameworks need to be strengthened to ensure that fiscal policy objectives are successfully achieved. In some countries, budget execution controls and fiscal reporting systems need to be bolstered. The growing demand for technical assistance to support spending reviews shows that policymakers are keenly aware of the need to improve efficiency and targeting of scarce resources to where they are needed most. Better fiscal transparency, including better public scrutiny of government spending and taxation, is also gaining strong support in the region. Similarly, in RA, most countries in the region need to continue to align closely with the EU Fiscal Blueprints. Technical assistance has concentrated on helping tax administrations improve their strategic management capacity; streamline organization structures; implement modern compliance management methods; and strengthen IT systems.

From the Director,
IMF Fiscal Affairs Department

Vitor Gaspar
Director, Fiscal Affairs Department
International Monetary Fund
The CEF has been working with the World Bank for more than a decade. In 2014 our collaboration focused on our continuing role as the secretariat for the Public Expenditure Management Peer Assistance Learning (PEMPAL) network. In 2013, for the second time, the World Bank and its donor partners selected the CEF to serve as the secretariat for PEMPAL, a well-regarded network of practitioners in public financial management across Eastern Europe and Central Asia. See section “Learning and Regional Cooperation” for detailed information.

Our cooperation with the World Bank also includes the field of communications. We collaborate with World Bank senior communications officer Paul McClure who is our associate fellow and regularly lectures at the CEF workshops on communication topics.

In 2014 cooperation with the World Bank included our participation at the 2nd High-Level Meeting on Country-Led Knowledge Hubs (HLM2) that took place on June 23–26, 2014 in Seoul, where we presented our case of developing institutional and operational capacity in support of learning and knowledge exchange among the CEF member institutions. In addition, we were invited to speak about our approach to learning and evaluation.

The CEF is also a member of the World Bank’s Global Development Learning Network (GDLN), which helps its affiliates cooperate in offering their facilities, services, and interactive distance learning techniques to the global development community, with a focus on knowledge sharing, training, consultation, and dialogue events. In 2014 we visited the Croatian Academic and Research Network (CARNet), also member of the GDLN, to exchange knowledge and experience on the latest trends and technologies in distance learning.

2014 was another dynamic year for PEMPAL. The program continued to grow and had a very busy schedule of activities. The highlight of the year was the big plenary meeting of the whole network, held in May in Moscow. Because of the particular complexity of the logistics of this huge event, the work of the organization committee for which I chaired our interaction with the secretariat was even more intense.

The secretariat arrangement is an important success factor of the PEMPAL program. The leadership teams of PEMPAL Communities of Practice include real enthusiasts who are extremely dedicated to the program. However, they all hold important positions in their countries and need reliable support with organizing the network’s activities.

The secretariat team employed by the CEF is excellent, their level of professionalism and dedication is highly appreciated by everyone. With the arrival of the new team leader, Gašper Pleško, in 2014, the team has become even more dynamic and responsive and one can feel the true team spirit prevailing among the members.

The World Bank team supporting PEMPAL is looking forward to the continuation of our productive collaboration with the secretariat in 2015.

The CEF is cooperating with the European Commission in the Strategic Planning and Budgeting (SPB) project, which is a part of the Building Capacities for Policy Design and Implementation (BCPDI) program, and the EU Strategy for the Danube Region (EUSDRI) project.

The BCPDI is a program developed by the CEF at the initiative of beneficiaries in South East Europe, with input from the European Commission and involvement of international financial institutions. The SPB addresses, with a series of learning events, 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 macrofiscal policies, and thus to achieve the goals of the South East Europe 2020 strategy as established by the beneficiaries.

The CEF is a coordinator for Priority Area 10 of the EU Strategy for the Danube Region (EUSDRI) along with the City of Vienna: we are tasked with stepping up institutional capacity and cooperation. To date, it is one of the most active priority areas within the strategy. The EUSDRI is a macroregional strategy adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. It aims to boost development by seeking synergies and coordination among policies and initiatives across the Danube region.

See section “Learning and Regional Cooperation” for detailed information.
The CEF has established successful cooperation with a number of bilateral institutions, and we are always looking to expand this type of partnership. Our skills in implementation complement our partners’ top-notch content experts, which enables us to offer relevant, timely, and high-quality learning to our members.

Bilateral partners that we worked with in 2014:

- ADETEF (French Governmental Agency for International Technical Assistance in the Economic and Financial Field), as of 2015 AFETI (French Agency for International Technical Expertise)
- African Tax Institute, University of Pretoria, South Africa
- Audit Authority for Audit of Instrument for Pre-Accession Assistance, Macedonia
- Bank of Slovenia
- Bureau for Economic Policy Analysis, Netherlands
- Court of Audit of the Republic of Slovenia
- Delegation of the European Union to Albania
- De Nederlandsche Bank (DNB), Deutsches Institut für Internationale Zusammenarbeit (GIZ) GmbH, Germany
- DTZ Kinnisvaraekspert Tallin Office, Estonia
- Federal Foreign Office, Republic of Germany
- Financial Administration, Slovenia
- Government of Slovenia
- Institute of Macroeconomic Analysis and Development, Slovenia
- Institute of Public Finance, Croatia
- Insurance Supervision Agency, Slovenia
- Irish Revenue
- Ministry of Agriculture and the Environment, Slovenia
- Ministry of Development (SPD), Turkey
- Ministry of Finance, Albania
- Ministry of Finance, Croatia
- Ministry of Finance, Montenegro
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovenia
- Ministry of Finance, the Netherlands
- Ministry of Foreign Affairs, Slovenia
- Ministry of Infrastructure and Environment, the Netherlands
- Ministry of Public Works and Transport, Albania
- Ministry of Transport and Communications, Macedonia
- National Academy for Finance and Economy, the Netherlands
- National Bank of Belgium
- Oslo City Administration, Norway
- Prime Minister Office of Montenegro
- SEO Economic Research, Netherlands
- Standing Conference of Towns and Municipalities (SKGO), Serbia
- Statistical Office of the Republic of Slovenia
- Swiss Agency for Development and Cooperation (SDC)
- Tax and Customs Administration, the Netherlands
- United States Agency for International Development

Along with the Ministry of Finance, a number of Slovenian institutions – the Bank of Slovenia, Institute of Macroeconomic Analysis and Development, line ministries, and many others – participate heavily in CEF workshops, which offer a key resource to support the continuous professional development of their staff. Amid recent economic uncertainty, our Slovenian partners have shown unflagging support for the CEF’s mission to promote awareness of international standards and best practice in the region’s public financial management and central banking. Both the Ministry of Finance and the Ministry of Foreign Affairs have provided valuable assistance to the CEF’s change in status to a fully-fledged, but still Slovenian-based, international organization.
The CEF is working with the United States Agency for International Development (USAID) in the project Training of Internal Auditors in the Public Sector (TIAPS) in Macedonia. USAID and the Slovenian government jointly offer internal auditing training to raise the quality of public internal auditing in Macedonia. TIAPS is implemented by the CEF that has the necessary technical and regional expertise in public financial management.

Partner profile
United States Agency for International Development

The first phase of our joint U.S. and Slovenian assistance, which aims to develop the internal audit profession in Macedonia, resulted in 45 certified internal auditors. Through the TIAPS project, 65 auditors attended a comprehensive one-year training, and 45 of them successfully completed the certification program. It provided them with professional qualifications in line with international standards and best practices, and contributed to increases in accountability, transparency, and efficiency of the public sector.

A unique project designed to intensify U.S. partnerships with newer donor governments from Central and Eastern Europe, TIAPS was awarded through the U.S. State Department’s Emerging Donors Challenge Fund. It partnered with the Macedonian Ministry of Finance to ensure the program’s sustainability and equal opportunity for civil servants at all levels of government in Macedonia.

Partner profile
Ministry of Finance, the Netherlands

The Dutch Ministry of Finance and De Nederlandsche Bank (DNB) are two of the CEF’s most important partners in delivering our workshops and seminars. Working with the CEF is a key part of their outreach to transition countries. In turn, the partnership has allowed us to expand our course offerings and deepen their quality.

Dutch experts frequently serve as guest lecturers in two- to three-day missions. These in-kind contributions to the CEF offer a solid platform for an effective experience sharing and peer learning. The workshops allow participants to benefit from Dutch experience and lessons learned, while lecturers gain a perspective on the challenges and progress in reforms across CEF member countries.

The Dutch Ministry of Finance financial contribution helped increase participation at our taxation and auditing workshops.

This excellent cooperation will continue to flourish by introducing new courses and subject areas while focusing on a hands-on and experience-based approach.

The Dutch Ministry of Finance and the CEF go back a long way. For many years, experts from our Ministry have delivered workshops at the CEF, for example in the area of audit and taxation. Our ties are close and it is a pleasure to work with such a professional organization like the CEF.

The CEF’s work is much appreciated in the SEE countries. We know most of these countries very well because we share constituencies at the IMF, the World Bank and the European Bank for Reconstruction and Development. We can see that the CEF program enhances the skills of public servants and supports the countries in their reform efforts. This way the work of the CEF contributes to our own goals to support reforms, demand-driven and policy-oriented knowledge transfer and a genuine exchange of views and experiences between our Ministry and the Ministries of Finance in our constituency countries.

With the CEF becoming an international organization we can intensify our cooperation, for instance in strengthening the role of line ministries in the budget process. We will also participate in the new and comprehensive tax program that will be launched in 2015. Finally, our Ministry is proud to be nominated as member of the Governing Board of the CEF.

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Partner profile

Federal Foreign Office, Republic of Germany

The CEF cooperates with Germany in the Training of Internal Auditors in the Public Sector (TIAPS) project in Montenegro. Following the successful implementation of the second part of TIAPS in 2014, the German embassy in Slovenia and the CEF at the beginning of 2015 signed the third grant agreement for funding the continuation of TIAPS in Montenegro. Administrative reforms and in particular good public finance management are crucial for the accession process of EU candidate states. I have been German Ambassador to Montenegro, an EU candidate since 2012, for half a year. It was a pleasure to get to know the work of the Slovenia-based Center of Excellence in Finance as the leading regional institution promoting capacity building in public finance across SEE. It was an honor to participate in the closing ceremony of the first training of internal auditors in the public sector in Montenegro on December 15, 2014. The German government has recognized the importance of the CEF’s work and has been supporting it from the Stability Pact fund for SEE. The recognition of the CEF as an international regional organization is well deserved. I would like to congratulate the CEF and wish a successful continuation of its valuable work in the years to come.

Gudrun Steinacker
Ambassador of the Federal Republic of Germany in Podgorica, Montenegro

In first half of 2014 we worked very closely with the Swiss Agency for Development and Cooperation (SDC) in preparations for the organization of the learn4dev network 2014 Annual Meeting that we co-hosted. 20 donor agencies and multilateral organizations met in Ljubljana from June 16–18 to discuss new trends in international development cooperation, the way we can respond to associated challenges through learning and knowledge sharing, and the value of the network in this regard.

The participants of the meeting agreed that it is important to reinforce learning culture within the organizations and that developing learning capacities should be part of the strategic decision of each organization. This way the organizations will be better equipped to face challenges in changing international environment.

Knowledge Institutions

The CEF strengthens the quality of learning programs by building strong relationships with organizations that have unparalleled knowledge in our topic areas. Key examples include the U.K.-based Chartered Institute of Public Finance and Accountancy and the U.S.-based Lincoln Institute of Land Policy. In addition we cooperated in 2014 with Australian New Zealand School of Government; Biotechnical Faculty, University of Ljubljana, Slovenia; Faculty of Electrical Engineering and Computer Science, University of Maribor, Slovenia; and School of the Built Environment, University of Ulster, Northern Ireland. We also tap the expertise of the CEF Associate Fellow from the Faculty of Economics, University of Ljubljana. We will continue to build and deepen our partnerships with knowledge institutions.

Partner profile

Chartered Institute of Public Finance and Accountancy

The CEF partners with the Chartered Institute of Public Finance and Accountancy (CIPFA) in promoting sound public financial management and good governance. Starting in 2006 with the Training of Internal Auditors in the Public Sector program in Slovenia, our partnership has expanded steadily, serving public accountants and internal auditors in Albania, Croatia, Kosovo, Macedonia, Moldova, and Montenegro. The joint efforts include making training available in local languages.

CIPFA is proud of its longstanding partnership with the CEF, as both organizations have congruent mutual objectives in improving public financial management across national borders. In the current economic climate, it is even more important that we seek to provide the best possible advice, guidance and support to national and regional governments and public sector organizations to improve their capacity and capabilities in making best use of public funds. The continuing development of our joint professional courses to meet regional and international requirements demonstrates our commitment to this aim, and we gratefully acknowledge the support of donor organizations in funding some of this work.

As CIPFA continues to grow its global reach and authority, it welcomes the CEF’s recognition as an international body, and we look forward to the potential to deepen and extend our relationship in the future. On a personal note, I have enjoyed a close working relationship with the CEF, finding the team to be some of the most committed and dedicated professionals I have worked with.

Giles Orr
Executive Director - Development and New Markets
CIPFA

CIPFA’s practical focus on high-quality knowledge and skills in public financial management complements the CEF’s skills in implementation. Today the training programs for public sector accountants and internal auditors are recognized in countries of South East Europe as efficient, hands-on capacity building efforts that match the recipients’ needs. New requests for training by recipient countries and donors demonstrate the success of this partnership.
Peer Organizations

As a development training institution, the CEF pays particular attention to how we can engage with similar institutions. We work bilaterally with peer institutions like the International Training Centre of the International Labour Organization and Institut des Finances Basil Fuleihan as well as broader networks, such as learning4dev, an association of learning professionals in international development agencies. This wide range of cooperation allows us to learn from the policies and practices of other donors and training institutions, and share with them our own rich experience in the field.

Our first encounter with the CEF dates back to November 2011, when the Basil Fuleihan Institute’s team paid its first visit to the CEF – a visit which aimed at exchanging experiences and benchmarking practices between our two institutions.

We had heard a lot about this center from colleagues at the World Bank, IMF, SIGMA-OECD and others. Led by a small team of competent, dynamic and mind-stimulating staff, the CEF’s approach to capacity building, organizational culture, innovative practices, activities and networking impressed us.

In beautiful Ljubljana, we found like-minded people, striving for excellence and we learned from them. Since then, we have been very pleased to count the CEF among our strategic and reliable partners and also among our friends.

Complementary Roles in Capacity Development

The CEF has a particularly complementary role to play with the Regional School of Public Administration (ReSPA), based in Danilovgrad, Montenegro, and the Joint Vienna Institute (JVI) in Austria. Working closely together increases the efficiency of results that our three organizations deliver for clients. Both ReSPA and the JVI are important partners in delivering the Strategic Planning and Budgeting program.

ReSPA facilitates regional cooperation through shared learning and networking with a focus on a broad range of public administration issues, while the CEF focuses in depth on public financial management. Deepening and expanding our cooperation with the JVI is also increasingly important in light of the strong need and demand for capacity development in macroeconomic issues from countries in South East Europe and the former Soviet Union.

Affiliated Experts

The CEF works closely with expert practitioners and academics in all fields of public financial management and central banking. Each year, dozens of these experts contribute to our learning events and regional cooperation efforts. Special attention is put on involving regional experts from CEF member countries. In addition, we have brought on board CEF Associate Fellows. We also host two regional technical assistance advisors as part of our extensive partnership with the IMF’s Fiscal Affairs Department.

Steffen Normann Hansen, IMF Tax Administration Reform Advisor:

“As 2014 was my first year working with the IMF as the regional revenue advisor for South East Europe, it might be relevant to reflect on my first experiences working together with the tax administrations in so many countries and on the cooperation with the CEF. First I am really impressed by the warm welcome I received in all the seven countries that I visited. I only met very committed managers and staff doing their very best to run their administrations with the aim of improving the collection of taxes and creating a more taxpayer-friendly environment.

That said, I have also found that there is room for the demand-driven technical assistance the IMF is offering. It seems that tax administrations all accept the logical progression to improve taxpayer compliance, increase transparency and build trust in the tax administration by phasing in a modern Compliance Risk Model (CRM). Introducing the CRM means developing compliance strategies that focus efforts on major compliance risks, reflecting these strategies in annual plans and improving compliance tools (e.g. audit organization and methods, taxpayer services, and enforced collection) as well as developing and increasing the skills of tax administrators. But frequent rotation or replacement of tax administration management teams has caused reform delays and lack of institutional memory in some countries, resulting in a need to bring these new teams up to speed as quickly as possible.

Due to this development, in 2014 the regional advisor (until June 2014 Norman Gillanders in Ljubljana and Stan Shosbree in Belgrade) focused much on helping tax administrations strengthen their governance and management approach to accelerate reforms and strengthen day-to-day business as well as on putting in place relevant change management activities, a task that is often underestimated. Both Norman and Stan paid attention to improving risk analysis capacity in tax administrations as this is a necessary pre-condition for better compliance management. In 2014, the IMF advisors continued to play an active part in CEF tax workshops that promoted better compliance management. Workshop themes included better management of large taxpayers and changing taxpayer behavior. Thanks are due to the Dutch tax authorities who continue to make Professor Lisette van der Heij available as a trainer; she was described as a “compliance guru” by one of the participants in the 2014 workshop program.

In 2014 the Swiss State Secretariat for Economic Affairs (SECO) financed a conference for heads of tax administrations to discuss strategies and methods to ensure taxpayer compliance by high wealth individuals. The conference was organized in a close cooperation between the IMF and the CEF.

All these issues will continue to be addressed in 2015, along with the following top priorities for the IMF technical assistance:

• Further modernizing tax procedure codes
• Enhancing tax agencies’ capacity for strategic planning and performance management
• Organizing tax agencies around core tax administration functions
• Right-sizing headquarters and local office structure
• Putting in place comprehensive compliance management programs
• Establishing tax fraud investigation capacity
• Introducing human resource management policies

I hope to be able to further increase the cooperation with the CEF and participate as much as possible in their targeted training and learning events, especially by assisting in the design of the learning program, based on my experiences gained from working with tax administrations in the region.

Let me finally thank the CEF for hosting me and giving me this great opportunity to work in such an improve ment-driven and committed environment.”
The focus on general government, particularly in the context of meeting ESA2010 reporting obligations (now being asked of accession countries as well as member countries), has meant ongoing efforts to strengthen financial and fiscal reporting systems. FAD’s recent assistance in the region has included consolidation of general government fiscal data, development of new accounting and reporting standards, moving to accrual accounting, and improving quality and consistency of fiscal reports prepared under different frameworks (e.g. cash, accrual, and statistical). In addition, FAD has provided feedback to authorities on the design or extension of their IT systems that support accounting and reporting.

The crisis has also exposed areas of fiscal risks which went previously unreported or underreported. There has already been some interest in FAD’s new fiscal transparency code, with one country in the region which has already done an evaluation. One specific area of concern is the routine tracking, analysis and reporting of financial developments and risks in state-owned enterprises, for which new skills are needed in some of the finance ministries in the region. Fiscal risks related to large public investment projects, including public-private partnerships, have also been discussed with a number of countries.

Each of these reforms require accompanying capacity development, and we are fortunate to be located within and to collaborate closely with the Center of Excellence in Finance which has been pioneering practical training and strengthening macroeconomic and fiscal forecasting and the preparation of forward estimates. For some, we have focused on re-energizing program/performance budgeting initiatives started in the 2000s. One country has initiated a periodic spending review process to support consolidation and rationalization proposals; others are considering following suit.

We noticed a clear uptick of interest to address the above issues during 2014, in part due to the appointment of more reform-minded ministers and senior staff, and partly due to external pressure most notably from the EU. Sustained political support is essential for the successful completion of these medium-term reforms, alongside more effective communication, better institutional coordination, and greater involvement of line ministries, which brings us as advisors into contact with a wide range of counterparts.

In 2014 we also continued to focus on issues of budget execution, in some countries which are facing significant arrears problems, our advisory support has helped the authorities get to evaluate the problem, establish arrears clearance programs, and strengthen controls to reduce the risk of recurrence. In general, commitment control and efficient cash and debt management have both remained high demand areas for our technical assistance, as part of a broader effort to contain spending within general government fiscal deficit targets.
In particular, I wanted to bring to the region the benefits I remain active in the region as a short-term expert. My time as IMF regional advisor ended in May 2014 but I was able to quickly establish a network of contacts in the world of regional taxation. Even better was the fact that the CEF already had an established and expanding program of tax training. It was possible for me to contribute to the program by adding workshops that reflected the specific themes of my mission. In particular, I wanted to bring to the region the benefits of new practices in the field of compliance management.

Working with CEF management, and in particular with Ms. Tina Žagar, project manager for tax training, I developed training seminars on modern approaches to compliance management, the importance of risk-based planning of compliance actions, the use of risk models and the importance of taxpayer segmentation especially for large taxpayers and high wealth individuals. It was interesting to see the officials who came to the CEF for these events, ranging from top management to front line audit staff. We ran each event over the course of three days; this gave us enough time to explore our topics thoroughly. Using the CEF’s pedagogical approach added to the impact of the training. The training approach is based on active classroom participation through case studies and structured reflection on lessons learned. Everyone participates, so everyone learns.

My initial contacts with the CEF were as the Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) and then with a particular responsibility for its international development. The CEF was (and is) an ideal partner. Jointly we developed a professional training program for financial managers in Western Balkans countries, which subsequently developed as an internal audit program and has extended its reach geographically. In introducing this program we had some difficult problems to solve, not least the language problem. Training materials were developed and examinations set in English but after an initial cohort of students from countries very few were sufficiently well versed in English to cope with instruction and assessment in this language. But jointly we found solutions and that demonstrates how good the CEF has become at tackling complex problems in the pursuit of its objectives.

For me it will be a very great privilege to continue working with the CEF as an Associate Fellow.

My time as IMF regional advisor ended in May 2014 but I remain active in the region as a short-term expert working for the IMF and the World Bank. It also gives me great satisfaction to be able to continue working with the CEF. This includes a very successful seminar on influencing taxpayer behavior held in October 2014. To respond to the challenge whereby the tax administrations in the countries most affected by the economic crisis have suffered severe cutbacks in their budgets for training, we jointly also prepared a clear, thorough and targeted project proposal “Supporting Capacity Development of Tax Administrations in South East Europe Project” for funding of cooperation activities. The purpose of this project is to help moving countries closer to the very valuable templates for contemporary tax administration contained in the EU Fiscal Blueprints.

Modern taxation methods are spreading throughout South East Europe but much remains to be done. The CEF is well placed to take an important role in training for progress; better tax systems can build better societies.”

— Norman Gillanders, CEF Associate Fellow

“The CEF is an organisation that has provided an essential contribution to the development of financial management, using a very broad definition, in countries wishing to adopt modern international practices. It has provided drive and expertise and a space where people from different countries can gather to hear about and debate topics which are directly relevant to their and their country’s needs. Delegates do not seem to feel at all inhibited in advancing their points of view or indicating areas where they need to learn and make progress. This is a great tribute to the learning environment created by the CEF because, take those delegates back to their own countries and many would feel much more inhibited about expressing their opinions or discussing problems.

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— Noel Hepworth, CEF Associate Fellow

Max Watson, CEF Associate Fellow, died in December 2014.

Max was involved with our institution before anybody else currently working at the CEF. As an IMF’s European Department representative he attended the CEF’s first Supervisory Board meeting in June 2001 in Ljubljana, Slovenia. The CEF grew. Max moved to a position of the Economic Advisor on Eastern Europe to the Director-General at the European Commission, and we stayed in contact.

Max showed a very strong interest in and knowledge of political economy of South East Europe. In 2006, on his initiative, we together developed a Workshop on Policy Co-ordination and Financial Stability. His case study on the Republic of Convergia quickly gained popularity as he repeated the workshop on an annual basis to central bankers, experts from ministries of finance and employees of financial supervisory agencies. He soon gained recognition as one of our most experienced and popular instructors on financial issues.

Thus it was no surprise that Max became the CEF’s first Visiting Fellow after leaving the European Commission in 2008. His visiting fellowship was supposed to be a “cool-down period” which we actually never quite understood. His dynamic lifestyle and round-the-clock focus on work definitely brought a lot of heat and energy to the CEF.

During his stay at the CEF (from February to April 2008), he initiated the Turbulence in Global Financial Markets and its Impact on Europe roundtable, held at the CEF jointly with the Chatham House in April 2008. He was strongly urging the upcoming global economic and financial crisis. He also developed, among others, a new workshop, Introduction to Central Banking. Most importantly, he worked with us in identifying the capacity development needs of our member countries in the area of economic and financial policy design, implementation and coordination. With his substantial input and in close collaboration with our member countries and the IMF Fiscal Affairs Department, we developed the Building Capacities for Policy Design and Implementation program that was in early 2009 in Washington discussed among our member countries’ ministers of finance, central bank governors, the IMF, the European Commission, the European Central Bank, and the CEF.

As the CEF’s first Associate Fellow, Max presented the CEF’s first concept of the BCPDI program at the TAIEX workshop for ministry of finance and central bank policy-makers in December 2009. With his important contribution we developed this program further and as a result designed thus far two projects: SAFE-funded Fiscal Impact of Structural Reforms (2012–2013) and EU-funded Strategic Planning and Budgeting (2013–2015).

Max believed in his work, in the CEF as an institution, and in us as his CEF colleagues. Above all, he believed in South East Europe. He made a true impact on the CEF’s program. We will miss him as an expert and as a true friend.
Learning and Regional Cooperation

The CEF helps develop the capacities of individuals and institutions with a wide range of activities in learning and regional cooperation. We share knowledge and experience in public financial management and central banking through workshops, seminars, tailored trainings, certification programs, and conferences, and we are actively engaged in a growing number of regional programs.

Learning Activities

Workshops & Seminars

Our workshops and seminars provide guidance for current and future tasks in reforming public finance and strengthening central banking. They also develop government officials’ individual capacity and teamwork, through an emphasis on effective communication and constructive problem solving. We add value through high-quality learning events based on a thorough understanding of learning needs across the SEE region. This practical orientation enables engaging public officials in cooperative learning by working in teams on problems and projects and thus enhancing the value of practitioner-to-practitioner interaction.

Our workshops and seminars cover the following categories and topics.

>> PUBLIC FINANCIAL MANAGEMENT (PFM)
- Tax Policy and Administration
- Budget Preparation and Execution
- Treasury, Accounting, and Financial Reporting
- Internal and External Accountability Mechanisms

>> CENTRAL BANKING

>> SOFT SKILLS TO SUPPORT REFORM

CEF Workshops and Seminars Program:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of participants</th>
<th>Number of events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Financial Management</td>
<td>514</td>
<td>24</td>
</tr>
<tr>
<td>Central Banking</td>
<td></td>
<td>4</td>
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<tr>
<td>Soft Skills to Support Reform</td>
<td>120</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>695</strong></td>
<td><strong>35</strong></td>
</tr>
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</table>
PUBLIC FINANCIAL MANAGEMENT

The CEF Public Financial Management workshops and seminars cover all phases of the budgeting process, including formulation of aggregate fiscal policy, revenue collection, budget preparation, budget execution, accounting and financial reporting, auditing, and policy review.

>> GENERAL PUBLIC FINANCIAL MANAGEMENT

We offer an introductory course and some special topics in addition to the major subtopics in Public Financial Management as detailed in the sections that follow. Under the general PFM heading we delivered three workshops in 2014.

**Participants by Country**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>58</td>
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<tr>
<td>Bosnia and Herzegovina</td>
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<td>Bulgaria</td>
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<td>Croatia</td>
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<td>Kosovo</td>
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<td>Moldova</td>
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<td>Montenegro</td>
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<td>Romania</td>
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<td>Serbia</td>
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<tr>
<td>Slovenia</td>
<td>100</td>
</tr>
<tr>
<td>Turkey</td>
<td>87</td>
</tr>
<tr>
<td>Other Countries*</td>
<td>61</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>696</td>
</tr>
</tbody>
</table>

*Other countries include: Armenia, Cyprus, the Czech Republic, Georgia, Hungary, Jordan, Latvia, Lithuania, Mongolia, Poland, Slovakia, Sweden, and Ukraine.

"You cannot open a book without learning something." (Confucius)

One can imagine what happens if you meet many people at the same time who have opened (and not only opened) a lot of interesting books and who were also willing to share their experience in the field. In my opinion the CEF creates just as many opportunities as reading a lot of books.

My attendance to "Employing Compliance Risk Management in Tax Administrations" has given me the opportunity to:

- Meet again and listen to the gurus of CRM approach – Lisette Van der Hel and Norman Gillanders, thanks to which the Compliance strategy no longer looks like a brain surgery.
- Meet new colleagues from countries that are very similar to my country, whose efforts in the same field (although sometimes in a different way), encouraged me to carry on and pursue our goal.
- Share my experience and receive my colleagues’ feedback which is crucial for any correction or adjustment of the applied methodology and approach in my country.

Yordanka Kondareva
Deputy Director, Risk Management
Directorate
National Revenue Agency, Bulgaria

The CEF’s learning program on taxation consisted of six learning events in 2014. The curriculum combined inputs from the International Monetary Fund, the Dutch Ministry of Finance, Irish Revenue, the Lincoln Institute of Land Policy, and others. The overarching theme of our taxation learning program in 2014 was modern, risk-based approaches to tax compliance, using the EU/OECD risk management framework for tax.

The events were well-attended and well-received. The diversity of the participants’ country origins allowed for the courses to be a one-stop avenue for the valuable exchange of ideas and country experiences. The idea behind here is to offer tax officials easily accessible profiles of countries’ tax systems, and the policies adopted to improve those systems, that could inspire reforms at home. The program combined traditional learning methods with the participatory approach to learning.
Our learning program focused on examining the role of strong fiscal institutions in improving the quality of fiscal management and helping to ensure fiscal sustainability. We reviewed good practices for a sound budget process, and connected those to sound management and reporting on fiscal rules.

We examined the implementation of a medium-term orientation of fiscal policy as part of a medium-term budget framework (MTBF). We discussed in detail the elements and processes to operate fiscal policy within a MTBF and the linkages to fiscal rules.

As part of the budget documentation we talked about the role of providing information about the results achieved by the spending of public resources, and addressed new trends in performance information.

Another topic of discussion was the importance of effective planning and implementation of public investments in ensuring a country’s social and economic development, and its financial stability. We specifically focused on strengthening capacities for enhanced coordination of current and capital spending.

The program also looked at the core features of the public financial management system which help keep the budget on track, how the various controls interact to ensure effective budget execution, and examples of best practice in the region for effective budget execution control.

Bosnia and Herzegovina is currently investing efforts in introducing program budgeting. The knowledge and good practice shared at the Strategic Planning and Budgeting (SPB) project helps me and my colleagues to strengthen our capacities in this field. I am working in the Budget Sector of the Ministry of Finance and Treasury, as an associate for reporting. My tasks include preparation of tables and data from the financial management information system for drafting summaries of quarterly, semi-annual and annual reports on budget execution of Bosnia and Herzegovina institutions. I have attended three SPB training and networking activities.

Upon return to office, I shared knowledge, information, and materials with my colleagues to familiarize them with the course content, and we also discussed the experience of other countries. Capital Budgeting workshop gave me more insight into capital investments. At the Training-of-trainers, I learned how to give powerful presentations, keep the attention of the audience, and perform as a good speaker.

In addition we have designed a course on the EU instrument for Pre-Accession Assistance (IPA) to help our member countries keep pace with reform efforts and to achieve better results. The IPA is an EU financial instrument to help candidate and potential candidate countries introduce political, economic and institutional reforms they need to align with EU standards. We dedicate special attention to this field, as over half of the CEF member countries are beneficiaries of the IPA under the new EU financial framework 2014–2020.

Our workshop IPA Funds in EU Financial Framework 2014–2020 gave participants a detailed overview, supported with practical examples and group work, of programming, implementing, realizing, and evaluating the IPA II. Participants presented the institutional set-up of the IPA in their countries and worked on a specific project.

Number of events: 8
Number of participants: 159

Workshops and seminars
- Integration of Structural Reforms into Fiscal Programming*
- IPA Funds in EU Multianual Financial Framework 2014–2020
- Medium-Term Budgeting*
- Program Budgeting, Evaluation and Spending Review*
- Capital Budgeting*
- Budget Submissions of Line Ministries*
- Macroeconomic Forecasting*
- Managing Spending and Keeping the Budget on Track

* The event was specifically designed within the European Union hosted Strategic Planning and Budgeting (SPB) project. The overall objective of the SPB is to contribute to strengthening of beneficiary countries’ capacity to design and implement medium-term macrofiscal policy.
Our 2014 learning program on internal and external accountability mechanisms was aimed at supporting continuous professional development of auditors in various forms of audit, defining and enhancing the role of internal audit to be in line with the modern perception of internal audit profession as well as at using international standards in internal audit. Learning events were delivered by experts from the Dutch Ministry of Finance, Deutsche Gesellschaft für international Zusammenarbeit (GIZ), Slovenian Court of Audit, European Court of Auditors, and by renowned independent experts.

Learning events were either new or redesigned to match the specific needs of internal and external auditors. One of the newly introduced learning events in 2014 was Strengthening Supreme Audit Institutions (SAI). The course gave an overview of current discussions on the specific needs of internal and external auditors.

All events were highly appreciated by attendees. Participants acknowledged that the CEF learning events enable knowledge sharing among practitioners, thus adding value and contributing to professional development across the region.

First I would like to commend the work of the CEF, because your workshops stimulate participants to learn about various cultures, customs and working methods. What is very important is the exchange of opinions among the participants and, on the basis of that, learning about the problems that we encounter in internal audit work, as well as ways of addressing them. The CEF workshops have helped me renew my knowledge and skills, and also obtain new knowledge that will give me a great benefit in future work. In particular: skills for conducting interviews with the responsible persons of the audited entity, and the types of fraud and ways of detecting and dealing with them.

Borko Abramovic
Internal Auditor
Secretariat of Judicial Council of Montenegro

I am very pleased that the TIAPS training course, which I attended and successfully completed, is very similar to the way you are working. Namely, the TIAPS training and the certificate that I received, is only the first step in further professional work. In order to keep up with the changes, it would be great if the CEF could, through new workshops, inform us about the new trends in internal auditing.

I wish all the best to the CEF and its staff, who is organizing the workshops and selecting great lecturers.

Fatih Altunok
Director of Macro Financial Analysis Division, Banking and Financial Institutions Department, Central Bank of the Republic of Turkey

It was a great opportunity to interact with people in the same field from other countries in terms of exchanging views, including personal and country experiences. This gave me a chance to compare alternative policies implemented by other countries and discuss their impacts, which provided me a broader vision of policy analysis. In particular, the case study enabled me to conceptualize economic and financial problems realistically and to develop policy recommendations to deal with those problems, while taking into account the constraints imposed by other agencies involved in decision-making. I learned that policy coordination is a tough but very crucial process in terms of success of policies to promote financial stability. I have a job that requires a lot of coordination in applying new policies as well as in developing consistent ideas across institutions for international official meetings. I now apply all the new skills and knowledge in my work.

Fatih Altunok
Director of Macro Financial Analysis Division, Banking and Financial Institutions Department, Central Bank of the Republic of Turkey

Recent economic developments have forced us to rethink the established framework and practices. It has become essential to restore financial stability and to kick start the economies while establishing effective tools for crisis prevention and management. Central banks are playing a vital role in ensuring stability and development of national economies.

Central banking as a thematic area has always been an integral part of our learning activities. To strengthen central banks’ capacities, the CEF is assisting them by enhancing individual and institutional knowledge and skills.

To step up the efforts in the field of central banking in our program, we established a permanent Program Development Committee on Central Banking in 2014. The Committee members are representatives from the beneficiary and donor institutions. Its aim is to jointly discuss the capacity development needs in the SEE region and to address the novelties and best practices in central banking and ways of applying them in practice. Together with the Committee members we envisage to widen the program in the upcoming years by adding new contents to our existing learning activities.

Central Banking

Number of events Number of participants
Workshops and seminars
7 162
- Strengthening Supreme Audit Institutions
- Performance Auditing
- Internal Audit: Working Closely with Management to Maximize the Value
- Introducing International Standards in Internal Audit
- The Role of Internal Auditing in Risk Management with an Emphasis on Fraud and IT Risks
- Financial Audit
- Environmental Auditing

Number of events Number of participants
Workshops and seminars
4 61
- Retail Payments
- Wholesale Settlement Systems and Monetary Policy Framework
- Fraud Prevention, Detection and Investigation
- Policy Coordination in Promoting Financial Stability

Environmental Auditing

Workshops and seminars

• Introducing International Standards in Internal Audit

Workshops and seminars

• Strengthening Supreme Audit Institutions
• Performance Auditing
• Internal Audit: Working Closely with Management to Maximize the Value
• Introducing International Standards in Internal Audit
• The Role of Internal Auditing in Risk Management with an Emphasis on Fraud and IT Risks
• Financial Audit
• Environmental Auditing
### Workshops and Seminars: Delivery Partners

CEF workshops and seminars are delivered in close cooperation with international partners and, within our region, institutions from beneficiary countries. In 2014 a total of 90 experts from 53 institutions delivered lectures at our workshops and seminars. The partners listed below may have also worked with experts from institutions not listed here to ensure best knowledge exchange at the CEF’s workshops and seminars.

- African Tax Institute, University of Pretoria, South Africa
- Audit Authority for Audit of Instrument for Pre-accession Assistance, Macedonia
- Australia New Zealand School of Government
- Bank of Slovenia
- Biotechnical Faculty, University of Ljubljana, Slovenia
- Bureau for Economic Policy Analysis, Netherlands
- Carr Communications Ltd, Ireland
- Court of Audit of the Republic of Slovenia
- Delegation of the European Union to Albania
- De Nederlandsche Bank
- Deutsche Gesellschaft für Internationale Zusammenarbeit, Macedonia
- European Union’s Institute for Public Administration, the Netherlands
- European Court of Auditors
- Eudaimonia Unipessoal LDA, Portugal
- European Court of Auditors
- European Insurance and Occupational Pensions Authority
- European Property Institute
- Faculty of Economics, University of Ljubljana, Slovenia
- Faculty of Electrical Engineering and Computer Science, University of Maribor, Slovenia
- Financial Administration, Slovenia
- IB Interbilans Audit d.o.o., Slovenia
- Institute of Macroeconomic Analysis and Development, Slovenia
- Institute of Public Finance, Croatia
- Insurance Supervision Agency, Slovenia
- International Monetary Fund
- Irish Revenue
- Joint Vienna Institute
- KPMG, Slovenia
- Lincoln Institute of Land Policy, United States
- McCarron Heal Ltd, United Kingdom
- Ministry of Agriculture and the Environment, Slovenia
- Ministry of Development (SPS), Turkey
- Ministry of Finance, Albania
- Ministry of Finance, Croatia
- Ministry of Finance, Montenegro
- Ministry of Finance, the Netherlands
- Ministry of Finance, Sweden
- Ministry of Foreign Affairs, Slovenia
- Ministry of Infrastructure and Environment, the Netherlands
- Ministry of Public Works and Transport, Albania
- Ministry of Transport and Communications, Macedonia
- National Bank of Belgium
- Oslo City Administration, Norway
- Prime Minister Office of Montenegro
- Regional School of Public Administration (ReSPA)
- School of the Built Environment, University of Ulster, Northern Ireland
- SED Economic Research, Netherlands
- Standing Conference of Towns and Municipalities (SKGO), Serbia
- Statistical Office of the Republic of Slovenia
- Tax and Customs Administration, the Netherlands
- Večajk Svetovanje, Slovenia
- World Bank
- 4E d.o.o. Slovenia

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<table>
<thead>
<tr>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>120</td>
</tr>
</tbody>
</table>

### Sofa Skills to Support Reform

Besides employees’ good technical skills effective reform processes require also excellent soft skills. Our courses in this thematic area help develop soft skills that are needed in challenging processes: clear communication, effective leadership, strategic thinking, continuing commitment, effective planning, and people and project management.

In 2014 we introduced new workshops and broadened our course offerings in soft skills. The Project Cycle Management workshop was complemented by workshops on optimizing business processes, and planning and leading organizational change. All three learning events were successfully delivered by Brendan McCarron. To address some of the challenges that public sector managers in South East Europe face, we organized, in cooperation with the Irish counterparts from the Carr Communications, a workshop on strengthening management skills. The event was organized for the first time and was a great success. With Paul McClure we delivered two workshops on Writing Strategic Documents in Montenegro and at the Bank of Slovenia. This new concept of written communication, applied to the writing of actual strategic papers, was long desired and successfully implemented.

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### In January 2014 I had the chance to attend the workshop on Improving the Quality and Cost-Effectiveness of Business Processes, lectured by Brandon McCarron. I met a lot of colleagues from other countries working in the same or similar area. I used this experience to spread my business network, which allowed me to promote information sharing. The acquired knowledge and skills helped me see my organization and internal processes from another point of view. I also acknowledged improvement in my managerial behavior and management process itself. I now try to apply the knowledge and skills (e.g. defining value, data collecting, mapping, validating process) in daily work by using them as a staff leader in order to encourage my employees to mutually resolve problems. I noticed that this has positively affected their work, which I am especially proud of.
Workshops and Seminars: Financing

Financing in cash is recorded and reported in the CEF’s financial statements in the currency of the accounts, i.e., in euros (EUR). Only contributions in kind that are not recorded and reported in the financial statements are reported below.

PARTICIPANTS

The 695 participants who attended CEF workshops in 2014 accumulated a total of 2,116.5 participant days. Most of the participants were financed by a sponsoring institution, i.e., an employer or bilateral donor. Costs are estimated at EUR 200 per participant per day, plus EUR 500 for airfare. Participation by Slovenians and participants that were financed through the CEF is estimated at nil cost.

<table>
<thead>
<tr>
<th>Country</th>
<th>ALL Participants</th>
<th>Participants sponsored by sending institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Days</td>
</tr>
<tr>
<td>Albania</td>
<td>58</td>
<td>167.8</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>93</td>
<td>334.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12</td>
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<tr>
<td>Croatia</td>
<td>6</td>
<td>115.9</td>
</tr>
<tr>
<td>Kosovo</td>
<td>74</td>
<td>215.3</td>
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<tr>
<td>Montenegro</td>
<td>57</td>
<td>179.3</td>
</tr>
<tr>
<td>Romania</td>
<td>16</td>
<td>49.5</td>
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<tr>
<td>Serbia</td>
<td>33</td>
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</tr>
<tr>
<td>Slovenia</td>
<td>100</td>
<td>299.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>57</td>
<td>164.5</td>
</tr>
<tr>
<td>OTHER COUNTRIES**</td>
<td>81</td>
<td>165.8</td>
</tr>
</tbody>
</table>

TOTAL 695 2,116.5 406 1,281.1 304,660

* Estimated costs in EUR = days × 200 + participants × 500
** Other countries: Armenia, Cyprus, the Czech Republic, Georgia, Hungary, Jordan, Latvia, Lithuania, Mongolia, Poland, Slovakia, Sweden, and Ukraine.
Tailored Trainings

The CEF organizes tailored trainings to facilitate the exchange of experiences and know-how in areas of particular interest to its 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.

Exploring Opportunities to Strengthen Capacities of Georgian Internal Auditors

In 2014 the CEF hosted a delegation from Georgia as part of their study visit to Slovenia, which provided valuable insights and lessons learned on the development and implementation of the internal audit function in Slovenia.

CEF Director Mira Dobovišek gave a short overview of the CEF’s scope of activities and presented the CEF’s professional qualification training program for public sector internal auditors, TIAPS. This program strengthens professional qualifications in internal audit processes in line with international audit standards and best practice. The visit generated lively discussions among the participants who agreed that continuous training of staff is vital in supporting reforms and successfully implementing the internal audit function.

The study visit was organized by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in cooperation with the Budget Supervision Office of the Ministry of Finance of Slovenia on January 19–22, 2014.

Study Visit of Young Professionals of the Dutch Ministry of Finance

On their study visit to Slovenia, a group of 30 young employees of the Dutch Ministry of Finance also visited the CEF. The group returned from Bosnia and Herzegovina, one of the Dutch constituency countries in the IMF, the World Bank and EBRD. In Slovenia, they learned about our financial system and institutions, macroeconomic outlook and measures to offset the economic downturn.

On June 4, the group spent the afternoon at the CEF where they also met their Slovenian counterparts from the Ministry of Finance. They learned about the Slovenian budget cycle process and implementation of EU budgetary rules from Saša Jazbec, Director General for Budget and her colleagues who also covered the state of affairs in privatization and financial market rules. The Slovenian tax administration talked about the challenges and successes in fighting tax fraud.

Quite a few of the young Dutch professionals already knew about the CEF, its role and the longstanding relationship with the Dutch finance ministry. For years, the Dutch have been one of the CEF’s most significant donors and partners. Many experts from the Dutch Ministry of Finance have been sharing their knowledge and experiences in budgeting, auditing, taxation and other topics with the officials from South East Europe attending the CEF’s learning events. Seven CEF member countries are also members of the Dutch constituency, which adds value and supports aligning of donor assistance to those countries.

At the end, the group met with Dirk Jan Kraan who is a former employee of their ministry and at the time of the study visit held the position of IMF Public Financial Management Advisor for South East Europe that is hosted by the CEF. Mr. Kraan explained how the IMF is tackling the issues of public financial management through a combination of technical assistance and learning.
Certification Programs

CEF Certification Programs share international knowledge and good practices with internal auditors and accountants in the region’s public sector, helping ensure that high standards are attained in public sector governance and accountability.

In cooperation with the Chartered Institute of Public Finance and Accountancy (CIPFA), the CEF offers certification programs for public sector accountants and internal auditors. Each is a two-level program, with each level taking one year to complete:

- Public Accountants Certification Training – PACT (replaces a former program Capacity Building in Public Accounting - CBIPA)
- Training for Internal Auditors in Public Sector – TIAPS

Certification programs aim to fill the gap in attention that has been paid to the training of public sector finance staff and their career development. This is especially important at a time when government reforms are placing new demands on the staff responsible for public financial management and placing their level of professionalism and competence. In addition, the process of accession to the European Union calls for changes in legislation and new approaches to public finance while maintaining high standards in public sector governance and accountability. Our certification programs also offer synergies with the CEF’s wide range of workshops on the topics of accounting and auditing.

Training of Internal Auditors in the Public Sector (TIAPS) is a program that strengthens professional qualifications in internal audit processes. It helps individuals apply international standards and improve accountability within reformed public finance systems. The curriculum devotes special attention to requirements introduced by EU accession processes. For more information about the program, please visit www.cef-see.org/tiaps.

Public Accountants Certification Training (PACT) is a program that supports improvements in public sector accounting systems and standards. It has established regional training and certification, helping a new generation of public finance staff contribute to better transparency and accountability, thus aiding the development of good governance. The program emphasizes the importance of establishing and observing international public sector accounting standards and helps countries raise the status of their accounting profession in line with the EU member states. For more information about the program, please visit www.cef-see.org/pact.

Both programs consist of a Certificate level and a Diploma level, each of which can be completed within a year. Certificate and diploma holders benefit from an advanced career path, with the opportunity to attain senior posts within the employer’s structure as well as ongoing participation in professional development activities organized by CIPFA and the CEF.

Building on successful experiences in several countries, the CEF offers the program to other members, who are invited to inquire how they can implement it. Each recipient country is expected to contribute to financing and to actively cooperate with the CEF in implementing the program. In Slovenia, we operate a self-sustaining, fee-based program.

In line with CIPFA standards, CEF headhunters ensure the hiring of high-quality local tutors. Well educated local tutors are especially important, since the goal is sustainability and independent running of the program following the project’s completion.

CIPFA frequently updates the curriculum in light of new auditing and accounting standards. In addition to the latest developments, the materials reflect best practice in transfer of knowledge and experience. Translating the CIPFA materials into the local language is a highly demanding part of the program. Materials have to be fine-tuned with the official terminology of the beneficiary country, and that requires constant work with the local institutions and tutors. To respond adequately to this requirement, the CEF contracts tutors to translate the materials they will teach; high-quality linguists are hired as proofreaders.

The CEF carefully sets the training agenda to align local public calendars, the demands of the students’ work, and the schedules of the CIPFA tutors. We also arrange with the beneficiaries’ ministries of finance and students’ employers to provide incentives for active and constructive participation in the training. CEF assesses students’ feedback on the timing, methodology, and other training arrangements, to ensure that we maximize their motivation. So far, students have provided positive feedback on the timing and methodology setting of the training and exams.

Building on the feedback provided by students and tutors from previous training in the region, the CEF conducts regular assessment of participants’ views. Our staff maintains regular communication with local coordinators and tutors, and when possible, with the students. The survey tool was made available to let students appraise the tutors’ work, materials, and training methodology. Students are requested to participate in the evaluation process after each exam, as well as upon completion of the training.

Survey results are analyzed and taken into consideration when a new program is created. Several constructive changes have taken place as a result: training has been adjusted to students’ time availability, and thus was reset from mentoring to in-classroom style; the translation of materials was adjusted in line with the required terminology and linguistic demands; and the approach to localization was set to include all the factors that boost program sustainability. The CEF also analyses the students’ professional backgrounds and training results, to help students with practical advice on how to approach the demanding tasks of the learning materials, as well as to help tutors understand the students’ learning challenges. Evaluation helps the CEF enhance the implementation of CIPFA standards, and adequately respond to complex and challenging professional realities that program participants face.
Regional Programs

Internal Audit

The CEF has carefully assessed the region’s needs and priorities for the Training of Internal Auditors in the Public Sector (TIAPS) program; these findings have aligned with the needs expressed by finance ministries. We are also heavily engaged in project design and fundraising for delivery of programs.

TIAPS Montenegro

On January 29, 2014 the launch of TIAPS level 1 training for the second generation of students took place. The TIAPS aims to build and strengthen professional qualifications for up to 40 public sector internal auditors. The program is implemented by the CEF in cooperation with CIPFA, who ensures the high quality of the training and issues international certificates to successful attendees. The funding partner of the project is the German Government Stability Pact.

Simultaneously with the opening of the new training cohort, the CEF finalized the activities of level 1 training for the first generation of students. The project concluded with the closing event on June 6, 2014 in Podgorica, where 24 successful TIAPS students received their certificates.

The one-year professional qualification program was made possible through joint funding from the German Government Stability Pact, the Central European Initiative, the Ministry of Foreign Affairs of the Republic of Slovenia, the Montenegrin Ministry of Finance, and the CEF.

The training course for the second generation of students came to an end on December 15, 2014 with the closing ceremony. The project partners congratulated the 17 new certified internal auditors and additional three from the first generation who had successfully completed the criteria to be awarded a certificate.

The Ministry of Finance has expressed the need for continuation of TIAPS activities with another group of level 1 students. The beneficiary – the Ministry of Finance – and the CEF have drafted a project proposal and have received support from the German government for financing an additional generation of students. The contract agreements are in the pipeline and are expected to be completed by the end of 2014.

Marija Popović

Head of Department of Budget Accounting and Reporting
Ministry of Finance, Montenegro

Being one of the students of TIAPS was a very valuable and useful experience for my professional and personal upgrade. As Head of Department of Budget Accounting and Reporting at the Ministry of Finance of Montenegro I communicate daily with a lot of colleagues from other budget organizations but not in person. At this training course, I had the opportunity to get to know some of them better, which will significantly improve our cooperation because of working as a team during the whole program.

Since I am an accountant I cooperate with auditors, and one of the reasons I joined this program was to improve my knowledge in this area. Back then I was not aware how much I would learn about the accounting standards and this profession from another perspective, and how much it would positively influence my everyday work. This program really helped me develop a skill and a different view, especially on control and risk management.

TIAPS Macedonia

The US Donors Challenge Fund through the USAID and Slovenia’s Development Cooperation through the Ministry of Foreign Affairs of Slovenia decided to extend their financial support for the TIAPS program in Macedonia. The decision to extend financing was based on the very favorable results achieved by the first two cohorts at the certification level (level 1) of the program, who studied in the period from 2012 to 2014. The CEF signed a contract with the Slovenian Ministry of Foreign Affairs in early July 2014 for the period of 15 months. The remaining period of the project will be funded by the US Donors Challenge Fund. The two-year program will end in 2016.

The opening ceremony for the second generation of students that will be enrolled in the TIAPS in 2014-2015 was held on October 21, 2014 in Skopje. The new cohort will include 35 students who have passed the enrollment test on basic accounting and bookkeeping. Local tutors had already been trained and a consultation meeting held with CIPFA. Thus, materials and tutors are ready for the start of the training course.

Simultaneously with the opening of the new project, the closing event and delivery of certificates to the first generation of TIAPS students took place in October, Altogether 45 students – public sector internal auditors from all state levels – got a CIPFA certificate.

Leposava Apostolovski Velinov
General IFA Auditor
Audit Authority for Audit of Instrument for Pre-Accession Assistance, Republic of Macedonia

Taking into account that the strategic priority and objective of the Republic of Macedonia is to become a full member of the European Union, which means that it should fully comply with and apply the international standards and best practices in public financial management, I am glad to have had the privilege to take part in the TIAPS project in Macedonia.

This training course gave me the opportunity to confirm existing knowledge, gain new knowledge, and share experience through practice with other participants and with the friendly and competent lecturers from Macedonia and Slovenia. Participation in the training enhanced my knowledge of good governance and the efficiency of sound public financial management. The application of the knowledge gained at the training in our future work is the real reward for the students, lecturers, and also for the organizations and funders.

I extend my gratitude to the CEF, CIPFA and the Ministry of Finance of the Republic of Macedonia for the professional organization of TIAPS level 1, and to the donors USAID and the Government of the Republic of Slovenia who made this training possible.

I hope that TIAPS level 2 will start soon.
Accounting

In 2014 the CEF continued to provide the training of public accountants in Macedonia. With this the CEF responded to the need for further capacity development, as expressed by Macedonia’s Ministry of Finance.

PACT Macedonia

In the third quarter of 2014 the CEF signed a contract with the Ministry of Finance of Macedonia for the implementation of a second cohort of Public Accountants Certification Training (PACT) in the country. The financing is secured by the World Bank SAFE Trust Fund and the Central European Initiative.

The project started in autumn with the opening event on September 18, 2014 in Skopje. The program aims to train up to 40 students at the certificate level in 2014-2015 and up to 40 students at the diploma level, provided that the project is extended to 2015-2016. In addition, the program will enable to train up to three local trainers per training module and provide Macedonian authorities with the training materials in the local language. The project also envisages establishment of a task force for complete institutionalization and localization of the certification program.

PROGRAMS IN SLOVENIA

Authorized and supported by the Slovenian Ministry of Finance, the CEF delivers Certification Training Programs to public sector internal auditors and accountants in Slovenia. The programs are financed through participation fees and supervised by the Program Steering Committee. The two programs are self-sustaining and operate as distance learning. For more information, please visit www.crf.si.

Accounting

Since 2003, four generations of Slovenian students have completed the accounting studies through the CEF’s program. In total, 146 students have been awarded a CIPFA certificate and 131 students a CIPFA diploma.

Delivery of the program has slowed, pending changes to the Public Finance Act that will stimulate studies by requiring mandatory qualification for certain positions in the accounting profession.

Internal Audit

Since 2006, the pilot year for training of internal auditors in Slovenia’s public sector, 142 students from seven generations of internal auditors have been awarded with a CIPFA certificate, while 46 students have received a CIPFA diploma.

In the academic year 2014/2015 the training will not be implemented due to the insufficient number of applications. The tender for the academic year 2015/2016 will be published before June 2015.
Regional Cooperation

To promote regional cooperation in South East Europe, the CEF has developed or is participating in a number of regional projects. Our activities provide ample opportunity for networking. We help our beneficiaries to get connected with colleagues in their home country and abroad, as well as with best international experts. Our participatory learning approach stimulates getting to know each other. Likewise, we promote knowledge exchange across institutions involved in public financial management, especially between ministries of finance (including tax administrations and other constituent bodies) and line ministries, as well as central banks. We offer our beneficiaries opportunities to share their expertise, looking for opportunities to involve them, e.g. by presenting case studies on their country or by co-facilitating our activities.

For outstanding experts from the region we arrange trainings of trainers that help build confidence and skills in lecturing and carrying out training activities, and strengthen their ability to share knowledge domestically and internationally.

In addition, we promote effective regional policy dialogue at ministerial and technical levels by bringing together policy-makers, practitioners, academics, and other experts for discussions that balance theory and practice. Each year our capacity development agenda is set at the CEF’s governance meetings and at least one high-level regional policy conference.

Building Capacities for Policy Design and Implementation

Fiscal Impact Assessment of Structural Reforms

Given the high demand for “Fiscal Impact Assessment of Structural Reforms: Case Studies on South East Europe”, a book published by the CEF in 2013, we issued a second edition in 2014.

In 2012-2013, we invited beneficiaries from SEE countries to discuss country case studies on how fiscal costs of structural reforms are integrated into countries’ annual budgets and medium-term fiscal documents. Covering nine countries, the book presents in-depth needs assessment on a key issue that has not been sufficiently addressed: how the costs of these reforms are integrated within countries’ budget processes and fiscal programming documents.

Strategic Planning and Budgeting

In 2014 we addressed the capacity development needs identified by the FIASR case studies through a series of learning and networking events within the EU-funded project on Strategic Planning and Budgeting (SPB), which we started in March 2013 and will deliver until September 2015. For example, we recently developed a new coursework on the Integration of Structural Reforms into Fiscal Programming, and on Budget Submissions of Line Ministries.

The SPB is designed to serve the needs of beneficiary institutions in SEE countries: EU candidate and potential candidate countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia and Turkey) and the recently acceded EU member Croatia; all of these being also CEF member countries. To stimulate further knowledge exchange, the SPB activities are also available to other CEF (non-)member countries to the degree that sufficient space is available, and other sources of funding are available for these participants.

The SPB addresses capacity needs in policy design, implementation and coordination of medium-term macroeconomic and fiscal frameworks, and inclusion 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 macrofiscal policies, and thus to achieve the goals of the South East Europe 2020 strategy, as established by the beneficiaries.

In 2014 the CEF continued the successful delivery of the SPB project, further extending our efforts to strengthen capacities of budget officials also at line ministries. It helped integrating their needs in our coursework on budget preparation and execution, and incorporating budget officials of other budget users (mainly budget-intensive line ministries) in joint learning activities with their counterparts from ministries of finance, which was much appreciated by participants. Another focus of the SPB activities in 2014 was to strengthen the capacities of leading experts of beneficiary institutions to share their knowledge as trainers, and to involve some of them as co-facilitators and co-lecturers for the project.

The SPB activities raised awareness among officials of institutions coordinating medium-term macrofiscal frameworks about the need and opportunities to improve these frameworks, and helped strengthen their skills in contributing to drafting various European Commission surveillance reports, for example the Economic and Fiscal Programme or the Pre-Accession Economic Programme (EFP/PEP). Post-event surveys show that the delivered activities helped to strengthen public administration officials’ capacities in developing these frameworks, promoted sharing of experience and best practices, and provided opportunities to strengthen networks with other officials.

We also hosted a Result-Oriented Monitoring mission sent by the European Commission, which confirmed that the implementation of the SPB is well on track, with good prospects for achieving the set targets and positive regional impact. As part of the project we started documenting the value creation of SPB activities through interviewing selected participants after their return to office. The ‘stories’ are included in the CEF newsletter, marked as SPB newsfeed. Efforts are underway to further extend the documentation of the results of the project, and to sustain its impact in the future.
In 2014 the CEF delivered the following learning and networking activities under the SPB project:

**Macroeconomic Policy Analysis (January)**

The five-day Macroeconomic Policy Analysis workshop took place at the Regional School of Public Administration (ReSPA) in Danilovgrad, Montenegro. Its content and experts were provided by the Joint Vienna Institute in cooperation with the IMF. The objective of the workshop was to strengthen participants’ expertise in assessing country’s macroeconomic situation and evaluating economic policies.

**Training of Trainers (February)**

The training of trainers was also delivered at ReSPA. It gave an opportunity to identify future change agents at finance ministries in SEE who could be involved in sharing technical knowledge on strategic planning and budgeting with their colleagues at finance and line ministries, and at international forums. Budget officials from regional ministries of finance discussed the significance of learning, and prepared and practiced giving a powerful lecture.

**Integration of Structural Reforms in Fiscal Programming (April)**

The workshop evolved from policy coordination issues identified within the FIASR project. It aimed at identifying key stakeholders in coordinating fiscal programming, illustrating strategic planning and budgeting processes, reviewing the integration of strategic macrofiscal documents, recognizing ambiguous responsibilities and different interests, exchanging good coordination practices, pointing out transparency issues, and reviewing information flows among stakeholders. The workshop discussed concepts of structural reforms, their fiscal implications and integration into fiscal programming.

**Programme Budgeting, Evaluation and Spending Review (May)**

The workshop helped participants better understand the challenges in implementing program-oriented budgets, including procedures, regulations, and evaluations. It addressed the design of a program-oriented budget classification, highlighting the example of a specific line ministry (i.e. a ministry of education), the role of performance information steering of arm’s-length agencies, and spending review procedures to make better informed decisions about future financial resource allocations when revising the medium-term expenditure framework.

**Medium-Term Budgeting (May)**

The objective of the workshop was to help participants to better understand objectives and features of multi-year budgeting, to identify the challenges and bottlenecks in these reforms, and to share experiences with colleagues from the SEE region and international experts about how to overcome them. It provided a practical model for SEE to build a medium-term budget framework from a top-down perspective. Moreover, it put a strong emphasis on macroeconomic and revenue forecasting, and the role of fiscal rules.

**Capital Budgeting (September)**

The objective of this workshop was to familiarize participants with the fundamentals of capital planning, budget formulation and execution (i.e. developing policies, setting priorities, choosing projects, cost benefit analysis, determining multi-year cost estimates, and assessing alternative methods of financing, with special attention to forms of public private partnerships). It highlighted good practice in the ex-ante evaluation, selection, and execution of public investment projects (i.e. procurement methods, project monitoring, changes in cost estimates, and project completion evaluations). In addition, the integration of capital investments in the regular budget process (i.e. baseline estimates, link to medium-term budgeting; handling of cost overruns) was touched upon.
**Budget Submissions of Line Ministries (October)**

The primary objective of the workshop was to strengthen budget users’ capacity to respond to budget instructions. It promoted a joint understanding of the importance of good macrofiscal frameworks, especially in the context of preparing for EU accession, and exchange of best practices in ensuring realistic and consistent budget submissions. It helped explore key institutions involved in the budget preparation process, especially with respect to crosscutting, intersectoral policies and structural reforms. We discussed critical elements in the guidance of budget users’ submissions, i.e. with respect to the quality of instructions, templates, formats, definitions, and hearings. And we explored the operations and methodology needed to assess the fiscal impact of existing and new policies.

**Macroeconomic Forecasting (October)**

The Macroeconomic Forecasting workshop took place at ReSPA. Its content and experts were provided by the Joint Vienna Institute in cooperation with the IMF. The workshop aimed at strengthening participants’ expertise in key techniques for macroeconomic forecasting that are essential for describing the macroeconomic outlook and for strategic planning. The workshop started with an online EViews refresher module, and engaged participants in a range of hands-on exercises. The topics discussed included evaluation of regression models, properties of time series data and co-integration, vector auto-regressions and error-correction models, conditional forecasting with time series data, and forecasting with panel and cross-section data.

**Writing Strategic Documents (October)**

The workshop focused on strategies to make English writing and editing more direct, cohesive, and engaging. On the basis of samples of participants’ own writing, it discussed how to better establish an editorial style, and strengthen consistency and clarity (i.e. outline and organization of the text, highlighting key messages, and guiding the reader through sentences and paragraphs). It strengthened participants’ skills to edit themselves and others, and to target their writing (and its formatting) to their audience, while avoiding bureaucratic language.

Montenegro is currently implementing a medium-term budgeting framework; these efforts emphasize the importance of learning from other countries’ good practices. The Ministry of Finance has an important role in establishing a good framework; however, good medium-term budgeting cannot be properly done without the line ministries involved. Including public finance experts from line ministries in a discussion with their colleagues from ministries of finance develops capacities on both sides, and promotes transfer of knowledge. Soft skills strengthened in the SPB training-of-trainers will surely help me with sharing my professional expertise more effectively. The workshop on medium-term budgeting provided an opportunity to apply what I have learned in this training, by becoming a lecturer and co-facilitator myself. In that role, I shared the experience of Montenegro in establishing a medium-term budget framework, and gave feedback on a simulation of budget negotiations between ministries of finance and line ministries.

After returning to office, participants can initiate improvements in their institutions, for instance through communicating what they have learned to their colleagues, or through raising awareness to their superiors and decision-makers of promising reform alternatives and good practices from other countries in the EU and in the region.
EU Strategy for the Danube Region

The EU Strategy for the Danube Region (EUSDR) marked its third year of implementation in 2014. Along with the City of Vienna, the CEF is coordinating the Priority Area 10 of the EUSDR which deals with institutional capacity and cooperation.

In February, the CEF participated at a coordination meeting of all ministries involved in the setting up of macroregional strategies and implementation of the EUSDR. At the meeting, organized by the Slovenian Ministry for Foreign Affairs that acts as a National Contact Point (NCP), planned macroregional strategies were presented and open issues debated.

Priority Area Coordinators (PAC) and NCPS of the EUSDR convened in Vienna in March for the fourth time since the inception of the strategy. This year the emphasis of the discussions was on future governance of the strategy. The European Council recognized the advantages and value added of the EUSDR and macroregional strategies in general; yet it has also become clear that roles of the most visible strategy stakeholders – PACs, NCPS, steering groups, ministers and the high-level group – need to be redefined and adapted to improve the impact and effectiveness of the strategy implementation.

In coordination with the steering group, the CEF pre-selected three project ideas addressing the issues of institutional capacity and cooperation. Three projects were chosen and submitted for the second call of the Technical Assistance Facility for the Danube Region Projects, which supports project ideas through the provision of consultancy services.

In May, the CEF organized the 6th meeting of the Steering Group of the Priority Area 10 in Ljubljana that was attended by a majority of the Danube region countries, NCPS of Romania and Slovenia, and a representative of the European Economic and Social Council.

In June, in cooperation with the International Organization for Migration and the Priority Area 9 dealing with people and skills, the CEF organized a workshop on Migration Management at Local Level in Eisenstadt, Austria. In addition, the CEF organized a workshop “Building Institutional Capacities in the Danube Region in Practice – Presentation of Integrated Project Approaches and Exchange of Experiences” at the EUSDR Annual Forum in Vienna.

In October, the CEF actively participated at the 7th meeting of the Priority Area 10, hosted by the Representation of the Land Baden-Württemberg in Brussels.

For further information about the EUSDR please visit www.cef-see.org/eusdr.

PEMPAL

The CEF continued to serve as the secretariat for Public Expenditure Management Peer Assisted Learning (PEMPAL), a World Bank supported and well-regarded network of practitioners in public financial management across Eastern Europe and Central Asia.

In 2014 the CEF provided logistical and administrative services for 19 PEMPAL face-to-face meetings and 14 videoconferences that aimed to improve the efficiency, effectiveness, and transparency of public expenditures in countries of the region.

This included a joint meeting of PEMPAL’s Internal Audit, Budget and Treasury communities of practice, a single event that brought together around 200 participants and high-level officials in Moscow, and consisted of plenary and working group meetings, study visits for practitioners, and meetings of PEMPAL’s Steering Committee and leadership groups.

As the secretariat, the CEF was also involved in organizing thematic video conferences: it drafted quarterly and annual performance reports and took care of the network’s communications, promotion activities and online presence.

For further information about PEMPAL and its activities in 2014, please visit www.pempal.org.
Policy Conferences and Research

We promote effective policy dialogue by bringing together policy-makers, practitioners, academics, and other experts for discussions that balance theory and practice.

IMF Book Presented at the CEF


The first two decades of the twenty-first century have witnessed an influx of innovations and reforms in public financial management. The current wave of reforms is markedly different from those in the past, owing to the sheer number of innovations, their widespread adoption, and the sense that they add up to a fundamental change in the way governments manage public money. The book takes stock of the most important innovations that have emerged over the past two decades, including fiscal responsibility legislation, fiscal rules, medium-term budget frameworks, fiscal councils, fiscal risk management techniques, performance budgeting, and accrual reporting and accounting. The volume poses critical questions about innovations; the issues and challenges that have appeared along the way, including those associated with the global economic crisis; and how the ground can be prepared for the next generation of public financial management reforms.

The book was presented by one of the editors Mr. Marco Cangiano, Assistant Director in the IMF Fiscal Affairs Department (FAD) and contributors to the book Mr. Eivind Tandberg and Mr. Pokar Khemani, both former IMF FAD staff members. The presentations prompted interventions by Mr. Mitja Gaspari, former Slovenian Minister of Finance, and Mr. Bledjan Vase, Director of Institute of Macroeconomic Analysis and Development (IMAD), who discussed some of the innovations presented in the book and state of affairs in this regard in Slovenia. Ms. Jana Repanšek, CEF Deputy Director, then facilitated a broader discussion with the audience.

Roundtable Discussion on Agricultural Insurance

More than 40 high-level representatives of agriculture ministries, insurance supervisory authorities and insurance industries of Western Balkan countries and Turkey gathered on April 10, 2014 in Ljubljana to discuss the present position and future challenges of agricultural insurance business. The roundtable was organized by the Insurance Supervision Agency of Slovenia and the CEF.

Agriculture is a risky business. By providing claim payments in the worst years, agricultural insurance could complement mitigation and coping mechanisms, and provide a foundation for production-boosting investments in agricultural business.

Participants heard presentations about the systems of agricultural insurance business in Austria, Munich Re, Swiss Re and Agricultural Insurance Pool Management Company. The representative of the newly established Europa Re presented the purpose of its establishment and their future goals. The roundtable participants also heard a presentation about the Slovenian system of agricultural insurance business, its shortcomings and possible improvements, presented by representatives of all involved stakeholders: the Ministry of Agriculture and the Environment, Slovenian Environment Agency, Chamber of Agriculture and Forestry of Slovenia and a Slovene insurance company.

The roundtable discussion concluded with a common agreement that sustainable agricultural insurance programs are based on strong partnership between the public and private sectors.
CEF and IMF Led Discussions on Fiscal Transparency and Revenue Administration Reform

The CEF and the International Monetary Fund (IMF) Fiscal Affairs Department held the “High-Level Policy Dialogue on Strengthening the Role of Good Governance through Increased Fiscal Transparency and Revenue Administration Reform in South East Europe” at the IMF and World Bank Group 2014 Annual Meetings.

At the high-level policy dialogue senior experts from the IMF’s Fiscal Affairs Department shared recent international initiatives to strengthen the role of good governance through increased fiscal transparency with senior officials from ministries of finance and central banks from South East Europe. Senior experts from the IMF’s Public Expenditure and Financial Accountability (PEFA) and Tax Policy and Diagnostic Assessment Tool (TADAT) secretariats presented the role of different diagnostic assessments in potentially framing governments’ reform plans in public financial management and revenue administration systems, such as the new IMF Fiscal Transparency Code and Evaluation, PEFA framework, and recently developed TADAT.

Senior officials were updated on possible further support to public financial management and revenue administration reform efforts in the region through technical assistance activities of the IMF and the CEF regional, practically-oriented and experience-based learning events. Senior officials expressed their support to the main provisions of the CEF and IMF plan for SEE.

What to Consider When Initiating High-Wealth Personal Income Tax Compliance Initiative

Heads of tax administrations and managers from SEE countries met on November 27-28, 2014 at the CEF at a conference organized by IMF FAD and the CEF, and financed by the Government of Switzerland through the State Secretariat for Economic Affairs.

The main objective of the conference was to discuss strategies and methods to manage taxpayer compliance by high-wealth individuals (HWI). This is an area of growing importance and difficulty. This taxpayer segment represents a significant economic group for any country and the accumulated wealth of this segment can reach a high percentage of total individual wealth for the entire population. Tax revenue losses through non-compliance by this segment can impact severely the public finances in a time when countries are facing difficult challenges in balancing budgets. Some tax administrations have initiated HWI compliance programs to improve voluntary compliance and recover tax revenues from HWI non-compliance. These efforts have resulted in various degrees of success. More tax administrations are considering implementing HWI compliance programs.

The Conference covered the start-up issues faced by heads of tax administrations to initiate a HWI program and the basics for implementing a HWI compliance strategy. The conference gave a unique opportunity for heads of tax administrations to learn how to evaluate current organizational abilities to engage HWIs, share information on past experience, network with colleagues, and enhance organization capacity to address compliance gap in the HWI segment.

The sessions were moderated by Mr. John Buchanan, a FAD external expert with a vast experience in managing HWI programs and providing technical assistance in this field.
# Financial Report

## Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Non-current assets</td>
<td><strong>499,532</strong></td>
<td><strong>521,337</strong></td>
</tr>
<tr>
<td>1. Intangible assets and long-term deferred costs and accrued revenue</td>
<td><strong>6,390</strong></td>
<td><strong>8,440</strong></td>
</tr>
<tr>
<td>IV. Cash and cash equivalents</td>
<td><strong>860,356</strong></td>
<td><strong>692,727</strong></td>
</tr>
<tr>
<td>C. Short-term deferred costs and accrued revenue</td>
<td><strong>6,753</strong></td>
<td><strong>144,057</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>1,722,604</strong></td>
<td><strong>1,652,395</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Equity (Founder’s funds)</td>
<td><strong>4,398</strong></td>
<td><strong>4,398</strong></td>
</tr>
<tr>
<td>1. Share capital (Founder’s funds)</td>
<td><strong>4,173</strong></td>
<td><strong>4,173</strong></td>
</tr>
<tr>
<td>2. Capital surplus</td>
<td><strong>225</strong></td>
<td><strong>225</strong></td>
</tr>
<tr>
<td>C. Provisions and long-term accrued costs and deferred revenue</td>
<td><strong>1,233,538</strong></td>
<td><strong>1,208,426</strong></td>
</tr>
<tr>
<td>1. Provisions</td>
<td><strong>734,006</strong></td>
<td><strong>687,089</strong></td>
</tr>
<tr>
<td>2. Long-term accrued costs and deferred revenue</td>
<td><strong>499,532</strong></td>
<td><strong>521,337</strong></td>
</tr>
<tr>
<td>Operating liabilities</td>
<td><strong>151,298</strong></td>
<td><strong>153,623</strong></td>
</tr>
<tr>
<td>2. Trade payables</td>
<td><strong>85,691</strong></td>
<td><strong>71,704</strong></td>
</tr>
<tr>
<td>3. Liabilities to employees</td>
<td><strong>37,611</strong></td>
<td><strong>40,823</strong></td>
</tr>
<tr>
<td>4. Other short-term payables</td>
<td><strong>47,996</strong></td>
<td><strong>40,920</strong></td>
</tr>
<tr>
<td>E. Short-term accrued costs and deferred revenue</td>
<td><strong>333,370</strong></td>
<td><strong>285,948</strong></td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td><strong>1,722,604</strong></td>
<td><strong>1,652,395</strong></td>
</tr>
</tbody>
</table>

| Off-balance sheet | **25,399** | **30,656** |
收入表

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>收入</td>
<td></td>
<td></td>
</tr>
<tr>
<td>非商业公共服务收入</td>
<td>2,935,347</td>
<td>2,466,639</td>
</tr>
<tr>
<td>公共贷款收入</td>
<td>700,723</td>
<td>939,414</td>
</tr>
<tr>
<td>其他收入</td>
<td>2,234,624</td>
<td>1,547,226</td>
</tr>
<tr>
<td>1. 从其他操作的收入</td>
<td>24,386</td>
<td>22,216</td>
</tr>
<tr>
<td>财务收入</td>
<td>6,399</td>
<td>8,065</td>
</tr>
<tr>
<td>其他收入</td>
<td>10</td>
<td>46</td>
</tr>
<tr>
<td>总收入</td>
<td>2,966,141</td>
<td>2,496,965</td>
</tr>
<tr>
<td>成本和材料服务成本</td>
<td>2,128,294</td>
<td>1,710,492</td>
</tr>
<tr>
<td>材料成本</td>
<td>61,787</td>
<td>64,953</td>
</tr>
<tr>
<td>服务成本</td>
<td>2,066,507</td>
<td>1,645,539</td>
</tr>
<tr>
<td>劳动成本</td>
<td>774,607</td>
<td>729,084</td>
</tr>
<tr>
<td>1. 工资和薪水</td>
<td>606,174</td>
<td>559,974</td>
</tr>
<tr>
<td>社会保障支出</td>
<td>97,095</td>
<td>91,415</td>
</tr>
<tr>
<td>2. 其他劳动成本</td>
<td>71,338</td>
<td>77,695</td>
</tr>
<tr>
<td>折旧和摊销费用</td>
<td>40,039</td>
<td>41,520</td>
</tr>
<tr>
<td>其他成本</td>
<td>22,922</td>
<td>13,510</td>
</tr>
<tr>
<td>1. 一般费用</td>
<td>4472</td>
<td></td>
</tr>
<tr>
<td>其他费用</td>
<td>18,450</td>
<td>13,510</td>
</tr>
<tr>
<td>财务费用</td>
<td>257</td>
<td>2,201</td>
</tr>
<tr>
<td>其他费用</td>
<td>22</td>
<td>158</td>
</tr>
<tr>
<td>总费用</td>
<td>2,966,141</td>
<td>2,496,966</td>
</tr>
</tbody>
</table>

注释

1. 活动

CEF 作为私人法律实体，于 2001 年 3 月 6 日进入该机构的列表，由内务部根据《机构法》（官方日志第 60/1995 号），2014 年是 CELS 作为斯洛文尼亚法律实体的最后一年，其状态于 2015 年 1 月 1 日变更为国际机构。

CEF 没有从其经营活动获得收入，也没有 VAT 或公司所得税的税负。CEF 提供了内部审计员的培训和认证计划在斯洛文尼亚公共部门，该计划的收入是可税的。然而，由于利润和损失账户是平衡的，没有从这些活动报告任何税负在财务报表上。

2. 财务报表的准备

财务报表在前面的页面上是以斯洛文尼亚法律要求准备的。CEF 是一个非盈利机构，并保持其会计记录条文与斯洛文尼亚会计标准第 36 号——非营利私人法律实体一致。有报酬的活动根据特别账户记录，项目都与专款专用于的专款活动有关。

3. 附注

资产负债表的 2014 年的条目包括以下资产、权益和负债：

资产

A.1.1. 无形资产包括计算机软件。无形固定资产在购买价值下记录。位置变化的结果包括投资、写抵摊销。
A.II.3. Equipment owned by the CEF is used to run the CEF’s activities and comprises office, computer, and other equipment, as well as investments in improvements of business premises. A change in position results from purchases, write-offs and depreciation.

<table>
<thead>
<tr>
<th>A.II.3. Equipment</th>
<th>Opening balance in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2013</td>
</tr>
<tr>
<td>Purchase value</td>
<td>1,053,724</td>
</tr>
<tr>
<td>Write-offs</td>
<td>5,461</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,065,151</td>
</tr>
<tr>
<td>Carry value</td>
<td>512,897</td>
</tr>
<tr>
<td>New investments</td>
<td>16,888</td>
</tr>
<tr>
<td>Write-offs</td>
<td>5,461</td>
</tr>
<tr>
<td>Depreciation</td>
<td>36,643</td>
</tr>
<tr>
<td>Closing balance</td>
<td>December 31, 2014</td>
</tr>
<tr>
<td>Purchase value</td>
<td>1,065,151</td>
</tr>
<tr>
<td>Write-offs</td>
<td>5,461</td>
</tr>
<tr>
<td>Depreciation</td>
<td>36,643</td>
</tr>
<tr>
<td>Carry value</td>
<td>493,142</td>
</tr>
</tbody>
</table>

New investments comprise computer equipment and software for CEF operations.

B.II. Trade receivables in the amount of EUR 355,963 comprise claims from projects and from advance payments, accrued interest on deposits with banks, and other receivables.

<table>
<thead>
<tr>
<th>B.II. Trade receivables</th>
<th>Opening balance as at December 31, 2013 in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEMPAL project (the World Bank)</td>
<td>291,631</td>
</tr>
<tr>
<td>IMF for workshops</td>
<td>39,710</td>
</tr>
<tr>
<td>TIMPS SLO</td>
<td>1,200</td>
</tr>
<tr>
<td>Accrued income from deposits</td>
<td>2,319</td>
</tr>
<tr>
<td>Advance payments</td>
<td>19,555</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,548</td>
</tr>
<tr>
<td>Total</td>
<td>355,963</td>
</tr>
</tbody>
</table>

B.IV. Cash and cash equivalents comprise short-term deposits in EUR and USD with Nova Ljubljanska Banks:

<table>
<thead>
<tr>
<th>B.IV. Cash and Deposits</th>
<th>Opening balance as at December 31, 2014 in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Deposits in EUR</td>
<td>867,189</td>
</tr>
<tr>
<td>Cash and Deposits in USD and GBP</td>
<td>120,189</td>
</tr>
</tbody>
</table>
C.2. Long-term accrued costs and deferred revenue comprise a fund to finance depreciation and amortization and corresponds to the net value of intangible assets and equipment as per December 31, 2014.

### C.2. Long-term accrued costs and deferred revenue in EUR

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization and depreciation</td>
<td>34,365</td>
<td>245,848</td>
</tr>
<tr>
<td>New investments in 2014</td>
<td>210,195</td>
<td>421,337</td>
</tr>
<tr>
<td>Closing balance as at December 31, 2014</td>
<td>499,532</td>
<td></td>
</tr>
</tbody>
</table>

Other deferred revenue comprises a fund to finance depreciation and amortization and corresponds to the net value of intangible assets and equipment as per December 31, 2014.

### C. Operating liabilities

- **Operating liabilities comprise accounts payable (short-term trade payables to suppliers of goods and services, including maintenance services), liabilities to employees (December salary), and other short-term liabilities (vat, other taxes, and lecturers’ fees).**

### E. Short-term accrued costs and deferred revenue

- **Short-term accrued costs and deferred revenue comprise revenues recorded in 2014 for CEF services that will be delivered in 2015, deferred revenues for earmarked donations—provisions for liabilities that will be paid in 2015, and expenses in 2014 for which invoices have not yet been received.**

### E. Short-term accrued costs and deferred revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2013</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced</td>
<td>34,365</td>
<td>34,365</td>
</tr>
<tr>
<td>Disbursements</td>
<td>245,848</td>
<td>245,848</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>285,406</td>
<td>333,370</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>-30,172</td>
<td>-30,172</td>
</tr>
<tr>
<td>From/To</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provisions to finance amortization and depreciation in 2014</td>
<td>-18,234</td>
<td></td>
</tr>
<tr>
<td>Other revenue from public finance</td>
<td>656</td>
<td></td>
</tr>
<tr>
<td>Other accrued charges</td>
<td>8,522</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>285,484</td>
<td>333,370</td>
</tr>
</tbody>
</table>

Disbursement of accrued expenses represents costs that occurred in 2013 and for which invoices were received in 2014; while formatting represents costs that occurred in 2014 and for which invoices were not received in 2014. Recording (formatting) deferred revenues from projects in the region represents revenues received in 2014 for the costs that will occur in 2015 and comprise EUR 20.215 for the Danube Strategy project, and EUR 210,572 for Strategic Planning and Budgeting project, and for TIAPS Macedonia project EUR 25,061. Other deferred revenue comprises EUR 9,000 contribution from the Ministry of Finance of the Netherlands to finance visiting expert in public finance/expenditure and EUR 70,000 from Bank of Slovenia for visiting expert in macroeconomics and central banking in 2015.

### Off-balance sheet liabilities

- **Off-balance sheet liabilities in the amount of EUR 25,399 represent the unspent balance for transactions with business cards (MasterCard credit line).**

Principal accounting policies used in the preparation of the Income Statement are as follows:

**Revenues**

A.1. Revenue from public finance: The Ministry of Finance of Slovenia donated EUR 600,000 to finance CEF operations, and the Ministry of Foreign Affairs of Slovenia donated EUR 73,761 to co-finance TIAPS project in Macedonia and EUR 4,501 to co-finance TIAPS project in Montenegro. EUR 18,234 was transferred to provisions to finance amortization and depreciation of newly purchased equipment and EUR 40,039 from deferred revenues to finance depreciation (see also C.2.)

### A.1. Revenue from public finance in EUR

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation from Ministry of Finance for 2014</td>
<td>600,000</td>
</tr>
<tr>
<td>Donation from Ministry of Foreign Affairs for 2014</td>
<td>73,761</td>
</tr>
<tr>
<td>Donation from Ministry of Foreign Affairs for 2015</td>
<td>4,501</td>
</tr>
<tr>
<td>Other revenue from public finance</td>
<td>656</td>
</tr>
<tr>
<td>From provisions to finance amortization and depreciation in 2014</td>
<td>18,234</td>
</tr>
<tr>
<td>Revenue from public finance used for operations</td>
<td>700,723</td>
</tr>
</tbody>
</table>

In addition, Government of Slovenia contributed to the CEF by granting free of charge premises (in kind contribution that was not recorded in CEF books) estimated at 12 EUR per sq.m + VAT (equivalent of EUR 218,066 per year).

### A.2. Other revenue

A.2. Other revenue comprises donations from donors other than the Slovenian Government.

<table>
<thead>
<tr>
<th>Description</th>
<th>Invoiced</th>
<th>Deferred Revenue</th>
<th>Net Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEMPNL Project</td>
<td>1,432,907</td>
<td>3,085</td>
<td>1,429,822</td>
</tr>
<tr>
<td>Danube Strategy EC</td>
<td>48,188</td>
<td>48,188</td>
<td></td>
</tr>
<tr>
<td>TIAPS project EC</td>
<td>47,679</td>
<td>47,679</td>
<td></td>
</tr>
<tr>
<td>TIAPS Macedonia project USAID</td>
<td>6,495</td>
<td>6,495</td>
<td></td>
</tr>
<tr>
<td>TIAPS Montenegro project CEF</td>
<td>19,641</td>
<td>19,641</td>
<td></td>
</tr>
<tr>
<td>Program of the Ministry of Finance Netherlands</td>
<td>24,590</td>
<td>24,590</td>
<td></td>
</tr>
<tr>
<td>IMF funding workshops</td>
<td>39,710</td>
<td>39,710</td>
<td></td>
</tr>
<tr>
<td>Ministry of Finance Netherlands - co-financing workshops</td>
<td>5,806</td>
<td>5,806</td>
<td></td>
</tr>
<tr>
<td>IPS project EC</td>
<td>47,679</td>
<td>47,679</td>
<td></td>
</tr>
<tr>
<td>Ministry of Finance Netherlands - 10 years SBO</td>
<td>24,590</td>
<td>24,590</td>
<td></td>
</tr>
<tr>
<td>Ministry of Finance Netherlands</td>
<td>46,905</td>
<td>46,905</td>
<td></td>
</tr>
<tr>
<td>Donations to the Bank of Slovenia</td>
<td>15,000</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Donations to the Bank of Slovenia</td>
<td>22,196</td>
<td>22,196</td>
<td></td>
</tr>
<tr>
<td>Other (EC, severances)</td>
<td>1,724</td>
<td>1,724</td>
<td></td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>-30,172</td>
<td>-30,172</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,267,881</td>
<td>-33,257</td>
<td>2,234,624</td>
</tr>
</tbody>
</table>
PEMPAL project generated EUR 1,429,822 revenues, and Danube Strategy project financed by European Commission EUR 48,188 revenues.

Training of Internal Auditors in Public Sector (TIAPS) project in Macedonia financed by USAID generated EUR 6,495 revenues. Co-financing by the Slovenian Ministry of Finance is reported in A.1.

Central European Initiative (CEI) financed Training of Internal Auditors in Public Sector (TIAPS) project in Montenegro (EUR 19,461), which was completed in June 2014. Respective revenue was recognized when final report approved by the donor.

German government co-financed training of Internal Auditors in Public Sector (TIAPS) project in Montenegro (EUR 100,000), IMF financed two workshops with EUR 39,710. CEF organized annual meeting of learn4dev network in Ljubljana, which was co-financed by Swiss Agency for Development and Cooperation (SDC) with EUR 22,196.

Ministry of Finance Netherlands financed participation of public servants from seven countries in six workshops (EUR 46,905), visiting expert (EUR 5,806) and “10 years of budget reviews in CESEE countries” project with EUR 24,590 net (from EUR 30,000 donation the CEF paid EUR 5,410 of VAT).

European Commission financed the SPB project with EUR 473,679. The Bank of Slovenia donated EUR 15,000 to co-finance CEF Program Committee on Central Banking.

EUR 30,172 was transferred to reserves (see also Liabilities/C.1)

B.1. Revenues from operations

<table>
<thead>
<tr>
<th>B.1 Revenues from operations</th>
<th>Invoiced</th>
<th>From deferred revenues</th>
<th>To deferred revenues/ provisions</th>
<th>Net revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent programs in Slovenia</td>
<td>3,000</td>
<td>21,386</td>
<td></td>
<td>24,386</td>
</tr>
<tr>
<td>Total</td>
<td>3,000</td>
<td>21,386</td>
<td></td>
<td>24,386</td>
</tr>
</tbody>
</table>

In 2013 new generation of students in Slovenia enrolled in the TIAPS program, which majority was invoiced in 2013 and recorded in deferred revenues. Expenses in 2014 were financed by invoiced revenue of EUR 3,000 EUR and EUR 24,386 that was transferred from deferred revenue (see also Liabilities/E).

C. Financial income (EUR 6,399) represents interest on deposits and exchange rate changes.

D. Other revenue represents the reconciliation result.

Expenses

E. Cost of goods, material and services comprises costs of material and services which are allocated to projects only in the case of no doubts as to their allocation (all others are unallocated).

<table>
<thead>
<tr>
<th>E. Costs of goods, materials and services</th>
<th>Costs of materials</th>
<th>Cost of services</th>
<th>Other costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops and other short program</td>
<td>3,358</td>
<td>164,156</td>
<td>45</td>
<td>167,959</td>
</tr>
<tr>
<td>FIASR project</td>
<td>1,702</td>
<td>1,702</td>
<td></td>
<td>3,404</td>
</tr>
<tr>
<td>SPB project</td>
<td>558</td>
<td>262,771</td>
<td></td>
<td>263,329</td>
</tr>
<tr>
<td>PEMPAL project</td>
<td>737</td>
<td>1,166,116</td>
<td></td>
<td>1,166,853</td>
</tr>
<tr>
<td>Learn4dev</td>
<td>487</td>
<td>28,989</td>
<td>395</td>
<td>30,384</td>
</tr>
<tr>
<td>Programs in Slovenia</td>
<td>12,850</td>
<td>12,850</td>
<td></td>
<td>25,700</td>
</tr>
<tr>
<td>Permanent programs PACT Macedonia</td>
<td>51</td>
<td>50,090</td>
<td></td>
<td>50,541</td>
</tr>
<tr>
<td>Permanent programs TIAPS Macedonia</td>
<td>2,836</td>
<td>36,670</td>
<td>10,583</td>
<td>50,089</td>
</tr>
<tr>
<td>Permanent programs TIAPS Montenegro</td>
<td>3,371</td>
<td>59,642</td>
<td>8,965</td>
<td>62,982</td>
</tr>
<tr>
<td>Danube strategy</td>
<td>5,153</td>
<td>2,440</td>
<td>3,971</td>
<td>11,564</td>
</tr>
<tr>
<td>Unallocated costs</td>
<td>56,361</td>
<td>268,474</td>
<td>18,030</td>
<td>362,844</td>
</tr>
<tr>
<td>Total costs</td>
<td>61,787</td>
<td>2,066,507</td>
<td>18,450</td>
<td>2,146,743</td>
</tr>
</tbody>
</table>

Costs of services allocated to programs are the following:

<table>
<thead>
<tr>
<th>E. Costs of services</th>
<th>Costs of services</th>
<th>Costs of Authors, Consultants, Translators</th>
<th>Other services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops and other short program</td>
<td>112,236</td>
<td>45,414</td>
<td>6,507</td>
<td>164,156</td>
</tr>
<tr>
<td>FIASR project</td>
<td>1,702</td>
<td></td>
<td>1,702</td>
<td></td>
</tr>
<tr>
<td>SPB project</td>
<td>558</td>
<td>262,771</td>
<td></td>
<td>263,329</td>
</tr>
<tr>
<td>PEMPAL project</td>
<td>737</td>
<td>1,166,116</td>
<td></td>
<td>1,166,853</td>
</tr>
<tr>
<td>Learn4dev</td>
<td>487</td>
<td>28,989</td>
<td>395</td>
<td>30,384</td>
</tr>
<tr>
<td>Programs in Slovenia</td>
<td>12,850</td>
<td>12,850</td>
<td></td>
<td>25,700</td>
</tr>
<tr>
<td>Permanent programs PACT Macedonia</td>
<td>51</td>
<td>50,090</td>
<td></td>
<td>50,541</td>
</tr>
<tr>
<td>Permanent programs TIAPS Macedonia</td>
<td>2,836</td>
<td>36,670</td>
<td>10,583</td>
<td>50,089</td>
</tr>
<tr>
<td>Permanent programs TIAPS Montenegro</td>
<td>3,371</td>
<td>59,642</td>
<td>8,965</td>
<td>62,982</td>
</tr>
<tr>
<td>Danube strategy</td>
<td>5,153</td>
<td>2,440</td>
<td>3,971</td>
<td>11,564</td>
</tr>
<tr>
<td>Unallocated costs</td>
<td>56,361</td>
<td>268,474</td>
<td>18,030</td>
<td>362,844</td>
</tr>
<tr>
<td>Total costs</td>
<td>61,787</td>
<td>2,066,507</td>
<td>18,450</td>
<td>2,146,743</td>
</tr>
</tbody>
</table>

Direct costs of events comprise copying and materials for workshops, rent for interpretation equipment and classrooms—when workshops are organized outside the CEF—and refreshments and complimentary lunches for participants, as well as participation costs, such as travel and accommodation—when sponsored by a donor. Costs of authors and consultants comprise lecturing, tutoring, preparation of training materials including translation, authors’ fees, interpreters’ fees, and consultants’ expenses.
Costs of goods and services that are allocated to PEMAL relate to the following events

<table>
<thead>
<tr>
<th>PEMAL Costs of Events</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unallocated costs</td>
<td>33,338</td>
</tr>
<tr>
<td>Internal Audit COP in South Africa</td>
<td>5,367</td>
</tr>
<tr>
<td>Budget COP in Vienna</td>
<td>24,689</td>
</tr>
<tr>
<td>Treasury COP in Tbilisi</td>
<td>77,648</td>
</tr>
<tr>
<td>Budget COP in Antalya</td>
<td>73,794</td>
</tr>
<tr>
<td>Internal Audit COP in Bucha</td>
<td>73,794</td>
</tr>
<tr>
<td>Cross COP in Moscow</td>
<td>530,269</td>
</tr>
<tr>
<td>Budget COP in The Hague</td>
<td>32,742</td>
</tr>
<tr>
<td>Internal Audit COP in Budapest</td>
<td>20,070</td>
</tr>
<tr>
<td>Internal Audit COP in Astana</td>
<td>89,341</td>
</tr>
<tr>
<td>Budget COP in Tallinn</td>
<td>21,667</td>
</tr>
<tr>
<td>Treasury COP in Minsk</td>
<td>45,134</td>
</tr>
<tr>
<td>Treasury COP in Podgorica</td>
<td>58,058</td>
</tr>
<tr>
<td>Budget COP in Ljubljana</td>
<td>15,307</td>
</tr>
<tr>
<td>Internal Audit COP in Bucharest</td>
<td>32,742</td>
</tr>
<tr>
<td>Costs occurred in 2014 for events in 2015</td>
<td>4,131</td>
</tr>
<tr>
<td>All events</td>
<td>1,166,853</td>
</tr>
</tbody>
</table>

The PEMAL project expanded its activities and broadened its work, which was funded by the World Bank administered Multi-Donor Trust Fund, with major contributors SECO and Government of the Russian Federation. In addition to the events, the Multi-Donor Trust Fund financed the secretariat services performed by the CEF with the amount of EUR 263,003.

F. Labor costs: The CEF paid salaries and other labor-related costs to 24 employees according to the Slovenian Law on Civil Servants and Law on Levels of Salaries for Civil Servants (EUR 774,607).

G. Depreciation and amortization costs in the amount of EUR 40,039 are recorded by the method of linear depreciation and amortization.

<table>
<thead>
<tr>
<th>Depreciation and amortization rates</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and computer equipment</td>
<td>33.33% to 50.00%</td>
</tr>
<tr>
<td>Investment in premises</td>
<td>3.09%</td>
</tr>
<tr>
<td>Other equipment</td>
<td>20.60% to 33.33%</td>
</tr>
</tbody>
</table>

I.2. Other costs (EUR 18,450) relate to students’ work (EUR 6,983), administrative taxes (EUR 4,617), and other taxes (EUR 6,629) and other (EUR 220).

J. Financial expenses (EUR 257) comprise interest on financial liabilities and negative exchange rate changes.

K. Other expenses represent differences from rounded amounts paid in cash (EUR 22).

4. Events after the balance sheet date

Agreement on establishing the Center of Excellence in Finance as an international organization, which was signed by eight member countries, entered into force on January 1, 2015.

In addition to program for South East Europe, the CEF also delivered training and certification program for accountants and internal auditors in the public sector in Slovenia, for which the CEF received an authorization from Ministry of Finance/Budget Supervision Office. The program was self-financed by tuition fees; financial result from this program was recorded in “Funds for development of accounting and auditing profession in Slovenia”, which was managed by the Program Committee. With the change of status of the CEF into an international organization this program was discontinued and the Funds for development of accounting and auditing profession in Slovenia in the amount of EUR 33,388.83 was excluded from the CEF’s balance sheet as at January 1, 2015.

The management Board of the CEF confirmed the above financial statements and on its session on March 3, 2015.
Independent Auditor's Report

To the Founders and the Supervisory Board of the Center of Excellence in Finance, Ljubljana

Report on the Financial Statements

We have audited the accompanying financial statements of the Center of Excellence in Finance, Ljubljana, which comprise the balance sheet as at 31 December 2014, the statement of recognised income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center of Excellence in Finance, Ljubljana, as at 31 December 2014, and its financial performance for the year then ended in accordance with Slovene Accounting Standards.

Emphasis of Matter

We draw attention to the financial statement's Note 4 Significant business events after the balance sheet date, disclosing the information about the corporate change based on which the Center of Excellence in Finance, Ljubljana was on January 1, 2015 restructured into an international organization under the name Center of Excellence in Finance. The agreement on establishing the Center of Excellence in Finance was endorsed by the National Assembly of the Republic of Slovenia at its session on June 12, 2014.

Our opinion is not modified in respect of the matter emphasized.

Report on Other Legal and Regulatory Requirements

We hereby confirm that in 2014 the Center of Excellence in Finance, Ljubljana, in all material respects, used the assets for activities and in accordance with adopted work programme and provisions under the related contracts on financing the programme, concluded with the Ministry of Finance of the Republic of Slovenia and other sponsors.

Information in the Management Report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,

Katja Dolinska, ACCA
Certified Auditor

Ljubljana, 3 March 2015
The Center of Excellence in Finance is conveniently located in the center of Ljubljana, very close to hotels, picturesque medieval Ljubljana, major galleries, and beautiful Tivoli Park.

The CEF’s facilities include a classroom for 48 students (that can be enlarged to accommodate up to 60 students), a classroom for 32 students and smaller classrooms for 12 and 18 students. A spacious front lobby is available for participants to network during breaks.

The classrooms are fully equipped with up-to-date technical facilities for presentations and computer-based instruction, and video-conferencing. Some courses of longer duration or larger size are held in outsourced facilities at other locations.


<table>
<thead>
<tr>
<th>Country</th>
<th>Priorities areas</th>
<th>Activities</th>
<th>Comments on progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Addressing arrears</td>
<td>FAD mission on implementing arrears clearance strategy (April-May)</td>
<td>Good progress has been made on arrears clearance in 2014. Authorities are now beginning to refocus on other priority reforms in IFMIS, cash management and budgeting.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional advisor’s visit to follow up on PFM issues (November)</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Macro economic and fiscal forecasting</td>
<td>3 visits to Republika Srpska with a regional expert on macro forecasting techniques (March, April, July)</td>
<td>Department for Macroeconomic Analysis and Policy of Republika Srpska has developed its capacity to forecast the GDP by using an “expenditure-side” approach as a result of the TA provided.</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Strengthening performance budgeting</td>
<td>Stocktaking visit by regional advisor (January)</td>
<td>While program budgeting has been well introduced, challenges remain concerning performance indicators for which further assistance may be needed in the future.</td>
</tr>
<tr>
<td>Croatia</td>
<td>Spending reviews</td>
<td>Regional advisor’s visits to help develop a framework for spending reviews (September and November)</td>
<td>A framework for the first spending review established; committees set up in target areas and working towards an early 2015 deadline.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FAD and regional advisor’s workshop with spending review committees (December)</td>
<td></td>
</tr>
<tr>
<td>Moldova</td>
<td>Fiscal decentralization</td>
<td>FAD mission on the framework for fiscal decentralization (June)</td>
<td>A new local government finance law is being implemented, first on a pilot basis, and a full implementation expected in 2015. At the same time a new fiscal responsibility law will establish a deficit rule for the general government, with implications for sub-national governments.</td>
</tr>
</tbody>
</table>

Priority Areas and Missions of IMF Regional Advisors in 2014

These activities are funded by the Japanese government. See the Partnerships chapter for more information on the advisors and their cooperation with the CEF.

Public Financial Management

The regional advisor’s activities were funded by the Japanese Government. The FAD mission to Albania and the regional workshop run by FAD were covered by EU resources. Other FAD activities were funded by the IMF.
### Public Financial Management (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Priorities areas</th>
<th>Activities</th>
<th>Comments on progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>Fiscal transparency Commitment control Fiscal reporting Public investment management</td>
<td>FAD fiscal transparency evaluation (February) Regional advisor’s exploratory visit in December</td>
<td>A FTE report is being finalized with the authorities. Progress has been made in commitment control and fiscal reporting modules, both of which are expected to be implemented in 2015. Issues in public investment management, and more generally in budget management, will be reviewed during the January 2015 FAD mission.</td>
</tr>
<tr>
<td>Serbia</td>
<td>Commitment control and arrears SOE monitoring</td>
<td>Regional advisor’s exploratory visit (November)</td>
<td>A reform agenda is being developed in the context of EU convergence. The treasury has implemented arrears tracking for the general government and is planning to progressively roll out the IFMIS to all budget users. A roadmap to move towards accrual accounting is underway. SOE oversight roles have changed and a new financial reporting unit has been established at the MoF.</td>
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<tr>
<td>Slovenia</td>
<td>Program (performance budgeting)</td>
<td>Discussions with the regional advisor (November, December)</td>
<td>Authorities are keen to renew their efforts in performance budgeting during 2015.</td>
</tr>
<tr>
<td><strong>All countries in the region</strong></td>
<td>CEF training courses and other CEF-led activities</td>
<td>Regional advisor’s participation in training of trainers in Montenegro (February) Regional advisor’s presentation at PEMPAL workshop in Turkey (March) Regional advisor’s presentation at a CEF workshop (April) Regional advisor’s presentation at a CEF workshop (May) Regional advisor’s presentation at a CEF workshop (May) FAD-CEF workshop (December)</td>
<td>Medium-term expenditure frameworks Spending reviews in the Netherlands Integration of structural reforms into fiscal programming Medium-term budgeting Program Budgeting, evaluation and spending review Managing spending and keeping the budget credible</td>
</tr>
</tbody>
</table>

### Tax Administration

<table>
<thead>
<tr>
<th>Country</th>
<th>Priority areas</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Albania</strong></td>
<td>Developing modern corporate strategies for reform efforts; replacing the outdated IT system; phasing in a modern Compliance Risk Model (CRM)</td>
<td>In 2014 the IMF delivered a strong program of support for the General Directorate of Taxation (GDT). This included a Headquarters (HQ) mission, several visits by the regional advisor (Norman Gillanders until May 30, 2014 and Steffen Hansen thereafter) and considerable program of short-term expert advice. The short-term experts covered the definition of new business process and worked with the GDT on planning process for the new IT system. They also offered assistance with developing the new Risk Module to be built into the system.</td>
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<tr>
<td><strong>Croatia</strong></td>
<td>Changing organizational structure and management of arrears of taxes</td>
<td>One visit by the regional revenue advisor to follow up on the development in the Tax Administration.</td>
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<td><strong>Moldova</strong></td>
<td>Implementing compliance strategies for high wealth individuals; delivery of a one-week training course in personal income tax audit; and a tax fraud investigation and prosecution program.</td>
<td>Short-term assistance to develop a Risk Response Plan for high wealth individuals; and a tax fraud investigation and prosecution program. Visits by the revenue advisor to follow up on the development of the tax administration.</td>
</tr>
<tr>
<td><strong>Montenegro</strong></td>
<td>Setting up a High Wealth Individuals Unit; drafting changes to law to facilitate the work of the unit; training on audit of high wealth individuals’ tax compliance.</td>
<td>In 2014 the IMF delivered a strong program of support for the General Directorate of Taxation (GDT). This included a Headquarters (HQ) mission, several visits by the regional advisor (Norman Gillanders until May 30, 2014 and Steffen Hansen thereafter) and considerable program of short-term expert advice. The short-term experts covered the definition of new business process and worked with the GDT on planning process for the new IT system. They also offered assistance with developing the new Risk Module to be built into the system.</td>
</tr>
<tr>
<td><strong>Rumenia</strong></td>
<td>No visits</td>
<td>No visits</td>
</tr>
</tbody>
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Published by: The Center of Excellence in Finance
Production editor: Polona Simnik
Text editor: Kadri Põdra
Design: arnoldvuga+
Executive design: Sonja Eržen
Photographs: CEF Archive, Urša Rahne, Brane Vujčić
Maps: Igor Kraševec
Printing: Tiskarna Present
March 2015

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CEF Newsletter, September 2014
Learning and Regional Cooperation in South East Europe

LATEST NEWS

In Focus: CEF Learning Schedule for 2015 Now Available
We are pleased to announce the release of our brand new 2015 Calendar on Learning and Regional Cooperation in South East Europe (CE1). Our goal is to continue being at the forefront of learning and knowledge exchange, offering a wide variety of delivery methods to ensure optimal learning experiences for our member institutions.

Joint CEF-IMF High-Level Event during the Annual IMF-WBG Meetings in Washington
The CEF and the International Monetary Fund’s (IMF) Fiscal Affairs Department (FAD) agreed to organize a joint event during the Annual Meetings of the International Monetary Fund and the World Bank Group (WBG) in Washington DC. The "High-Level Policy Dialogue: Strengthening the Role of Good Governance through Increased Fiscal Transparency and Revenue Administration Reform in South East Europe" will also address the CEF and IMF plans to continue supporting public financial management and revenue administration reforms through training and technical assistance in SEE.
Our mission:
We 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.