CEF in 2010

64 events, 1269 participants
attended CEF events (organizing or co-organizing)

39 workshops, 864 participants
36 face to face events, 3 distance learning courses

16 PEM PAL events
178 participants
• 6 workshops
• 3 study tours
• 1 Executive Committee meeting
• 2 Leadership Group meetings
• 4 Steering Committee meetings

3 BCPDI events, 83 participants

5 study tours, 69 participants

CIPFA Certification Programs:
• CBIPA: 145 certificate and 127 diploma holders in Slovenia since 2003; 115 certificate and 47 diploma holders in Albania and Croatia; 46 certificate and 38 diploma holders in Macedonia, Moldova and Kosovo
• TIAPS: 88 certificate and 32 diploma holders in Slovenia since 2006

12 IMF missions (country activities)

1 book published
(From Tolar to Euro)

11 issues of the CEF Newsletter

1 OECD Senior Budget Officials Meeting in Budva, 75 participants
(co-organizing with the Montenegrin Ministry of Finance and the OECD)

Mission:
to promote awareness of international standards and best practice in public financial management and central banking by organizing specialized training, encouraging knowledge sharing and research and providing technical assistance
Annual Report 2010
Sharing Knowledge, Building Skills
INTRODUCTION
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CEF Region and its Members

MEMBERS:
- Albania
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Kosovo*
- Macedonia
- Moldova
- Montenegro
- Romania
- Serbia
- Slovenia

* under UNSCR 1244.
In the CEF Annual Report 2010 Kosovo (under UNSCR 1244) is named as Kosovo.

OTHER COUNTRIES WHERE THE CEF IS PRESENT:
- Armenia
- Azerbaijan
- Belarus
- Georgia
- Kazakhstan
- Kyrgyz Republic
- Tajikistan
- Turkmenistan
- Ukraine
- Uzbekistan
Director’s Welcome

This year marks the 10th year of operations of the Center of Excellence in Finance (CEF). Established in 2001 to respond to Western Balkans countries’ needs for capacity development in public financial management, the CEF has done this with great success while broadening its mandate to include central banking. It is with great pride that we find that the CEF has already achieved the status of a leading capacity development institution in public financial management and central banking throughout South Eastern Europe. Despite our strong commitment, we never dreamed of reaching our current level of activities and acknowledgment in such a short period of time.

The CEF has acquired extensive knowledge of the region, allowing us to provide programs and activities that meet individual and institutional capacity development needs in our member countries. Our approach places an emphasis on the effective placement of practitioners’ knowledge. The CEF has become a role model for establishing and running a capacity development institution for peer organizations within and far beyond the region.

The countries we serve face similar challenges, and the recent economic and financial crisis has only reminded us of the importance of strategic capacity development. Integrative thinking, confidence, and regional cooperation are crucial for overcoming post-crisis challenges and finding the best possible solutions. The CEF serves as a conductor of regional knowledge that is supported by international experts in the most effective manner. Member countries are able to use the CEF as a knowledge exchange platform, enabling them to promote their achievements and share their successes.

The CEF realizes that sustainability can only be achieved through demand-based initiatives. Understanding regional challenges and responding to them, while focusing on country specifics in implementation, are the key success factors of CEF operations. Throughout our first decade, we have seen a steady increase in demand for our activities, already reaching beyond South Eastern Europe. A significant focus has been the development of methodologies to evaluate the effectiveness of training programs and capacity development processes.

The nature of the field requires that we function on an international level, and the CEF will continue to expand its reach in the coming years.

I would like to take this opportunity to thank our members and donor partners for the support that has bolstered our growth. I also thank the CEF staff for their incredible dedication and invaluable contribution to the CEF’s success.

Mira Dobovišek
Director
CEF
Capacity Development Cycle
Capacity development (CD) is the process of human development and change and is about managing transformations. It develops from the principle that people are most likely to realize their full potential when the means of development are sustainable in the long-term and are generated and managed collectively by those who stand to benefit.

Capacity development represents transformations that empower individuals, leaders, organizations and societies. In this respect we see it as a process through which individuals, organizations and societies obtain, strengthen and maintain capabilities in order to define and achieve their own development objectives over time. The CEF CD process focuses on sharing knowledge and experience through workshops, seminars, study visits, communities of practice and conferences.

The overall approach to capacity development links conceptual and strategic thinking with clear operational guidelines and practically applicable methods and tools which are easily accessible. Continuous learning from experiences at the country level should feed into the design, management and monitoring of CD processes to ensure quality, cost-effectiveness, and the contextual fit.

The fundamental questions set by the UNDP provide the framework for effective capacity development.

To what end do we need to develop this capacity? What will its purpose be?

Whose capacities need to be developed? Which groups or individuals need to be empowered?

What kinds of capacities need to be developed to achieve the broader development objectives?

The Organisation for Economic Co-operation and Development (OECD) claims that empowering partner countries by providing them with the opportunity to manage their own CD processes, from the identification of their capacity needs to the evaluation of the CD support provided, is the key to the success of capacity development. Ownership implies a specific and often considerable investment of resources by the partner.

Following this, the CEF capacity development effort focuses on assisting in the implementation of public financial management (PFM) reforms and the strengthening of central banking (CB) in South Eastern Europe through tailor-made activities. In doing this, the CEF gives its members access to cutting-edge knowledge and the latest practical experience and at the same time supports them to develop their own solutions. The CEF’s long-term goal is to assure regional sustainability.

The capacity development process consists of five steps. The specific circumstances of a given situation determine the prominence of each step within the process.

The five steps of the CD cycle are:
- Step 1: Engaging Stakeholders
- Step 2: Understanding Regional Needs
- Step 3: Designing Program
- Step 4: Implementing Program
- Step 5: Monitoring and Evaluation
We will continue our tradition to be part of this regional initiative for economic development. It is a great pleasure for me to see that member countries constantly strive to enhance cooperation and to improve high level policy debate on issues that affect us all. This past year’s Regional Policy Forums and training activities of the CEF have discussed very important topics for the economic development, financial stability and regional cooperation in the region of South Eastern Europe. These activities have contributed greatly in improving capacity building and policy design in a regional framework.

Growth Strategies after the Crisis tackles many of the challenges that economists and policymakers have had to deal with in the last few years. Healthy economies – the result of mutual prudent economic management – are of utmost importance for a successful after-crisis era. Building successful domestic anchors assures that the economic fundamentals of our region remain strong and it will be our job to enhance the necessary supporting blocks for these fundamentals to help our economies grow stronger in the future. This will require that we further consolidate our capacity development process at the regional level.

The last crisis spurred a global approach to problem solving and countries in South Eastern Europe showed unprecedented policy coordination for the long term sustainability of successful economic management by our institutions. However, the call is now to act regionally and tackle our developmental challenges beyond the crisis – and turn those challenges into our future opportunities for endogenous growth. CEF’s region-focused activities have brought together experts from South Eastern Europe, which have shared experiences from very diverse standpoints, while seeking to find the long term stability for our structural imbalances. In the last few years, the monetary policy has been efficient in deterring economic stress from the system, but we now know that challenges are likely to come from potentially unsustainable fiscal positions.

Future work will entail of further fiscal consolidation to nurture more constructive debt dynamics, as well as to stabilize region-wide deficit levels. The model of healthy lending and prudent monetary policy ought to be matched with an equally important model of improved fiscal discipline and productivity-enhancing structural reforms in all our countries.

Our mutual future depends on us creating the necessary competitive advantages that will give us the tools and instruments to steer the regional economy in the right direction in the years to come. This type of capacity building requires a dual course of action, both in policy design and policy coordination.

The ideas that are developed at the CEF for capacity building through seminars and conferences and the expected valuable discussions on policy orientation and objectives that emerge in Regional Policy Forums will help strengthen policy anchors and map a robust action plan for our institutions, all the while staying true to our focus on regional development. They will also be of utmost assistance to our partners – particularly the EU – and potential partners, to identify and provide the right incentives and policy actions required to establish external anchors.

Ardian Fullani
Governor
Bank of Albania
Step 1: Engaging Stakeholders

The capacity development process calls for close cooperation and the exchange of information among all the participants of the process. The CEF has an excellent understanding of the region's needs and priorities due to its close cooperation with the ministries of finance and central banks of member countries. The CEF's knowledge of regional needs leads to the development of highly practical, tailor-made programs which aim to satisfy immediate training needs and priorities in the region.

The CEF has established a coherent governance (stakeholder) structure with clear goals and responsibilities. It involves the following parties in their natural role and strength:
The Bank of Slovenia and the Center of Excellence in Finance (CEF) have cooperated since 2003, when the CEF extended its membership to encompass South Eastern European central banks and introduced central banking topics. Throughout these years of close cooperation, the staff of the Bank of Slovenia contributed to many training events both as experts and as participants. We strongly believe that, through the CEF program, regional experts can acquire new knowledge and share their know-how and experience with others.

In 2009, the Bank of Slovenia was approached by the European Central Bank (ECB) to participate in the EU financed project, Strengthening of Macro- and Micro-prudential Supervision in EU Candidates and Potential Candidates. One of the reasons for our support in undertaking this project was our close working relationship with the CEF, the involvement of which supported one of the main objectives of the program: the establishment of a network among practitioners in an appropriate professional environment. Eight workshops that were part of Component One of this project were delivered at the CEF premises in Ljubljana in 2010.

The Bank of Slovenia continues to follow the region’s efforts to increase capacities in economic and fiscal policy design and implementation with great interest. The initial requests for a capacity building program in the region came from high level officials of CEF member countries in 2008, as they observed a strong need for the internal capacity to produce strategic documents linked to the European Commission’s economic and fiscal surveillance, due to the decreased intensity of the IMF technical assistance program in South Eastern European countries. The Bank of Slovenia supported the CEF financially, which contributed to the comprehensive regional needs assessment effort conducted in 2009 and 2010. This effort resulted in the Building Capacities for Policy Design and Implementation program proposal which was endorsed by the CEF Supervisory Board at the meeting in Washington DC in April 2010. At least one of the program’s three components is now expected to be financed through the EU Multi-beneficiary Instrument of Pre-accession Assistance for EU candidates and potential candidates.

Recently, the Bank of Slovenia intensified technical cooperation activities in the region through bilateral contacts. At the same time, we stand ready to continue our support to the CEF multilateral capacity development program, both financially and through the involvement of our staff in CEF activities. I strongly believe in the complementarities between our two institutions and look forward to the resulting synergies.

I congratulate the CEF for the first decade of its successful regional presence and look forward to many more in the future.

Marko Kranjec
Governor
Bank of Slovenia
Supervisory Board

Participating countries oversee the work of the CEF through the Supervisory Board, which meets once a year to set guidelines for activities of the CEF, adopts a Work Plan and a budget 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, or their nominated representatives, and governors of central banks, or their nominated representatives, of the CEF member countries.

In 2010, the CEF Supervisory Board met for its tenth session on April 23 in Washington DC. The meeting was chaired by Ardian Fullani, the Governor of the Bank of Albania.

Members of the CEF Supervisory Board adopted the Annual Report with Financial Statements for 2009, set the guidelines for future CEF activities and confirmed the Work Plan with the budget for 2010/2011.

They also agreed on all points of the meeting and endorsed the proposals. Several representatives reiterated their support to the CEF and its program. The Supervisory Board meeting followed the High Level Regional Policy Dialogue Strengthening Domestic Anchors to Assist with Crisis Exit Strategies as part of the Building Capacities for Policy Design and Implementation (BCPDI) program.

The main issues discussed at Supervisory Board meeting in 2010 were:
- The CEF Annual Report and Financial Statements for 2009 and the 2010/2011 Work Plan were presented by Mira Dobovišek, the CEF Director
- Brian Olden, IMF Regional PFM Advisor reported on the IMF Regional Technical Assistance
- Mitja Mavko, Head of the International Finance Department of the Ministry of Finance of Slovenia and a Member of the CEF Management Board gave the Report of the CEF Management Board and CEF Advisory Board

Members of the Supervisory Board as of April 23, 2010:

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<thead>
<tr>
<th>Country</th>
<th>Member</th>
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<tr>
<td>Albania</td>
<td>Ridvan Bode</td>
<td>Minister</td>
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<td></td>
<td>Ardian Fullani</td>
<td>Governor</td>
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<tr>
<td>Bosnia and Hercegovina</td>
<td>Dragan Vrankić</td>
<td>Governor</td>
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<td>Kemal Kozarić</td>
<td>Minister</td>
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<td>Bulgaria</td>
<td>Simeon Djankov</td>
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<td>Ivan Iskrov</td>
<td>Governor</td>
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<td>Croatia</td>
<td>Ivan Šuker</td>
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<td>Kosovo</td>
<td>Ahmet Shala</td>
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<td></td>
<td>Hasim Rexhepi</td>
<td>Governor</td>
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<td>Macedonia</td>
<td>Zoran Stavreski</td>
<td>Minister</td>
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<td>Petar Goshev</td>
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<td>Moldova</td>
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<td>Dorin Drăguţanu</td>
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<td>Montenegro</td>
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<td>Mugur Isărescu</td>
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<td>Serbia</td>
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<td>Radovan Jelašić</td>
<td>Governor</td>
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<td>Slovenia</td>
<td>Franc Križanič</td>
<td>Minister</td>
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<td></td>
<td>Marko Kranjec</td>
<td>Governor</td>
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The need for an institution that closely follows reform developments and related capacity development needs of countries in the region is high. Keeping this in mind, the CEF is always the target of our top management due to its practical approach to the issues and reform developments at the regional level.

The CEF offers strategic capacity development to the Ministry of Finance staff. In the last four years, the Ministry of Finance of the Republic of Moldova delegated more than 50 employees to CEF courses.

The cooperation that we have with the CEF and its representatives is very efficient. During this period, we received a great level of support in the capacity development of our experts in different areas.

The certification program *Capacity Building in Public Accounting (CBIPA)* organized by the CEF for Moldova was extremely important in the process of public financial management reform and the strengthening of economic progress. Until now, the training market of the Republic of Moldova had not provided civil servants with internationally recognized professional programs, based on international standards. The knowledge and best practices incorporated in the CBIPA program are fundamental for strengthening the capacities of financial specialists and for the introduction of international standards in the public sector, paving the way for a greater reliance on national financial management systems by international financial institutions and donors.

The implementation of the CBIPA Project in Moldova encountered several challenges. As professionals in their field, the CEF undertook several measures in order to overcome challenges and help students to obtain the necessary knowledge and experience.

The suitably structured program helped students to prepare and consolidate their knowledge prior to each examination session. The translation of materials for the international modules from English into Romanian reduced the risk of low results. The translation and the training of trainers for each international module made the localization of the program in Moldova feasible. In total, 17 students have been awarded a CIPFA Certificate and 15 students a CIPFA Diploma.

The Ministry of Finance is grateful for the CEF’s professional conveyance of the certification program and for the financial assistance for the program from CEF resources.

The cooperation with the CEF is significant to the Ministry of Finance due to the modern experience and approach provided in the training process. The CEF represents a basic model for the current development of the national Moldovan Finance Training Center.

I hope that further cooperation with the CEF will bring tremendous input to the region.

Veaceslav Negruta
Minister of Finance
Moldova
Management Board

The CEF Management Board is currently comprised of four public sector officials who are representatives of the Government of the Republic of Slovenia, the founder of the CEF. Its primary function is to supervise both financial and other activities of the CEF, ensuring that it fulfills the purpose for which it was founded. In addition, the Management Board reports on the CEF’s work to the Supervisory Board.

The Management Board meets at least twice a year, receiving relevant information from the CEF Management on a timely basis.

In 2010, the Management Board held four regular sessions and three correspondence sessions and conducted the following activities:

- Approved the appointment of new staff to support a growing number of increasingly complex projects
- Oversaw the CEF’s activities through regular reporting by the Director
- Discussed and approved the CEF long-term strategy
- Approved internal rules on CEF operations

2010 was yet another successful year for the CEF’s operations and the Management Board is happy to note that the institution not only continues to perform its mandate diligently but is exploring new horizons at the same time. While capacity development and knowledge sharing remained at the heart of the CEF’s activities, the Center has strengthened its capacities to act as a true partner in policy design and implementation. The unfolding financial crisis—although luckily receding—has placed a renewed onus on the need to strengthen public financial management and central banking practices in the field of the CEF’s operation. The Center remains committed to maintaining its edge in excellence.

All this would not have been feasible without highly professional and dedicated staff, strong support from donors and partner institutions as well as without an attentive approach towards client needs. Given that the field of the CEF’s operations enjoys a strong external anchor for policy design in its aspiration for EU membership, the Center is honoring this fact by developing closer co-operation with European institutions, most notably with the European Commission and the European Central Bank. Moreover, the continuously fruitful relationship with the IMF has resulted in the allocation of the second IMF regional adviser to the CEF in January 2011.

This year will mark the 10th anniversary of the CEF’s operations. This will present an opportunity to both reflect on the experience so far and to set the bar even higher for the next decade. The Management Board is looking forward to this forthcoming challenge and will be working with the Slovenian Government and the Ministry of Finance to facilitate the CEF to meet the challenge.
The Center of Excellence in Finance (CEF) was established in close collaboration with the ministries of finance of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia in January 2001. The vision was for the CEF to become a leading public finance resource center in the region, instrumental in progressing through difficult periods of adjustment and reform in public finances. Its mandate was to provide the participating countries’ public servants with on the job training, the exchange of experience and support in the implementation of their public finance reforms. In parallel, the CEF developed into a platform for inter-institutional and regional dialogue. Participants from member countries were given an increased opportunity to consult each other closely on technical details of their work.

The CEF soon increased the number of member countries and broadened its mandate to address central banking challenges. Its governance structure ensures a participatory and beneficiary-driven approach to the CEF program design, whereby regular consultations with member institutions are conducted in combination with continuous dialogue with donor partners. The CEF dedicated management and staff provide activities that respond to member countries’ individual and institutional capacity development needs. The steady increase in demand for the CEF’s activities over the last ten years proves the immense need for its services in the South Eastern European region and beyond.

The recent economic and financial crisis has reconfirmed the utmost importance of strong fiscal institutions in meeting post crisis challenges. The CEF, together with member and donor partner institutions’ experts, has conducted a thorough needs assessment effort to design a capacity development program that will respond to the region’s needs for sound macroeconomic and macro-fiscal forecasting and fiscal policy formulation. These greatly contribute towards sound public financial management whilst coherent medium-term budget frameworks are an essential tool in ensuring fiscal sustainability and the achieving of fiscal objectives. While also implementing such reforms in Slovenia, our experts stand ready to contribute their expertise and experience to the CEF’s program.

In conclusion, I would like to take this opportunity to congratulate the CEF on its 10th anniversary for its unequivocal success throughout the last decade of operation. I can only confirm that the CEF has become a key regional capacity development institution, offering specialized training, encouraging knowledge sharing and research and providing technical assistance in public financial management and central banking. The Ministry of Finance of the Republic of Slovenia remains committed to continued strong support for the CEF, both financially and in-kind by providing facilities for its operations.

Franc Križanič
Minister of Finance
Slovenia
Advisory Board

The Advisory Board is a representative body of donor partners. It advises the CEF Supervisory Board and the CEF Management on the guidelines for its training program and prepares periodic assessments of the CEF operations, which it presents to the Supervisory Board. The Advisory Board meets annually.

The Advisory Board met at its eighth session on April 8, 2010 in Ljubljana, Slovenia. The session was chaired by Luc Bool from the Ministry of Finance, the Netherlands. Participants discussed their institution’s activities and priorities for technical cooperation in South Eastern Europe and identified areas of possible cooperation with the CEF. The goal of the meeting was to increase efforts in harmonization and the alignment of activities.

During the Advisory Board meeting in 2010, the Advisory Board:
- Was informed about the CEF program and achievements in 2010
- Was informed of the CEF Work Plan for 2010/2011
- Discussed priorities in technical cooperation in South Eastern Europe
- Re-appointed the Ministry of Finance of the Netherlands representative as the Chair of the CEF Advisory Board

Present at the Advisory Board meeting on April 8, 2010:

<table>
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<tr>
<th>Representative</th>
<th>Institution</th>
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<tbody>
<tr>
<td>Daniela Biadene</td>
<td>Central European Initiative (CEI)</td>
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<tr>
<td>Luc Bool</td>
<td>Ministry of Finance, the Netherlands</td>
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<tr>
<td>Nicolas Dubois</td>
<td>Organization for Economic Cooperation and Development (OECD) Sigma</td>
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<tr>
<td>Xavier Hawia</td>
<td>National Bank of Belgium</td>
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<td>Pascal Herry</td>
<td>European Commission</td>
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<td>Eduard Hochreiter</td>
<td>Joint Vienna Institute on behalf of the IMF Institute</td>
</tr>
<tr>
<td>Andreja Jerina*</td>
<td>Government Office for Development and European Affairs, Slovenia</td>
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<tr>
<td>Karmen Juren</td>
<td>Bank of Slovenia</td>
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<tr>
<td>Dirk-Jan Kraan</td>
<td>OECD</td>
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<tr>
<td>Tatyana Leonova</td>
<td>World Bank Institute, Moscow Office</td>
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<tr>
<td>Harry List</td>
<td>European Institute of Public Administration (EIPA)</td>
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<tr>
<td>Ioilo Llewelyn</td>
<td>Wales Audit Office</td>
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<tr>
<td>Mitja Mavko*</td>
<td>Ministry of Finance, Slovenia</td>
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<tr>
<td>Michael Olsen</td>
<td>European Central Bank (ECB)</td>
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<tr>
<td>Caroline Rickatson</td>
<td>The Chartered Institute of Public Finance and Accountancy (CIPFA)</td>
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<tr>
<td>Alena Srankova</td>
<td>UNDP Bratislava Regional Centre</td>
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<td>Matthias Witt</td>
<td>German Technical Cooperation (GTZ)</td>
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<td>Lucia Zimanyiova</td>
<td>Ministry of Finance, Slovakia</td>
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*observer, member of the Management Board
The meeting of the Advisory Board in April clearly showed the willingness of the CEF partner countries to invest in the region. Know-how and new ideas were shared and projects were developed. Participants at the CEF Advisory Board meeting discussed possibilities of future cooperation between the CEF and their institutions and possibilities to contribute to the CEF program.

Since May 2010, Luc Bool, Coordinator Technical Cooperation of the Ministry of Finance of the Netherlands, handed over his tasks to me as the chair of the CEF Advisory Board.

I participated at the CEF Coordinators Meeting in December 2010 in Skopje, Macedonia, in order to get acquainted with the Coordinators in the region. The purpose of this meeting was to establish the region’s training needs and priorities. This in turn allows the CEF to design its training program which is later submitted to the CEF Supervisory Board for approval. The Ministry of Finance of the Netherlands already has contributed to the CEF trainings for a number of years with experienced practitioners from the Ministry. It has identified several topics in which they can provide expertise and experience, a.o. Public Internal Financial Control (PIFC), Auditing, Tax Regulation Harmonization (VAT, excises) and Human Resources Management. The eagerness of the countries in the region for knowledge and the spirit to constantly improve the capacity in their own institutions struck me as the new Chair. The enthusiasm of the CEF Coordinators is contagious!
ENGAGING STAKEHOLDERS

Coordinators

The CEF program aims to be demand driven by responding to the capacity development needs of its members. The CEF base of Coordinators facilitates excellent understanding of training needs and priorities of the ministries of finance, central banks, and other relevant institutions in the South Eastern European region.

The CEF coordinators are regional representatives, responsible for capacity development and are involved in the strategic management of human capital within their respective institutions. Coordinators’ extensive knowledge of their institution’s training needs helps the CEF to identify the capacity development priorities in the region and incorporate them into the CEF training program.

Their activities and interactions in Community of Practice are described in Step 2.
The tenth anniversary of the Center of Excellence in Finance is a good opportunity to congratulate and pay tribute to its Slovenian team and the international partners for the continuing effort and the excellent achievements. We had the privilege to join the Center at its early stages back in 2002. We, at the Bulgarian National Bank benefited a lot from our cooperation, with more than sixty of our staff members participated in the various courses and seminars.

We highly value the regional focus of the CEF which is its main advantage and uniqueness. In times of globalization, the regional perspective becomes more and more important. We live in a challenging region full of opportunities and potential, including for financial market development. Let’s look back 10 years ago and we will recognize the great achievements. Three countries from our region became EU member states implementing deep reforms in their policies, legal and institutional frameworks. Another three already have the status of EU candidate countries, and the remaining four are potential candidates for EU membership. We are confident that the Center of Excellence in Finance has contributed to this process and will further strengthen the European prospects for the financial sector of the region by enhancing the capacity of financial regulators and also by stimulating further reforms.

The recent financial crisis has affected the region’s financial sector but in a much more limited way than in other parts of the world. Most of our countries, including Bulgaria, did not have to spend any public funds in support of their banking sectors. The region’s abilities and inspiration for reform are remarkable.

The intensive cooperation in our region takes different forms including technical assistance projects, the creation of multilateral organizations, and regional forums of consultations and dialogue. In this environment, which is so rich in policy initiatives, the CEF established its place and stands strong on its expanding mission.

One of the main lessons we learned from this decade is that the success comes to the countries that have a potential to reform and adjust, and that rely on the powerful driving force of their people. Investing in the people is the most important investment in our financial sector.

We wish the Center to generate further excellence, prudence and inspiration in finance for the benefit of our region.

Ivan Iskrov
Governor
Bulgarian National Bank
Step 2:
Understanding Regional Needs

The CEF strives to create a constructive environment for knowledge sharing and the exchange of experiences. In designing programs and activities, the CEF closely follows reform developments and the related needs of its member countries, as well as the latest trends and standards in public financial management and central banking.

The identification and understanding of regional needs enables the CEF to provide tailor-made programs that aim to be practical and applicable. The IMF Regional Public Financial Management (PFM), Tax Administration Reform Advisors for South Eastern Europe and CEF Coordinators all play a key role in this process.

IMF Regional Technical Assistance

IMF Regional PFM Advisor for South Eastern Europe

In 2010, the IMF regional PFM advisor for South Eastern Europe, Brian Olden, carried out 12 missions in 7 countries in the region. The advisor’s work focused on countries with a clear commitment and capacity to implement meaningful reforms in the public financial management area.

The demand for technical assistance remains strong in South Eastern Europe. Due to limited resources, the IMF Fiscal Affairs Department focuses on countries where it can add more value to that provided by other donors, where there is strong commitment to PFM capacity development and where concrete progress is demonstrated. In 2010, the advisor was particularly active in Bosnia and Herzegovina, Montenegro, Romania, and Serbia, with resources also allocated to Bulgaria, Croatia, and Kosovo. It is likely that 2011 will see an increased focus on other countries in the region including Albania, Macedonia, and Moldova, whilst reforms that have commenced in other countries will continue to receive support in line with available resources.

The regional advisor has continued to provide technical assistance to countries in the region for priority public financial management reforms.

In 2010 these included:
- Medium-term and capital budgeting
- Strengthening fiscal institutions, rules and procedures
- The introduction of new legislation surrounding fiscal management
- Integration of cash and debt management
- Accounting and fiscal reporting
- Issues surrounding inter-governmental fiscal relations which have impacted on general government fiscal management.

The advisor collaborates closely with the CEF by identifying and discussing training needs and priorities for public finance officials in the region; presenting at CEF workshops and contributing and taking an active part in seminars, conferences and other events organized by the CEF. In 2010, this included PEM PAL meetings, a high-level seminar on fiscal institutions and fiscal rules in the region held in Washington, a meeting of CEF Coordinators in Macedonia and Supervisory Board meeting.

The regional advisor’s presence in the region was initially financed by the governments of Japan and Slovenia, and is now exclusively sponsored by the Japanese Government since May 2010.

A more detailed description of the regional advisor’s activities and outputs is given on pages 22 and 23. You can also refer to the CEF website: http://www.cef-see.org/index.php?location=1432.
Norman Gillanders joined the IMF’s team of locally-based tax administration reform advisors in South Eastern Europe in January 2011 and is based at the CEF in Ljubljana. His work is financed by the Japanese Government.

He works on behalf of the IMF with tax authorities in Albania, Bulgaria, Croatia, Moldova, Montenegro and Romania and closely cooperates with the CEF on the preparation and delivery of capacity development activities.

I would like to take this opportunity to express our sincere gratitude for the professionalism of Mr. Brian Olden. He put a lot of effort into improving our work.

We appreciate his willingness to dedicate valuable time to assist us throughout our numerous questions and doubts.

In addition, we would like to emphasize the usefulness of everything we learned from him.

Indeed, we had an opportunity to gain invaluable knowledge that we will be able to implement in our day-to-day activities!

Thanks once again! We are looking forward to further opportunities for our cooperation and joint learning!

Svetlana Ljubičić
Treasurer
Ministry of Finance, Serbia
<table>
<thead>
<tr>
<th>Country</th>
<th>Priority areas in 2010</th>
<th>Missions in 2010</th>
<th>Comments on progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Integrated cash and debt management</td>
<td>/</td>
<td>Desk based advice offered to authorities on improvements in debt and cash management</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Improved consolidated fiscal reports at a general government level</td>
<td>March, July and December; short-term expert on fiscal reporting</td>
<td>Draft bridge tables prepared for the State and entities to permit fiscal reporting at general government level in accordance with international standards. The strategy for approval and implementation agreed</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Stronger strategic policy making capacity</td>
<td>June</td>
<td>Recommendations to consolidate and coordinate strategic policy have been provided</td>
</tr>
<tr>
<td>Croatia</td>
<td>General assessment of needs</td>
<td>February; assessment of needs</td>
<td>Agreed needs assessment has been produced</td>
</tr>
<tr>
<td></td>
<td>Integrated cash and debt management</td>
<td>October; seminar on budget policy and fiscal management</td>
<td>Potential for future cooperation on strengthening cash management has been agreed on and will be followed up in 2011</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Fiscal decentralization</td>
<td>January: IMF Headquarter(HQ)-led; decentralization process including regional advisor</td>
<td>A blueprint for improving local government financing arrangements agreed on</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Medium-term budgeting</td>
<td>December; discussions with Ministry of Finance during attendance at coordinators meeting</td>
<td>Agreement on the CEF/IMF HQ mission to assess progress and advise on next steps in strengthening the medium-term budget framework will take place in early 2011</td>
</tr>
<tr>
<td>Moldova</td>
<td>Cash management and fiscal reporting</td>
<td>/</td>
<td>Mission took place in early 2011 to incorporate a review of progress in improving medium-term budgeting and inter-governmental fiscal relations</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Assessment of future PFM TA requirements</td>
<td>June: debt management and medium-term budgeting</td>
<td>Mission to assess needs in medium-term budgeting and debt management concluded with recommendations for follow up</td>
</tr>
<tr>
<td></td>
<td>Medium-term budgeting</td>
<td>September; CEF/IMF HQ; medium-term budgeting</td>
<td>Mission led by the regional advisor produced a blueprint for the introduction of an effective medium-term budget framework</td>
</tr>
<tr>
<td></td>
<td>Capacity building in cash and debt manage-</td>
<td>November; Short Term Expert (STE) on debt management and medium-term budgeting. Not accompanied by regional advisor</td>
<td>Draft debt management strategy produced for approval by Government</td>
</tr>
<tr>
<td>Country</td>
<td>Priority areas in 2010</td>
<td>Missions in 2010</td>
<td>Comments on progress</td>
</tr>
<tr>
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<tr>
<td>Romania</td>
<td>Fiscal responsibility legislation</td>
<td>April; HQ mission led by regional advisor concerning fiscal responsibility legislation and improvement of local government financing arrangements</td>
<td>Review of implementation of recommendations from the 2009 mission has been completed and the first Fiscal Strategy developed</td>
</tr>
<tr>
<td></td>
<td>Local government financing</td>
<td></td>
<td>Recommendations on improvements to local government financing legislation have been agreed and largely implemented in 2010</td>
</tr>
<tr>
<td></td>
<td>Public investment</td>
<td><strong>November; IMF HQ follow up mission led by regional advisor</strong></td>
<td>Review of the progress on fiscal strategy has been completed and recommendations have been offered to strengthen the design and implementation process for 2012-2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Recommendations on the next steps needed to complete the reform of local government financing arrangements have been provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The public investment process and treasury IT systems were reviewed and recommendations for improvements were also provided</td>
</tr>
<tr>
<td>Serbia</td>
<td>Integration of cash and debt management</td>
<td><strong>February; regional advisor with regional STE on integration of cash and debt management and accounting standards</strong></td>
<td>Presentation on international practices in cash and debt management and recommendations on specific strengthening requirements for the Serbian Treasury and debt management operations were provided</td>
</tr>
<tr>
<td></td>
<td>Adoption of international standards for public sector accounting</td>
<td><strong>October; regional advisor mission on debt management and accounting standards</strong></td>
<td>Review of the progress of proposed changes to strengthen integration of cash and debt management and improve accounting policies to meet international standards has been made. The advice was taken on board in developing a new Accounting Rulebook for government operations</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Performance-oriented budgeting</td>
<td></td>
<td>Discussions are ongoing with authorities in their efforts to introduce a development focused performance budgeting system</td>
</tr>
<tr>
<td></td>
<td>Participation in CEF training courses on public financial management topics</td>
<td></td>
<td>Designed and participated in CEF workshops on the integration of cash and debt management and medium-term budgeting for CEF members</td>
</tr>
</tbody>
</table>
The CEF program aims to be demand-driven and responds to capacity development needs of its members. One of the key factors for understanding the regional situation is close cooperation with regional representatives. Therefore, a base of South Eastern Europe Coordinators (from member institutions) has been established.

A set of continuous communication activities have been identified in order to reinforce the existing cooperation between the CEF and its Coordinators.

Every year, the CEF Coordinators meet to discuss the CEF program for the upcoming year in order to establish training needs and priorities in the region. Their active participation provides a valuable insight into past, recent and future activities and experiences which aids the CEF in setting the way forward.

Another purpose of the annual meetings is to reinforce existing relationships and to allow the Coordinators to network, to exchange their respective information and experiences and to become better acquainted.

CEF representatives inform Coordinators of upcoming CEF training events through the Catalog of Forthcoming Workshops and Seminars and via email correspondence.

In order to ensure effective information sharing and interactive cooperation, the CEF Moodle account was designed in 2010.

### MOODLE

Moodle is an Open Source Course Management System (CMS), also known as a Learning Management System (LMS) or a Virtual Learning Environment (VLE). It is available free of charge on the web, is easily downloadable and needs to be installed on a web server.

Moodle is used around the globe by more than 30,000 educational organizations and can accommodate the needs of up to 50,000 university students. It provides teachers and trainers with a set of web based tools for an array of activities, such as forums, messaging, quizzes, assignments, wikis, blogs, databases, uploading and sharing of materials, forums, chats, surveys, gathering and reviewing assignments, and recording grades. While traditional face-to-face meetings remain effective, applying the tools listed above opens up new possibilities for learning. Recent trends in learning promote a combination of online learning and face-to-face meetings in what are called “hybrid” courses or “blended learning”. An important advantage of Moodle as a CMS is that it provides an interface that centralizes the learning task.

The CEF uses Moodle for:
- Interaction among CEF Coordinators in their Community of Practice
- CEF Distance Learning Courses
- Exchange of information and knowledge among CEF staff
I was glad to see that employees actively participated at the last CEF Meeting in Skopje, discussing Enabling Environment for Capacity Building. They contributed to discussions, were illuminated by new ideas and gained impressive new knowledge and valuable experiences from the workshop.

As I was appointed as a CEF Coordinator recently, I am still in the stage of learning and finding a way to efficiently integrate into the CEF organization and its activities. I strongly believe that the increase of institutional cooperation between the National Bank of the Republic of Macedonia (NBRM) and the CEF team is needed for a sustainable partnership. In this respect, I have already involved additional employees to cooperate with the CEF in future.

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**Slavco Stojanov**
Director of the Legal and Human Resources Management Department
National Bank of the Republic of Macedonia

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<table>
<thead>
<tr>
<th>Coordinator's name</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Alfred Prifti</td>
<td>Ministry of Finance, Albania</td>
</tr>
<tr>
<td>2 Genci Mamani</td>
<td>Bank of Albania</td>
</tr>
<tr>
<td>3 Aida Imamović</td>
<td>Ministry of Finance, Bosnia and Herzegovina</td>
</tr>
<tr>
<td>4 Vildana Zečević</td>
<td>Central Bank of Bosnia and Herzegovina</td>
</tr>
<tr>
<td>5 Galina Tzekova</td>
<td>Ministry of Finance, Bulgaria</td>
</tr>
<tr>
<td>6 Stoyan Bozhkov</td>
<td>Bulgarian National Bank</td>
</tr>
<tr>
<td>7 Nada Zrinušić</td>
<td>Ministry of Finance, Croatia</td>
</tr>
<tr>
<td>8 Rabije Kryeziu</td>
<td>Ministry of Economy and Finance, Kosovo</td>
</tr>
<tr>
<td>9 Vjollca Tërbytja</td>
<td>Central Bank of the Republic of Kosovo</td>
</tr>
<tr>
<td>10 Gordana Susuleska Itić</td>
<td>Ministry of Finance, Macedonia</td>
</tr>
<tr>
<td>11 Slavco Stojanov</td>
<td>National Bank of the Republic of Macedonia</td>
</tr>
<tr>
<td>12 Eugen Cozmulci</td>
<td>Ministry of Finance, Moldova</td>
</tr>
<tr>
<td>13 Veronica Voleticu</td>
<td>National Bank of Moldova</td>
</tr>
<tr>
<td>14 Damir Rašketić</td>
<td>Ministry of Finance, Montenegro</td>
</tr>
<tr>
<td>15 Stanka Vizi</td>
<td>Central Bank of Montenegro</td>
</tr>
<tr>
<td>16 Malina Marica/Gabriela Martinescu</td>
<td>Ministry of Public Finance, Romania</td>
</tr>
<tr>
<td>17 Mugur Tolici</td>
<td>National Bank of Romania</td>
</tr>
<tr>
<td>18 Svetlana Ljubičić</td>
<td>Ministry of Finance, Serbia</td>
</tr>
<tr>
<td>19 Bojana Drobnjak</td>
<td>National Bank of Serbia</td>
</tr>
<tr>
<td>20 Urška Zadravec</td>
<td>Ministry of Finance, Slovenia</td>
</tr>
<tr>
<td>21 Sanja Pregi</td>
<td>Central Bank of Slovenia</td>
</tr>
<tr>
<td>22 Mustafa Bitiren</td>
<td>Prime Ministry Undersecretariat of Treasury, Turkey</td>
</tr>
<tr>
<td>23 Mehmet Düzgün</td>
<td>Central Bank of the Republic of Turkey</td>
</tr>
</tbody>
</table>
As a CEF Coordinator and the Head of the Human Resources Department in the Turkish Treasury, I am in the unique position to identify the training needs and priorities of the Turkish Treasury and match them with related CEF programs if possible. It is clear that public institutions should further develop their human resources management, as well as supporting their capacity development under the dynamic and highly unstable global economic environment. CEF programs provide a wide range of tailor-made training opportunities and a platform for the exchange of views and experiences in the region. The employees of the Turkish Treasury have been active participants in these programs and have improved their knowledge and skills immensely.

Mustafa Bitiren
Head of Human Resources Department
Prime Ministry Undersecretariat of Treasury, Turkey
In recent years, the Ministry of Finance of the Republic of Bulgaria has faced new challenges including plenty of reforms, changes and novelties. In this dynamic environment, the increase of public finance management's effectiveness, usefulness and quality becomes even more important for achieving the Ministry's daily and strategic goals. In this respect, training is closely related to the development and improvement of financial officers' skills and is presently one of the important preconditions for increasing the required efficiency. In fact, training institutions play a significant role as key instruments for providing more diverse skills, knowledge and better understanding that result in effectiveness and better quality of administration performance.

Within the last few years, the basic factor for strengthening and developing the capacity of the public finance sector is a well-built training infrastructure including in our South Eastern Europe region. With its pro-active role, the CEF is considered and recognized as the leading institution in our region, providing specialized professional training as it facilitates the build up and transfer of knowledge and skills in the public finance sector in the full broadness of the working field.

The Public Finance School in Bulgaria is extremely grateful for the encouragement and support received from the CEF since its establishment and for the dedicated assistance through all these years. The CEF and the PFS are participants and partners involved in the process of capacity building in public finance management although their specific roles and responsibilities are different. To continue and expand our common work in the context of capacity development in our region, we shall participate in the CEF training initiatives. The benefit and usefulness of the CEF training courses are highly appreciated by the Bulgarian participants from the Ministry of Finance. We are very pleased to note that the distance learning courses are especially successful and popular.

The PFS's ambition is to extend the fruitful cooperation with the CEF. In the near future, we could transfer our expertise and experience in the field of Budget modernization in Bulgaria, program and result-oriented budgeting and its implementation and also on some topics of EU funds management.

We shall continue to rely on the expertise and professionalism of the CEF in enhancing the capacity and the efficiency of the public finance administration in our region.

Yours sincerely,

Simeon Djankov
Deputy Prime Minister and Minister of Finance
Bulgaria
We would like to wish the CEF further success with its activities and to express our gratitude for the fruitful cooperation that has characterized our institutional relationship.

We commenced our cooperation with the CEF upon establishment of the Training Office within the Ministry of Economy and Finance, now the Ministry of Finance, back in 2002.

For over a decade we have maintained excellent cooperation between the two institutions, an assessment expressed by all senior managers of our institution. Over the years, our cooperation has increased steadily, because we have found the CEF to be the professional help to us on our path of institutional development. Therefore, an integral part of our human resource development plan has been the annual planning of regular cooperation with the CEF. We have welcomed opportunities provided by the CEF by organizing our training based on the CEF’s annual plan and that has met the staff increase and development needs.

Through the training organized by the CEF, our employees have been subjected to advanced experiences in specific areas. We currently have an ongoing certification training program for 50 Internal Auditors employed in institutions of the Kosovo Government. We would like to emphasize that the Ministry of Finance and other government institutions have indeed benefited from the program.

The training organized by the CEF has been more than welcomed by participants, our civil servants, due to the contemporary themes, the high level of speakers which have resulted in the development of our capacities. We recognize that the experience gained in the organized training has helped participants to advance their skills and apply these to their current assignments. These advancements affected budget and finance officers and especially the internal auditors.

In conclusion, we wish the CEF further success with its activities and hereby express our desire to increase our fruitful cooperation in the future.

Best regards,

Bedri Hamza
Minister of Finance
Kosovo
The Building Capacities for Policy Design and Implementation (BCPDI) project proposal was endorsed at the CEF Supervisory Board meeting in Washington in April 2010. It is planned that the CEF will implement one part of the BCPDI project—which consists of a series of workshops and high level regional policy dialogues—through the Regional School of Public Administration (ReSPA) specific component Strategic Planning and Budgeting, to be supported by the Instrument for Pre-Accession Assistance (Multi-Beneficiary IPA). The capacity building project is scheduled to start in 2012, when funding will become available. The BCPDI project proposal was prepared by the CEF, following discussions with the beneficiaries from South Eastern European (SEE) countries and Turkey. Considerable input was also given by the European Commission (EC) and international financial institutions (IFIs).

The main objectives of the project include (1) building beneficiaries’ capacities to carry out medium-term economic and fiscal policy analysis, design and implementation and (2) improving internal and external policy coordination through the use of domestic and external anchors which help shape a sustainable medium-term macroeconomic policy. In particular, the project focuses on integrating the preparation processes for Pre-accession Economic Programs (PEPs), Economic and Fiscal Programs (EFPs) and similar multilateral surveillance with the national budget preparation process and ensuring a consistent approach to medium-term fiscal strategy development documents.

A formal needs assessment for the BCPDI project was initiated in April 2009 in Washington, where ministers of finance, governors of central banks, and representatives of the EC and IFIs met for a high level seminar Economic Stability and EU Convergence in South East Europe: Building Capacities for Policy Design and Implementation. At the seminar, these high level officials highlighted the importance of the topic.

A follow-up expert-level TAIEX workshop, Building Capacities for Policy Design and Implementation, held in December 2009 in Tirana, Albania further specified the components of the proposed capacity building project. These are: (1) a series of workshops and high level regional dialogues; (2) technical assistance and (3) facilitating the exchange of experiences through existing or newly created communities of practice.

The study methods used at the CEF meeting in which I participated were incredibly useful. The CEF staff was particularly successful in undertaking an active role at each stage of the workshop. They encouraged attendees to participate and guided them towards the targeted objective.

During my visit in Slovenia, I witnessed that the CEF staff works towards the set vision and mission. I predict that the CEF will play an active role in the development of the relations of South East European countries and that the knowledge and achievements gained by the CEF in the first 10 years will continue incrementally in its second 10 years.
The BCPDI project proposal was endorsed at the 2010 CEF Supervisory Board meeting in April which was organized back-to-back to a high level regional policy dialogue which addressed how to strengthen domestic anchors to assist with crisis exit strategies.

The first component of the BCPDI (a series of workshops and high level regional dialogues) was included in the IPA Multi-Beneficiary programming for 2011-2013 (Public Administration and Governance). It is scheduled to be implemented by the CEF as part of the ReSPA component entitled Strategic Planning and Budgeting and will involve partnerships with other key stakeholders. The other two components are yet to be fully defined and await further discussions with beneficiaries.

The IPA Multi-Beneficiary Working Group on Public Administration and Governance specified the next steps in developing the ReSPA component on Strategic Planning and Budgeting during a meeting that took place on November 9-10, 2010 in Danilovgrad, Montenegro. In order to fine-tune details of the project and to ensure targeted participation, beneficiary input will continue to be sought in the first half of 2011.
Dear Colleagues,

Looking back to the previous year I can say that it consisted of an extremely fruitful cooperation between the CEF and the National Bank of the Republic of Macedonia. Even more importantly, a big step was made towards strengthening the cooperation among the CEF member countries; the South Eastern European countries and Turkey. Our institution was honored to co-host the first CEF Coordinators Meeting outside of Slovenia, as well as the workshop on **Enabling Environment for Capacity Building in Medium-term Policy Design**, because it was a valuable chance to address the challenges faced by our institutions when creating and implementing the human resources strengthening policy.

Human capital is the most valid asset of every institution, especially for public organizations such as central banks and ministries of finance. By building up human capacity we develop stronger and more inventive institutions, ready to encounter the challenges of this fast-changing world.

The CEF has consistently been a loyal and devoted partner in our efforts to improve the NBRM institutional capacities. Over the years, the CEF has significantly helped us on the road to becoming a modern and effective central bank, strategically focused on becoming a part of the European System of Central Banks. The CEF has been and still is, the leading regional institution that connects policy makers of SEE countries, bringing up regional issues and offering regional solutions. In the past decade, the CEF has managed to bring us all forward, to enhance our boundaries of knowledge and most importantly, to gather us all together to share our problems and seek solutions.

It is my greatest pleasure to have this chance to congratulate the CEF on its 10-year anniversary and to express the wish that we all grow together and become better and stronger institutions in these challenging times.

Sincerely,

Petar Goshev
Governor
National Bank of the Republic of Macedonia
The Ministry of Finance has an extremely important role in the European Union (EU) accession process of any candidate country. In this respect, the Serbian Ministry of Finance identified Slovenia as a valuable partner in the preparation of the strategy for approximation. The CEF, together with Slovenian experts and the Serbian think-tank Factis prepared a **Strategy for the Serbian Ministry of Finance for its approximation to the EU in areas under its responsibility.** The project started in October 2010 and ended in March 2011. It was financed by the Norwegian government.

The Strategy has **two main objectives:**

- To assist the Serbian Ministry of Finance with its preparation for negotiations, especially for the first phase screening of selected EU accession areas under its competence
- To support the process of the institutional strengthening of the Ministry of Finance in the EU accession areas which are addressed in the Strategy

The following areas were selected by the Serbian Ministry of Finance to be addressed in the Strategy:

- Free movement of capital
- Public procurement
- State aid (as part of competition policy chapter)
- Financial services
- Taxation
- Customs union

The six chapters lay out Slovenian experts’ guidelines and discuss the challenges that the Ministry of Finance of the Republic of Serbia will be facing in each area of the EU accession negotiations.

Through this project, the CEF identified regional capacity development needs, also putting EU accession topics on the CEF Short Programs agenda.
Sustainable economic growth and a higher standard of living are determined, to a large extent by the authorities’ ability to design and implement proper macroeconomic policies. This ability, in turn, is directly associated with good governance, strong and transparent public institutions (decision makers) and trained staff. In order to achieve the above-mentioned it is necessary to enhance capacity development, which entails the strengthening of human and institutional capabilities. The Center of Excellence in Finance (CEF) is one of the leading institutions which fits requirements for capacity development, in particular in the public financial management and central banking area.

In this regard, it should be mentioned that the National Bank of Moldova (NBM) has benefited from the CEF’s training courses. These have covered various important topics which are vital for ensuring the sound and efficient activities of a central bank such as: the monetary and exchange rate policy; the payment and securities settlement system; accounting, planning and controlling; internal audit; issues related to banking supervision etc.

The above support is of high importance, given the current commitments of Moldova’s authorities, including the NBM, under the IMF programs, the EU Association Agreement negotiations, the transition to Basel II and the enhancement of the NBM’s inflation-targeting and banking supervision abilities. It implies the design of new and improved macroeconomic policies and models of economic growth and naturally requires increasing capacity building efforts. It is notable that the CEF cooperates on a partnership basis with various international, regional and national financial and economic institutions (World Bank, IMF, OECD, Bank of Slovenia, Central Bank of Netherlands, Ministry of Finance of Netherlands etc.) and that its programs and activities are tailor-made, closely following the developments and the needs of member countries. This fact, inter alia, proves that the CEF is flexible, and at the same time, strongly committed to achieving its objectives in the target region with maximum effectiveness.

Additionally, in the context of addressing the challenge of strengthening human and institutional capabilities in the near future, the NBM intends to reform its evaluation and performance management systems on a large scale, among other things taking into account the experience and recommendations of other European central banks.

In conclusion, I would like to state that the National Bank of Moldova is confident that the existing fruitful cooperation between the NBM and the CEF will be enhanced in the forthcoming period.

Dorin Drăguțanu
Governor
National Bank of Moldova
Step 3: Designing Program

The CEF Work Plan for the 2011 calendar year was endorsed at the 10th CEF Supervisory Board meeting in April 2010. It is based on input received from the CEF member institutions and experts from a wide range of international and other organizations. The Work Plan for 2012 and 2013 will be put forward to the CEF Supervisory Board for confirmation in June 2011.

In the area of permanent programs, the CEF will continue to offer two introductory workshops on a demand basis. Introduction to Public Financial Management is targeted at junior economists and new employees at ministries of finance and line ministries. Introduction to Central Banking will be introduced again in 2012/2013 and will be targeted at junior central bankers, ministry of finance and other public sector staff who would like to be familiar with central banking issues.

The CEF will continue to offer Budget Specialist Training as part of its specialization programs. Its goal is to provide the latest knowledge in budgeting and financial management for professionals who work in budget departments of ministries of finance and line ministries.

Two CEF certification programs will continue to evolve. After completing the Capacity Building in Public Finance (CBIPA) project in Albania, Croatia and Slovenia in 2007, the project will be completed in Macedonia and Moldova by June 2011. Macedonia has already requested its continuation. Following the successful conclusion of the Training of Internal Auditors in the Public Sector (TIAPS) pilot project in Slovenia, the CEF offered the TIAPS training and certification program to other member countries. The project has been delivered in Kosovo and will be concluded in 2011. Albania, Moldova and Montenegro have expressed their interest through letters of their respective ministries of finance; however, financing has yet to be secured. The CEF will strive to expand both programs to other member countries in the future.

As a meeting point for the sharing of experience gained in the process of reforms, the CEF’s short programs attend to the most urgent capacity development needs in South Eastern Europe and beyond. The annual program proposal comprises approximately 35 workshops, covering public financial management and central banking topics. They are complemented by people and process management topics which will either be provided directly by the CEF or in cooperation with other training institutions. Study tours are offered on the basis of peer requests and the availability of experts.

The CEF will continue to place special emphasis on policy events and research work with a goal to deliver at least one policy event annually, complemented by background research material.

The secretariat for the PEM PAL initiative was transferred from the World Bank to the CEF in 2008. The CEF plans to continue to play an active role in the coordination and delivery of PEM PAL Communities of Practice (CoP) meetings and activities. As of April 2011, the PEM PAL Communities Facilitator is located at the CEF.

The International Monetary Fund’s technical assistance, delivered through the CEF in the fiscal area is planned to continue in 2011 and beyond. Two regional IMF advisors and their interpreter are currently located at the CEF.

In 2011, the CEF became the priority area coordinator for the institutional capacity development and cooperation of the European Union (EU) Strategy for the Danube Region. The strategy’s aim is to boost the development of the Danube Region and involves 14 countries, of which eight are CEF members. The strategy is supported by the European Commission DG for Regional Policy.

In 2012, the CEF plans to implement a capacity development project that will contribute to the strengthening of regional capacity in medium-term economic and fiscal policy design and implementation in the region of the Western Balkans and Turkey. The project will be financed through the Multi-Beneficiary IPA for 2012 and...
2013 (Public Administration and Governance; ReSPA component).

The CEF may also be involved in other projects after carefully considering beneficiaries’ demand, financing availability and its own capacity. An example of such a project is the Regional Program for Social Cohesion in Latin America - EUROsociAL II, in which the CEF will take part, together with key public institutions in various Latin American and EU countries. The aim of the project is to strengthen the institutional capacity of Latin American countries’ public administrations through awareness-raising activities and the sharing of experiences between administrations of the EU and Latin America.

The CEF is looking forward to further developing an already strong capacity development program. This will, above all, be achieved through extremely close cooperation with member institutions’ representatives and experts from organizations involved in capacity development in public financial management and central banking.
Step 4: Implementing Program

Once the region’s needs and priorities have been determined, highly practical and tailored programs are developed.

The CEF implements its activities through:
- Short Programs
- Permanent Certification Programs
- Policy and Research
- Communities of Practice

Short Programs

**WORKSHOPS AND SEMINARS**
CEF workshops and seminars make up the core activity of the CEF. They are tailor-made and aim to satisfy the immediate training needs and priorities of the region. Their practical orientation enables the effective exchange of experiences in tackling specific challenges in the region. In addition, they are focused and provide guidance for both current and future tasks in reforming public finances, strengthening central banking and in adopting international standards.

In 2010, 864 participants attended 39 courses, of which 36 were face-to-face workshops and three were distance learning courses.

Workshops and seminars by types

- **Face to Face Events**: 92%
- **Distance Learning**: 8%

---

2001

- CEF founded by Government of the Republic of Slovenia
- Six CEF members: Ministries of Finance: Albania, Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia (Serbia and Montenegro), Macedonia, and Slovenia
- 3 CEF staff members
Number of participants per country

<table>
<thead>
<tr>
<th>Country</th>
<th>Workshops and seminars</th>
<th>Project financed workshops*</th>
<th>Distance learning courses</th>
<th>Workshops and seminars (including distance learning)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>55</td>
<td>14</td>
<td>6</td>
<td>75</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>24</td>
<td>32</td>
<td>0</td>
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<tr>
<td>Bulgaria</td>
<td>17</td>
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<td>37</td>
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<td>Croatia</td>
<td>48</td>
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<td>Kosovo</td>
<td>80</td>
<td>25</td>
<td>4</td>
<td>109</td>
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<tr>
<td>Macedonia</td>
<td>28</td>
<td>12</td>
<td>3</td>
<td>43</td>
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<tr>
<td>Moldova</td>
<td>19</td>
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<td>13</td>
<td>32</td>
</tr>
<tr>
<td>Montenegro</td>
<td>38</td>
<td>20</td>
<td>0</td>
<td>58</td>
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<tr>
<td>Romania</td>
<td>22</td>
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<td>4</td>
<td>26</td>
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<tr>
<td>Serbia</td>
<td>47</td>
<td>24</td>
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<tr>
<td>Slovenia</td>
<td>92</td>
<td>0</td>
<td>6</td>
<td>98</td>
</tr>
<tr>
<td>Other countries</td>
<td>113</td>
<td>27</td>
<td>39</td>
<td>179</td>
</tr>
<tr>
<td>TOTAL</td>
<td>583</td>
<td>168</td>
<td>113</td>
<td>864</td>
</tr>
</tbody>
</table>

* Part of “Strengthening Macro- and Micro-Prudential Supervision in EU Candidates and Potential Candidates” Project

Other countries include: Austria, Belgium, Chile, Czech Republic, Estonia, Ethiopia, Hungary, Israel, Latvia, Lithuania, Pakistan, Poland, Russian Federation, Slovak Republic, Turkey, and Ukraine.

Workshops and Seminars:
Number of Participants and Events from 2001 to 2010

- 3 new CEF Members; Ministries of Finance: Bulgaria, Moldova, and Romania
- CEF Advisory Board established
- Program expansion to Central Banking issues; Central Banks become members
- First Distance Learning Course (on Budget Formulation) implemented
- Web site (www.cef-see.org) launched

2002
Workshops and Seminars: Topics

The workshops and seminars cover the following topics:

**CENTRAL BANKING**
The CEF central banking workshops and seminars aim to support capacity development efforts of central banks in South East European countries by presenting the best international standards in central banking, thereby enabling their use at the national level.

**PUBLIC FINANCIAL MANAGEMENT (PFM)**
The CEF PFM workshops and seminars cover all phases of the budget cycle, including the preparation of the budget, budget execution, internal control and audit, procurement, monitoring and reporting arrangements, and external audit.

The public financial management topic is further divided into the following areas:
- Tax Policy and Administration
- Budgeting
- Treasury
- Accounting
- Auditing
- General Public Financial Management

**PEOPLE AND PROCESS MANAGEMENT**
The CEF has recognized that capacity development in public financial management and central banking needs to be complemented with the enhancement of organizational performance and individual development.

### Workshops and seminars by topics

- Central Banking: 33%
- Public Financial Management: 58%
- People and Process Management: 9%

### PFM workshops - participants by country

- Albania: 8%
- Bosnia and Herzegovina: 3%
- Bulgaria: 9%
- Croatia: 8%
- Kosovo: 13%
- Macedonia: 5%
- Montenegro: 5%
- Other countries: 23%
- Romania: 2%
- Slovenia: 13%
- Serbia: 6%

### People and Process Management workshops - participants by country

- Albania: 13%
- Bosnia and Herzegovina: 3%
- Bulgaria: 3%
- Croatia: 6%
- Kosovo: 11%
- Montenegro: 10%
- Moldova: 4%
- Macedonia: 6%
- Portugal: 5%
- Romania: 5%

### Central Banking workshops - participants by country

- Albania: 8%
- Bosnia and Herzegovina: 14%
- Bulgaria: 3%
- Croatia: 7%
- Macedonia: 4%
- Montenegro: 9%
- Other countries: 20%
- Romania: 4%
- Slovenia: 7%
- Serbia: 11%

### 2003

- Contract with the Chartered Institute of Public Finance and Accountancy (CIPFA) signed

### 2004

- Pilot CBIPA program started in Albania, Croatia, and Slovenia
- Membership of the World Bank’s, Global Development Learning Network (GDLN)
<table>
<thead>
<tr>
<th>Topic</th>
<th>Workshops and seminars (including distance learning)</th>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUBLIC FINANCIAL MANAGEMENT</td>
<td></td>
<td>21</td>
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<tr>
<td>Tax Policy and Administration</td>
<td>• Market Value-Based Taxation of Real Property 4 77</td>
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<td></td>
<td>• Tax Auditing Basics</td>
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<td>• Tax Auditing Follow-Up</td>
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<td></td>
<td>• VAT: Change of EU System</td>
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<tr>
<td>Budgeting</td>
<td>• Distance Learning on Budget Execution 4 136</td>
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<td></td>
<td>• Distance Learning on Budget Formulation</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Distance Learning on Budget Formulation for Officials from the Ministry of Finance and Economic Development</td>
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<td></td>
<td>• Medium-Term Budgeting</td>
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<tr>
<td>Treasury</td>
<td>• Integration of Cash and Debt Management 1 18</td>
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<tr>
<td>Accounting</td>
<td>• International Public Sector Accounting Standards 1 21</td>
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<td></td>
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<tr>
<td>Auditing</td>
<td>• Audit of IPA Projects 5 90</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Audit of Large IT Projects (delivered twice in 2010)</td>
<td></td>
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<tr>
<td></td>
<td>• Internal Audit Procurement</td>
<td></td>
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<td></td>
<td>• Internal Control and Audit: Human Resources Management</td>
<td></td>
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<tr>
<td>General Public Financial Management</td>
<td>• Financial Reporting for EU Projects 6 159</td>
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<td></td>
<td>• Instrument for Pre-Accession (IPA) Funds (delivered twice in 2010)</td>
<td></td>
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<tr>
<td></td>
<td>• Macroeconomic Management and Financial Sector Issues</td>
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<td></td>
<td>• Statistics of International Trade in Services</td>
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<td></td>
<td>• Transfer Pricing Dispute Resolution and Avoidance</td>
<td></td>
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<tr>
<td>CENTRAL BANKING</td>
<td>• Accounting, Planning and Controlling for Central Banks 14 284</td>
<td></td>
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<tr>
<td></td>
<td>• Central Banking Instruments and Goals</td>
<td></td>
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<tr>
<td></td>
<td>• Financial Stability Reports</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Home-host cooperation (delivered twice)</td>
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<tr>
<td></td>
<td>• Internal Audit in Central Banking</td>
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<td></td>
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<td></td>
<td>• Micro-Prudential Supervision</td>
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<td>• Micro-Prudential Supervision: Lessons to be Learned from the Crisis</td>
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<td></td>
<td>• Payment and Securities Settlement System</td>
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<td></td>
<td>• Regulation (delivered four times)</td>
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<td></td>
<td>• Stress Testing and Risks Management Techniques</td>
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<tr>
<td>PEOPLE AND PROCESS MANAGEMENT</td>
<td>• Enabling Environment for Capacity Building in Medium Term Policy Design 4 79</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Presentation Skills</td>
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<td></td>
<td>• Project Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Written Communications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>39</td>
<td>864</td>
</tr>
</tbody>
</table>

- Mr. James D. Wolfensohn, President of the World Bank visited the CEF
- Introduction to Public Financial Management workshop developed and delivered
- First meeting of CEF Coordinators
Budget Formulation (distance learning course)

The distance learning course on budget formulation offered by the CEF is a five week course which describes a typical national budget process. Learning modules are devoted to budget instructions, typically issued by ministries of finance, guiding government budget organizations in the preparation of their budget requests. The processes, procedures and terminology are presented using case studies. The course also touches on budget requests and budget examination.

Twenty-four officials from the Development Planning and Research Department at the Ministry of Finance and Economic Development of the Federal Democratic Republic of Ethiopia successfully completed the CEF’s distance learning course in spring 2010.

The initiative for the cooperation and the delivery of a distance learning course came from Ethiopian officials who had been in the process of linking the priorities set in the National Development Plan with the annual national budget.

Tamirat Yacob Chulta
Course Coordinator
Development Planning and Budgeting Department
Ministry of Finance and Economic Development, Ethiopia

The Budget formulation course was really an eye opener for me. It was a very good course which made me read more and took me back to the school days. The course has offered me the opportunity to acquire the basic knowledge to understand the whole national budget processes and the techniques we apply - from the preliminary steps to the Government’s presentation of its proposed budget to the Parliament. It has enabled me to perform and participate in the Results Based Budgeting activities in our national development planning process.
Internal Audit in Central Banking

In May 2010, the CEF organized a workshop on Internal Audit in Central Banking in cooperation with the Belgian Central Bank. It was designed as a journey into best practices of internal audit in leading central banks. The main objectives of the workshop were: i) to understand current internal audit challenges and opportunities; ii) to assist in developing an internal audit function able to meet changing expectations; iii) to appreciate the benefits of risk based internal auditing; iv) to gain insights into current best practices in the internal audit of leading central banks; and v) to network and share experiences between participants.

Based on the institutional relations between the CEF and the National Bank of Belgium that have developed over the years, we are convinced that the work conducted by the CEF constitutes a worldwide reference of a training institution focusing on capacity development in central banking and promotion of best practices.

In line with the CEF’s and participants’ expectations, we specifically developed practice oriented training and ensured focused learning from each other and sharing experiences on best practices.

The training material, case studies, benchmarking tool and discussions held during the seminar addressed issues to overcome the current long term and short term challenges facing internal audit functions.

The debate with participants from the Balkans, Baltic states, Turkey, Pakistan, the European System of Central Banks and the Euro system was on a high level and was highly appreciated. “Thank you” to all the participants for having made the seminar so interactive.

Finally, we would like to acknowledge the CEF staff as a key factor of success. As the National Bank of Belgium (NBB) and I are convinced that the work undertaken by the CEF is essential for capacity development in South Eastern Europe, we hope to receive the opportunity to continue our successful cooperation in the future.

Didier Casier
Head of Division, Internal Audit Unit
National Bank of Belgium
International Monetary Fund and
World Bank subject matter expert
for Technical Assistance projects
Enabling Environment for Capacity Building in Medium-Term Policy Design

The workshop Enabling Environment for Capacity Building in Medium-Term Policy Design took place in December 2010 in Skopje, Macedonia, and was combined with the annual CEF Coordinators meeting. It was initiated and coordinated by the National Bank of the Republic of Macedonia (NBRM) and the CEF in close cooperation with the International Training Centre of the International Labor Organization (ITC ILO) from Turin, Italy.

In order to address the technical aspect of medium-term policy design capacity development, the overall capacity development effort must also address national institutional arrangements in several areas, one of which is strategic human resource management.

The workshop in Skopje was part of the Building Capacities for Policy Design and Implementation program. The aim of the workshop was for participants to share views and exchange knowledge in order to create an enabling institutional environment for the growth and development of talents within ministries of finance and central banks in South Eastern Europe and Turkey. Moreover, the objectives of the workshop were to identify the features of an enabling institutional environment for the growth and development of talents, to analyze the institutional framework of training in SEE countries and Turkey and to assess the CEF training program. Further objectives were to share views on the role of the CEF Coordinator in order to define the ideal profile and to create a network of individuals responsible for capacity development.

The key lessons learned at the workshop were that the design and implementation of policies can be considerably enhanced by the re-distribution of responsibilities to key experts and project teams.

Participants deemed the workshop to be useful and claimed that the knowledge they had acquired was applicable to the performance of their daily tasks. Participants agreed that they would be able to share the acquired knowledge with their colleagues.

Anita Angelovska Bežoska
Vice Governor
National Bank of the Republic of Macedonia

There is no doubt that knowledge does not have boundaries. All of us, during our lifetime try to compile as much wisdom as possible, to broaden our knowledge horizon and augment what we already know. In our professional life, we face a constant intellectual and public debate, which strives to challenge existing paradigms, to offer new insights and to establish new norms. All of this, of course, for the purpose of building a stronger intellectual and analytical capacity for efficiently coping with forthcoming professional knowledge challenges.

The CEF has proved to be a leading institution in helping policy makers to improve institutional capacities. The main instruments used to achieve this objective are training to promote awareness of international standards and best practice in public financial management and central banking, as well as the provision of technical assistance. By closely monitoring the implementation of the reforms and mapping further reform needs, it designs up-to date and demand-driven capacity development programs.

2007

- International Forum on Pension Reform Exploring the Link to Labor and Financial Market Reforms held in Bled, Slovenia
- IMF Regional Government Finance Statistics Advisor appointed
- CBIPA project expanded to Macedonia, Moldova and Kosovo
- Pilot CBIPA project in Albania, Croatia, and Slovenia successfully completed
Tax Auditing: Basics

The Tax Auditing: Basics workshop, delivered in September 2010, focused on executing tax audits in small and medium-sized businesses. During the workshops, participants learned about the concept of supervision from the Dutch tax administration experts.

The main objective of the course was twofold: educating on the theory related to the audit approach and the most important audit techniques and exercising these techniques through several cases.

Overall, we believe the workshop met its objectives and was a rewarding experience for everyone involved. Participants took an active part in the workshop activities and contributed to the workshop’s discussions and group work. They were extremely interested in the topics we presented and were highly motivated and dedicated throughout the whole course. The contents we discussed and the exercises we performed will help them to better audit their business cases. That was also the main goal of the workshop.

We were also very pleased with the fact that participants from 5 different countries, including Croatia, Kosovo, Latvia, Romania and Slovenia, attended the workshop. This allowed us to discuss specific tax auditing problems in these countries and provided an opportunity for the efficient exchange of experience and peer learning to take place.

Workshops and Seminars: Delivery Partners

CEF workshops and seminars are delivered in close cooperation with donor partners and institutions of beneficiary countries. A total of 73 experts from 36 institutions delivered lectures at the workshops and seminars.

- Austrian National Bank
- Banca d’Italia
- Bank of Greece
- Bank for International Settlements
- Bank of Slovenia
- Central Bank of Cyprus
- Central Bank of France
- Central Bank of Portugal
- The Chartered Institute of Public Finance and Accountancy (CIPFA)
- Committee of European Banking Supervisors
- The Court of Audit of the Republic of Slovenia
- Deutsche Bundesbank
- De Nederlandsche Bank
- European Banking Federation
- European Central Bank
- European Commission
- European Court of Auditors
- European Parliament
- Faculty of Economics, University of Ljubljana, Slovenia
- Financial Stability Institute
- Frankfurt School of Finance and Management
- Government of Catalonia, Department of Economy and Finance
- Government Office for Development and European Affairs, Slovenia
- International Monetary Fund (IMF)
- KPMG Slovenija d.o.o.
- Lincoln Institute of Land Policy
- Magyar Nemzeti Bank
- Ministry of Finance, France
- Ministry of Finance, Slovenia
- Ministry of Finance, Sweden
- Ministry of Finance, The Netherlands
- National Bank of Belgium
- National Bank of Spain
- Nova Ljubljanska banka, d.d.
- Organization for Economic Cooperation and Development (OECD)
- RR & CO. Knowledge Centre, Slovenia
- State Audit Office, Macedonia
- The World Bank Group
Workshops and Seminars: Financing

Financing in cash is recorded and reported in financial statements of the CEF 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 in this section.

PARTICIPANTS

864 participants that attended CEF workshops in 2010, accumulated to a total of 2,434.5 participant days. 696 out of 864 were sponsored by their sponsoring institution while 168 were sponsored by the Strengthening Macro- and Micro-Prudential Supervision in EU Candidates and Potential Candidates project.

<table>
<thead>
<tr>
<th>Country</th>
<th>Participants</th>
<th>Participant days</th>
<th>Estimated costs in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>61</td>
<td>200.5</td>
<td>58,300</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>24</td>
<td>81.0</td>
<td>27,100</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>54</td>
<td>246.0</td>
<td>19,600</td>
</tr>
<tr>
<td>Croatia</td>
<td>49</td>
<td>163.0</td>
<td>54,500</td>
</tr>
<tr>
<td>Kosovo</td>
<td>84</td>
<td>258.0</td>
<td>85,400</td>
</tr>
<tr>
<td>Macedonia</td>
<td>31</td>
<td>100.0</td>
<td>25,500</td>
</tr>
<tr>
<td>Moldova</td>
<td>32</td>
<td>119.5</td>
<td>18,200</td>
</tr>
<tr>
<td>Montenegro</td>
<td>38</td>
<td>125.0</td>
<td>41,800</td>
</tr>
<tr>
<td>Romania</td>
<td>26</td>
<td>91.0</td>
<td>24,100</td>
</tr>
<tr>
<td>Serbia</td>
<td>47</td>
<td>164.5</td>
<td>53,100</td>
</tr>
<tr>
<td>Slovenia</td>
<td>98</td>
<td>333.5</td>
<td>0</td>
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<tr>
<td><strong>Total - member countries</strong></td>
<td><strong>544</strong></td>
<td><strong>1,882.0</strong></td>
<td><strong>407,600</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>696</strong></td>
<td><strong>2,434.5</strong></td>
<td><strong>582,200</strong></td>
</tr>
</tbody>
</table>

Participants were financed by their sponsoring institution, i.e. their employer or a bilateral donor. Costs are estimated at EUR 200 per participant per day, plus EUR 500 for airfare. Participation by Slovenians is estimated at nil cost, with the exception of courses taking place outside of Ljubljana. For courses organized in member countries and for distance learning courses, the participation cost is estimated as nil.
LECTURERS AND TRAINING MATERIALS

Several institutions and donors sponsored lecturers (travel expenses and lecturing fees) and materials for the courses. For the purpose of this report, a session of a lecturer (a half day lecture) is estimated at a cost of EUR 500 and travel expenses at EUR 1,500 per lecturer, as appropriate.

<table>
<thead>
<tr>
<th>Donor partners</th>
<th>No. of sessions</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austrian National Bank</td>
<td>0.5</td>
<td>1,750</td>
</tr>
<tr>
<td>Bank for International Settlements</td>
<td>0.5</td>
<td>1,750</td>
</tr>
<tr>
<td>Bank of Slovenia</td>
<td>7.5</td>
<td>12,750</td>
</tr>
<tr>
<td>The Chartered Institute of Public Finance and Accountancy (CIPFA)</td>
<td>6.0</td>
<td>3,000</td>
</tr>
<tr>
<td>The Court of Audit of the Republic of Slovenia</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td>De Nederlandsche Bank</td>
<td>6.5</td>
<td>7,750</td>
</tr>
<tr>
<td>European Commission</td>
<td>0.5</td>
<td>1,750</td>
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<tr>
<td>Frankfurt School of Finance and Management</td>
<td>0.5</td>
<td>250</td>
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<tr>
<td>Government of Catalonia, Department of Economy and Finance</td>
<td>2.0</td>
<td>4,000</td>
</tr>
<tr>
<td>International Monetary Fund (IMF)</td>
<td>27.5</td>
<td>20,000</td>
</tr>
<tr>
<td>Lincoln Institute of Land Policy</td>
<td>9.0</td>
<td>10,500</td>
</tr>
<tr>
<td>Magyar Nemzeti Bank</td>
<td>0.5</td>
<td>1,750</td>
</tr>
<tr>
<td>Ministry of Finance, Sweden</td>
<td>2.0</td>
<td>4,000</td>
</tr>
<tr>
<td>Ministry of Finance, The Netherlands</td>
<td>33.0</td>
<td>37,500</td>
</tr>
<tr>
<td>National Bank of Belgium</td>
<td>10.0</td>
<td>11,000</td>
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<tr>
<td>Organization for Economic Cooperation and Development (OECD)</td>
<td>7.0</td>
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<tr>
<td>The World Bank Group</td>
<td>9.0</td>
<td>4,500</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>122.5</strong></td>
<td><strong>127,500</strong></td>
</tr>
</tbody>
</table>

2009

- Building Capacities for Policy Design and Implementation (BCPDI) project proposal prepared
- People and Process Management topics formally introduced into CEF workshops and seminars program.
- Importance of Professionalization in Public Financial Management and Challenges in the CEF Region roundtable held at the CEF in Ljubljana, Slovenia
- CEF invited to participate in the delivery of the EU-funded program Strengthening Macro- and Micro-Prudential Supervision in EU Candidates and Potential Candidates
STUDY TOURS
The CEF is involved in the preparation of study tours—short stays of three to five days—in order to address specific aspects of public financial management or central banking. Study tours usually include presentations and on-site visits of ministries of finance, line ministries, central banks and other institutions involved in public financial management or central banking at peer institutions. The CEF organizes study visits in order to facilitate the exchange of experiences and know-how in areas of particular interest to its member countries.

Occasionally, the CEF also facilitates study tours of non-member countries.

Serbian Delegation Learned about the Slovenian Experience

In April 2010, the delegation from the Secretariat of the Serbian National Assembly acquired comparative knowledge and practice of parliamentary budget management, internal audit and strategic planning. The delegation had the opportunity to meet colleagues of the Slovenian National Assembly as well as to learn more about the Slovenian experience. The study tour was sponsored by the USAID (Separation of Power Program).

Officials from Bosnia and Herzegovina and Slovenia Shared their PFM Knowledge

Two delegations of several ministries of Bosnia and Herzegovina attended the study visits in September 2010 with the objective to obtain understanding of how the financial impact assessment of legislations is conducted in Slovenia. Through different discussions and lectures delivered by Slovenian experts from the Government Office for Development and European Affairs and by various ministries, Slovenian experiences were presented to delegations. The study tour was sponsored by the UNDP BiH.

CEF wins tender for EU financed project Support to the Process of Improving Internal Audit and Public Governance in Kosovo together with CIPFA and Tribal Helm

International Conference Markets in European Health Systems: Opportunities, Challenges, and Limitations held in Kranjska Gora, Slovenia

Training and Evaluation model sistematicsally incorporated in the CEF Capacity Development cycle.

15 CEF staff members, 2 IMF staff members, and 2 Associate Fellows
Bosnian Banking Supervisors Broadened their Horizons

The CEF, in cooperation with USAID PARE office in Sarajevo, hosted a delegation of banking supervisors from Bosnia and Herzegovina. The purpose of the three day study tour was to examine how to strengthen the regulatory system for the financial services sector by improving banking supervision. Seven participants, accompanied by two representatives of the US AID PARE office, successfully concluded the tour in mid December 2010.
The CEF hosted a study visit from the Jordanian Ministry of Finance (MoF) Training Center in October 2010. The tour focused on the exchange of experiences. The delegation attended the CEF workshops and also visited Hotel Lovec in Bled where the organization process of hosting events at external meeting locations was presented. The State Secretary of the Slovenian Ministry of Finance welcomed the delegation at the Slovenian Ministry of Finance where they visited budget and tax departments and had the opportunity to exchange views on current financial topics in both countries.

The information obtained during the study visit will help the Jordanian Training Center to develop its strategic plan for 2011 - 2013.
The Ministry of Finance of Montenegro is aware of the responsibilities and duties that Montenegro has, not only towards its citizens but also towards the international community, especially now that Montenegro has become a candidate country for EU membership. Taking this into consideration, we at the Ministry are eager to learn from our international partners and gain their support for conducting internal reforms that will also lead us towards full EU membership. With our determination to strengthen ties with our international partners, I am more than delighted that we have been successful in our cooperation, especially with the CEF, an institution with which we have had a very fruitful cooperation on many projects over the years.

One of those success stories is the capacity building program Building Capacities for Policy Design and Implementation (BCPDI). Since this program has the full support of the Ministry of Finance of Montenegro, we are delighted with the progress this program has made with a series of workshops, high level regional policy dialogues and especially through the work of the Regional School of Public Administration (ReSPA), with the center here in Danilovgrad, Montenegro. Since the building of administrative capacities is one of the main requests of the EU and is also one of the greatest challenges for the administrations of the countries that aspire towards EU membership, I will use this opportunity to stress its importance.

Bearing the success of the ReSPA in mind, I would like to express our interest to be a part of another CEF Project, Training and Certification of International Auditors in the Public Sector, which I believe, would provide us with the necessary and internationally comparable knowledge and practices that have been used and have proved to be successful in EU member countries.

I would like to use this opportunity to express our gratitude for the interest that the CEF has expressed for the close cooperation with the ReSPA project and at the same time to confirm the willingness of the Ministry of Finance of Montenegro to continue and strengthen our cooperation with the CEF in future.

Milorad Katnić
Minister of Finance
Montenegro
Permanent Certification Programs

CEF PERMANENT CERTIFICATION PROGRAMS
To complement traditional training programs delivered across the region that mainly focus on theoretical aspects, the CEF strives to provide member countries’ officials with knowledge that can be put into practice in their respective country’s system. International knowledge and practices should be passed on to internal auditors and accountants in the public sector in the region to ensure that high standards are maintained in public sector governance and accountability.

In cooperation with The Chartered Institute of Public Finance and Accountancy (CIPFA), the CEF offers two certification programs for public sector accountants and internal auditors. Both are two level programs, each of which takes one year to complete:

- Capacity Building in Public Accounting (CBIPA)
- Training of Internal Auditors in the Public Sector (TIAPS)

The implementation of each training program in a country envisages sustainability and the independent running of the program following the project’s completion. Each project comprises the following components: building the national module(s), translating training materials into the local language, training tutors that will help students in the local language, training a sufficient number of students that will become owners of the program and think-tank for the future development of the profession in the country and helping to build national capacity for the running of the program.

Both programs strongly emphasize the importance of establishing and maintaining international standards in public sector accounting and auditing as well as the importance of raising the status of both professions. Both qualifications are internationally recognized.

The evaluation of the programs in Slovenia shows that the newly obtained or improved knowledge of public finance accounting and auditing has a positive effect on governance in, and accountability of, the public sector.

The programs are prepared in the form of distance learning but can also be organized in the form of classroom training, providing that students are able to attend two weeks of training for each module.
IMPLEMENTING PROGRAM

Capacity Building in Public Accounting (CBIPA)

The CBIPA program aims to support improvements in public sector accounting systems and to upgrade the public accounting standards in the region. Based on this program, a regional training and certification program is established and a new generation of public finance staff is rendered capable of contributing to improved transparency and accountability, aiding the development of good governance. The program emphasizes the importance of establishing and maintaining international public sector accounting standards and raises the status of the accounting profession in line with EU countries.

The program consists of two levels, a Certificate level and a Diploma level, each of which can be completed within one academic year. The program comprises eight modules (four per year) thus giving students three months to accomplish each of them. Six of the modules are international and were developed by the CIPFA and two are national and were developed by local authors. At the Certificate level, students complete the following four modules:

- Financial Reporting
- Cost Management
- Management
- National Public Finance and Accountancy Legislation

For the Diploma level, students undertake the following four modules:

- Audit
- Financial Management
- Information System Management
- National Tax System

CBIPA IN THE REGION

CBIPA in Albania, Croatia, and Slovenia

The project ran as a pilot and was completed in 2007. The localization of the program was fully implemented in Slovenia, where it runs in a self-financed sustainable manner. The localization phase in Albania is planned in the near future. A decision has not yet been made in Croatia.

CBIPA in Macedonia, Moldova and Kosovo

The CBIPA projects began in 2007 when the World Bank approved a grant to co-finance the projects in Kosovo, Macedonia and Moldova. Other donors that supported the projects were the Central European Initiative (CEI) and the Slovenian Ministry of Foreign Affairs. The implementation faced several challenges which were resolved by restructuring the project and offering additional activities to enhance the results. The project in Kosovo was suspended due to the encountered problems, whilst the project in Moldova was completed by the end of 2010. Macedonia is in the final stage of the project with the last examination taking place at the beginning of 2011.
Number of students in the CBIPA program

<table>
<thead>
<tr>
<th>Country</th>
<th>Enroled</th>
<th>Certificate</th>
<th>Diploma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia</td>
<td>68</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>From which with special recognition</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>for excellent results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moldova</td>
<td>56</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>From which with special recognition for</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>excellent results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kosovo</td>
<td>6</td>
<td>51</td>
<td>4 n.a.</td>
</tr>
</tbody>
</table>

Performance indicators were agreed with the major donor for the project, the World Bank, to measure the results of the projects. These are presented below, as per March 31, 2011. Since the project has not yet been completed, the final results will show higher numbers.

Performance indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>MACEDONIA</th>
<th></th>
<th>MOLDOVA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of trained tutors</td>
<td>12</td>
<td>8 (67%)</td>
<td>12</td>
<td>6 (50%)</td>
</tr>
<tr>
<td>No. of successful students (diploma level)</td>
<td>20</td>
<td>22 (110%)</td>
<td>20</td>
<td>16 (80%)</td>
</tr>
<tr>
<td>Modules translated to local language</td>
<td>6</td>
<td>6 (100%)</td>
<td>6</td>
<td>6 (100%)</td>
</tr>
</tbody>
</table>

However, the major challenge for the continuation of the program in the three countries remains the need for respective authorities to encourage students to undertake the studies with a revised legal framework which would recognize the qualification and reward successful students. In addition, institutional support to the training program could certainly contribute to the sustainability of the program in the respective country.

I am very pleased that I passed the CBIPA international certification and diploma program which ended successfully in Moldova. The long-awaited moment of obtaining the international diploma came and I felt very proud of my colleagues and myself. Listening to the high-level officials from the CIPFA, CEF, the World Bank and the Ministry of Finance at the ceremony was gratifying.

Whilst being a CBIPA student was exciting, it also required much personal dedication and strength of will. Now, I am employed within one of the prestigious international organizations and have the job that I aspired towards for a long time. However, I am continuously open to acquiring new knowledge and experiences. I have enrolled in the professional qualification scheme offered by the CIPFA. And I will manage it!

Oxana Druta
CBIPA student
The World Bank, Court of Accounts
Moldova
Training of Internal Auditors in the Public Sector (TIAPS)

The TIAPS program aims to introduce a professional qualification training program for public sector internal auditors in line with best international practices and standards.

The program consists of two levels, a Certificate level and a Diploma level, each of which can be completed within one year. It comprises seven modules, each of which has the duration of three months. Six of the modules are international and are developed by the CIPFA and one is national and has been developed by local experts.

At the Certificate level, students complete modules in:
- National Module on Legislation
- Internal Auditing Fundamentals
- Public Sector Accounting and Financial Reporting
- Governance and Control

To complete the Diploma level, students must pass the following modules:
- Advanced Internal Auditing
- Auditing Management Performance
- Managing the Internal Audit Function

TIAPS IN THE REGION

The pilot implementation of the TIAPS program in Slovenia was completed in 2008. Since then, it has been offered to other countries in the region provided that financing is available.

TIAPS in Kosovo

The CEF has been invited to take part in a consortium with the CIPFA and the Tribal Helm in delivering the project Support to the Process of Improving Internal Audit and Public Governance in Kosovo. Component 5 of the project covers the program Training and Certification of Internal Auditors in the Public Sector—Certificate level. In addition, the CEF and the CIPFA took responsibility for delivering on-the-job training for internal auditors that did not participate in the TIAPS (Component 4 of the project).

Seventy-seven short term expert days were delivered within Component 4 in 2010, and the remaining 23 days will be delivered in 2011. The main objective of these activities was to offer internal auditors on-the-job training that would help them implement theoretical knowledge to day-to-day work and to efficiently perform internal audit, focusing on planning, evaluating risks and reporting activities.

CEF responsibilities within Component 4 (on-the-job training) - Support to technical and reporting skill development of internal auditors

<table>
<thead>
<tr>
<th>Activity</th>
<th>Expert Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Preparation of curriculum (snapshot)</td>
<td>8</td>
</tr>
<tr>
<td>2. Five short seminars</td>
<td>10</td>
</tr>
<tr>
<td>3. Implementation of theoretical knowledge</td>
<td>59</td>
</tr>
<tr>
<td>4. Internal audits</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total short term expert days</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Most of the activities within Component 5 (such as the preparation of a national module, translation of the training material to Albanian and Serbian languages, delivery of in-classroom training to the first group of 62 students and organization of exams) were delivered in 2010. The remaining work for 2011 comprises the organization of the third sittings, the training of trainers that will be selected from the best students, the delivery of Certificates at the graduation ceremony and activities to prepare for the localization of the program. The project will be completed by the end of August 2011.

Kosum Aliu
Director of Internal Audit Office – Central Harmonization Unit for Internal Audit
Ministry of Finance Kosovo

The CEF has provided a large contribution to the development of technical skills of internal auditors in Kosovo by organizing seminars on different topics through TIAPS program. The CEF has initially conducted a five-day introductory workshop, at the end of which a selection test was organized. In addition to the professional and technical trainings, the CEF has developed many pilot audits and organized five-day training for the staff of IA CHU (Internal Audit Office – Central Harmonization Unit) on the topic Program for Quality Assurance of IAU. Therefore we thank the CEF for the contribution of these trainings which are affecting the increase of performance of internal auditors of public sector in Kosovo.

Expected Contribution by Member Countries Wishing to Implement the CBIPA and/or TIAPS Programs

Recipient countries are expected to contribute to financing the programs and to conduct all necessary actions to officially recognize the profession of accounting and/or internal auditing and the related diploma.

The recipient Ministry of Finance is expected to:
• Nominate and finance a country coordinator to act as an interface between the CEF, the recipient Ministry of Finance, local contractors and students
• Create the national module on local law (and taxation) for the purpose of training according to the syllabus provided by the CIPFA
• Nominate (assist in the selection) of the 1st cohort of (maximum) 50 students
• Support students by granting time for studies and attendance of lectures/consultations with tutors
• Obligate students for results and prevent them from dropping out by contracting for studies
• Provide for sustainability by creating a legal environment and official recognition of the program and titles
• Support the establishment of the institutional capacity at the national level to take over the program following the completion of the project

The implementation of the training programs in a member country is strongly conditioned by the translation of training materials into national languages, the training of an adequate number of tutors and the selection of local consultants. Therefore, the CEF requires assistance in finding and selecting these contractors in recipient countries.
Certification programs in Slovenia

Authorized and supported by the Slovenian Ministry of Finance, the CEF delivers training programs and certifies public sector internal auditors in Slovenia. The programs are financed through participation fees and supervised by the Program Steering Committee (PSC).

The two programs in Slovenia are self-sustainable and run in the form of distance learning.

CBIPA in Slovenia

Since the implementation of the CBIPA program started in 2003, the fourth generation of students completed the studies. In total, 145 students have been awarded a CIPFA Certificate and 127 students a CIPFA Diploma. Delivery of the CBIPA program has been slowed, waiting for pending changes of the Public Finance Act which will stimulate studies by requiring mandatory qualification for certain positions in the accounting profession.

Number of candidates who successfully completed the studies

<table>
<thead>
<tr>
<th>CBIPA students in Slovenia</th>
<th>Certificate</th>
<th>Diploma</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st generation</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>2nd generation</td>
<td>78</td>
<td>72</td>
</tr>
<tr>
<td>3rd generation</td>
<td>38</td>
<td>36</td>
</tr>
<tr>
<td>4th generation</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>145</td>
<td>127</td>
</tr>
</tbody>
</table>

TIAPS in Slovenia

Since 2006, which was the pilot year for the training of internal auditors in the public sector, 88 successful students from four generations of internal auditors were awarded the CIPFA Certificate and 32 successful students were awarded the CIPFA Diploma.

The fifth generation of students enrolled to the training on the Certificate level and the third generation enrolled to the Diploma level in the 2010/2011 academic year.

Number of candidates who successfully completed the studies

<table>
<thead>
<tr>
<th>TIAPS students in Slovenia</th>
<th>Certificate</th>
<th>Diploma</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st generation (pilot)</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>2nd generation</td>
<td>34</td>
<td>17</td>
</tr>
<tr>
<td>3rd generation</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>4th generation</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>5th generation</td>
<td>*</td>
<td>**</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
<td>32</td>
</tr>
</tbody>
</table>

* studies of the 5th generation began in October 2010
** studies of the 5th generation began in December 2010
As my work entails of complex challenges related to internal auditing, it is of utmost importance that I keep myself well-informed about the latest findings and knowledge from this field. TIAPS training greatly enhances the quality of my work, thereby contributing to the successful daily performance of demanding auditing tasks. I can apply the content of individual educational modules in all phases of the performance of internal audit tasks.

Our mentors in the educational process, i.e. experts in the field of internal audit in the public sector, have shared their valuable experience and I intend to use that in my future work.

I am convinced that the functioning of the internal audit service must be improved continuously, whereby special attention should be devoted to the measuring of operational quality as well as the introduction of process improvements, and to focusing on the riskiest areas of operations for budget users.

Janja Hozjan
TIAPS Student in Slovenia
Ministry of Labor, Family and Social Affairs, Slovenia
Honorable Ladies and Gentlemen,

On behalf of the Ministry of Finance and the Government of the Republic of Macedonia, please allow me to greet you and to convey our great pleasure that the CEF celebrates its 10th anniversary.

The CEF, as a partner of the Ministry of Finance of the Republic of Macedonia, through its specialized programs, training courses, distance learning courses, workshops and seminars has enabled a great number of civil servants in the Republic of Macedonia to increase their capacities, especially in the field of accounting, taxation, auditing, budget, treasury operations and public finance management.

I would especially like to emphasize the contribution of the CEF in supporting the reforms in the Republic of Macedonia aimed at upgrading the status of the accounting profession in the public sector in line with the EU standards. The Training of the Accountants in Public Sector Project enabled 21 civil servants to gain the international diploma in public sector accounting in the last period. The implementation of this project will continue through the whole of 2011.

In conclusion, allow me to express my deep conviction that the cooperation between the CEF and institutions of the Republic of Macedonia will continue in future.

I would like to convey my special gratitude to the staff of the CEF, as well as to all donors and partners with which the CEF performs its activities and implements reforms in member institutions, including those from the Republic of Macedonia.

Zoran Stavreski
Vice Prime Minister and Minister of Finance
Macedonia
Policy and Research

CEF POLICY EVENTS AND RESEARCH

Experts that take part in the policy process are able to make a greater contribution if they have a good understanding of this process. They must be in command of a high level of understanding of which steps should be followed, how policy is made and which types of instruments are available for policy implementation.

The key aim of the policy events and research activity of the CEF is to enable the sharing of views and to build on the experience of parties which have already implemented policies and reforms. In the past, the CEF policy events and research work addressed the following issues: taxation, accounting, pension systems, health systems, education, labor and financial markets, and fiscal policy.

From Tolar to Euro: Slovenian Experience with Real and Nominal Convergence and Beyond

The CEF published the book From Tolar to Euro: Slovenian Experience with Real and Nominal Convergence and Beyond at the end of April 2010.

Slovenia was the first of the recently acceded EU member countries to adopt the euro, an achievement which crowned the country’s stabilization effort.

The contributions in this book discuss Slovenia’s economic performance as well as policy makers’ activities and dilemmas throughout the euro adoption process in January 2007:

• Treating the steering of the process of adopting the euro
• Evaluating economic policy and performance before and immediately after entry to the euro zone
• Dealing with economic policy measures crucial for the long-term efficiency and stability of the economy which had launched in the landing phase but had only partially been dealt with (according to the necessities of Maastricht criteria fulfilment) or postponed until after euro zone membership

However, contributions in the book have highlighted that several structural reforms, including those in the areas of public expenditure, labour, product market regulation, and pensions, still need to be completed in order to build upon the progress already achieved and for Slovenia to fully reap the benefits of its true potential.

The authors are representatives from Slovenian and other financial institutions: Biswajit Banerjee (former Advisor, European Department, IMF), Velimir Bole (EIPF, Ljubljana), Thomas Dalsgaard (IMF), Armin Fidler (The World Bank), Mitja Gaspari (Minister for Development and European Affairs, Slovenia, former Governor of the Bank of Slovenia and former Minister of Finance of Slovenia), Božo Jašovič (Chief Executive Officer of Nova Ljubljanska banka, Slovenia, former member of the Governing Board, Bank of Slovenia), Dušan Kidrič (Director of Insurance Company “Vzajemna”, Slovenia), Inez Mikkelson-Lopez (the University of Queensland, Australia), Dušan Mrmar (Dean of the Faculty of Economics, University of Ljubljana, former Minister of Finance of Slovenia, and former member of the Strategic Economic Council of the Prime Minister of Slovenia), Andrej Rant (former Vice Governor of the Bank of Slovenia), Haiyan Shi (IMF), Carlos Silva-Jáuregui (The World Bank), Jay Surti (IMF). Dominique Strauss-Kahn, Managing Director of the IMF, contributed a Foreword to the book.
High Level Regional Policy Dialogue: Strengthening Domestic Anchors to Assist with Crisis Exit Strategies

Following up on the identified needs and requests of the region, the CEF organized the high level regional policy dialogue in Washington, DC on April 23, 2010 at the margins of the 2010 IMF and World Bank Spring Meetings.

The high level regional policy dialogue focused on whether tools, such as fiscal rules and/or independent fiscal agencies, are essential components of the policy mix needed to ensure fiscal sustainability in countries of the region as they exit from the crisis. More specifically, it focused on dimensions and challenges that have to be taken into account in order for fiscal rules to deliver, on the needed capacity development effort in this area, and broadly, in the area of economic and fiscal policy design and implementation. In this regard, a proposal of a multi-beneficiary project, Building Capacities for Policy Design and Implementation, developed on the basis of the identified needs of the region and targeted at the countries of South Eastern Europe and Turkey, was introduced by the CEF and further elaborated on by participants.

The dialogue was attended by several ministers of finance and central bank governors of the South Eastern European countries, other high level country representatives, high level representatives of the IMF and several other representatives of the international financial institutions.

The participants specifically discussed how to better benefit from external anchors, how to interplay between external and domestic anchors, the role of fiscal councils and the role of fiscal rules. They agreed that, especially in the time of the crisis, such meetings provide an important exchange of information and welcomed the CEF proposal to develop a project on Building Capacities for Policy Design and Implementation. In this regard, they identified four areas of capacity development that need further attention: projections, setting of fiscal goals, structural reforms and policy coordination.

Co-organization of the 6th OECD Annual Meeting of Senior Budget Officials from Central, Eastern and South-Eastern European Countries (SBO CESEE)

The CEF co-organized the event with the Montenegrin Ministry of Finance and the Organization for Economic Cooperation and Development (OECD). The network of SBO CESEE held its sixth meeting in September 2010 in Budva, Montenegro.

Mira Dobovišek, the Director of the CEF, accompanied by Nemanja Pavličić, the Assistant Minister for Budget at the Montenegrin Ministry of Finance and Dirk-Jan Kraan, the Acting Head of the Budget and Public Expenditure Division of the OECD actively contributed to the conference. The meeting was chaired by Richard Emery, the former Assistant Director of the Office of Management and Budget, Executive Office of the President, United States.

One of the main messages of the meeting was delivered by Mojmir Mrak from the University of Ljubljana, Slovenia, who presented the possibilities of the CESEE region fast growth in the future. He emphasized that there is a lack of sufficient space for the introduction of new models of growth in the region. The region should amend existent models which would result in small and open economies’ resistance to external shocks.

The OECD Secretariat prepared budget reviews of Lithuania and Moldova which were also presented at the meeting.
IMPLEMENTING PROGRAM

Communities of Practice

COMMUNITY OF PRACTICE (CoP)
Communities of practice are groups of people who share a common concern or passion for their area of work and learn how to do it better through regular interaction. A combination of three elements constitutes a CoP, one of which is the sense of identity defined by a shared domain of interest. Membership implies a commitment to the domain and therefore, a shared competence that distinguishes members from other parties. Another element is the community within which members pursue their interest in their domain, engaging in joint activities and discussions, helping each other and sharing information. Relationships that enable them to learn from each other are built. The third element is practice. Members of a CoP are practitioners and they therefore develop a shared repertoire of resources: experiences, stories, tools, methods of addressing recurring problems—in short a shared practice. This takes time and sustained interaction.

Based on http://www.ewenger.com/theory/index.htm

PUBLIC EXPENDITURE MANAGEMENT PEER-ASSISTED LEARNING NETWORK (PEM PAL)

PEM PAL is an initiative conceptualized by the World Bank and the United Kingdom’s Department for International Development (DFID). Formally launched in April 2006, the network presently includes twenty-one countries from Central Asia and Central and Eastern Europe (ECA countries).

The purpose of the network is to support reforms in public expenditure and financial management by promoting capacity development, the exchange of experience and joint learning through Communities of Practice (CoP). The emphasis is on using local expertise, knowledge and human capital. The setting of milestones to measure progress as well as learning from peers are also both important elements. In addition, the outcome-oriented, demand-driven approach and alignment with national development plans is called for.

PEM PAL is organized around three CoPs, for budgeting, treasury and internal audit, which bring together high level practitioners seeking practical solutions related to reform implementation. Each CoP has created its own leadership group, responsible for the steering of the work program and reporting on results.

The governance structure includes the Steering Committee, the Secretariat and the Community Facilitator.

The Steering Committee, including the representatives of donors and chairs of the CoPs, meets several times a year to provide guidance for PEM PAL activities, and to approve the CoP budgets and action plans.

The CEF has been acting as a PEM PAL Secretariat since 2008. It performs many tasks that contribute to successful network management, serves as an information hub for network activities and provides logistical support for the organization of events.

The Community Facilitator, Deanna Aubrey, appointed in October 2010, helps strengthen the capacities of the communities and facilitates the learning process.

PEM PAL is an example of successful donor coordination. The World Bank, the Swiss Secretariat for Economic Affairs, the Ministry of Finance of the Russian Federation, InWEnt, OECD Sigma and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) provide valuable support, both in kind and in the form of financial contributions to support PEM PAL activities.

www.pempal.org
COMMUNITIES OF PRACTICE ACTIVITIES IN 2010:

Budget Community of Practice (B CoP)
Georgian Delegation’s Study Tour to Dublin, Ireland (February 2010)

In December 2009, the Government of Georgia adopted a new Budget Code to simplify and improve the budget system and to consolidate the regulation of legislation. Considering that Georgia is an active member of the PEM PAL network, it was decided to use these relations and to arrange a study tour in a country that has a well developed Capital Budget System.

The study visit constituting of presentations, personal meetings and discussions provided the participants with extensive information on developing a capital budget from inception through appraisal and selection and all the way to implementation, serving the needs of governmental officials. The study tour was attended by six Georgian officials.

Study Visit of Bosnian Officials to Slovenia (July 2010)

The objective of the study visit was to discuss processes and procedures of the budget planning cycle in an EU member country and to discuss reform options in the following areas: the budget calendar and related legislation, key institutions and the related coordination mechanism, the Ministry of Finance’s organization scheme, macro-economic and fiscal policy, defining government priorities and strategic planning, linkages to decisions on budget allocations, the preparation of budget documentation, the importance of the PFM in the context of EU integration, the measuring and evaluation of the government’s programs, IT systems to support budget preparation and financial reporting.

Participants stressed the importance of learning from the experience of peers. Despite the diverse geography and specific backgrounds, the reform paths face similar obstacles and challenges. Discussing the PEFA review in 2009, for example, helped identify weaknesses and design indicators. As in the past, future dialogue should also involve external experts from international organizations (the World Bank, IMF, OECD) and bilateral donors (InWent). Face to face meetings proved to be more efficient than video conferences.

Internal Audit Community of Practice (IA CoP)

2010 Annual Workshop in Yalta, Ukraine (May 2010)

The objective of the workshop was to explore relations between inspection, internal and external audit.

Participants exchanged views on and experience with harmonization of training and certification (T&C) in internal audit. As part of the capacity development effort, harmonization was perceived as important for enhanc-
Implementing professionalism, motivation and keeping competent staff in the public sector. However, lack of financing and insufficient commitment and ownership, as well as difficulties with obtaining the right trainers often hamper the process. Several proposals to deal with these obstacles were made, such as involving universities, using PEM PAL conclusions to make the case for change, training managers, etc.

Participants also discussed how the role of internal audit differs from that of inspection and concluded that it is essential to separate the roles of inspectors and internal auditors, whilst establishing stable relations between them.

Participants also discussed the cooperation between internal and external audit and the lessons learned in enhancing the role of internal audit in the public sector. Questions on how to promote professional development, avoid duplications and use findings of internal auditors were at the center of the discussion.

Internal Audit Manual (IA Manual) Workshop in Bled, Slovenia (October 2010)

The objective of the workshop was to create a common understanding of the IA Manual, whereby special attention was drawn to IPPF standards, IA Manual objectives, the Capability Maturity Model and IPPF chapters as well as the current status and overview of IA Manuals in PEM PAL countries and their view on IA Manuals.

During the workshop, the IA CoP members discussed good practices for IA Manuals, created an IA Manual working group and developed an action plan for further steps.

Training and Certification (T&C) Workshop in Bled, Slovenia (October 2010)

The objectives of the workshop included the continuous development of the community as a dynamic learning partnership between its members and setting the way forward: Integration of the Konrad report (2008), results IIA Body of Knowledge (BoK) for internal auditors and Internal Audit Capability Model as a common professional platform for internal auditors. The main focus was put on making the connection of BoK with T&C and placing BoK in the T&C system for internal auditors (current examples from PEM PAL countries).

Study Visit of Ukrainian Officials to Croatia (November 2010)

The Ukrainian Central Harmonization Unit visited their Croatian peers to discuss the organization of training for future managers and internal auditors, as well as other aspects of the implementation of PIFC. The program of the study visit included the following areas: the internal financial control system, acquired experiences, the legal and organizational framework, the accession process under Chapter 32 of the EU acquis, the system of financial management and control and training of responsible persons, IA in the public sector, the status of development, results, methodology, training and certification of internal auditors, the PIFC system in the fight against corruption and the system of budgetary control.

Based on the information and solutions presented at the study visit, the Ukrainian delegation expects to prepare and adopt a strategy for training, as well as for the certification and professional development of internal auditors and the persons responsible for financial management and control, establishing a center for vocational training.
Treasury Community of Practice (T CoP)

Treasury CoP Executive (T CoP) Committee Meeting through Video Conference (February 2010)

The main objective of the meeting was to develop a Plan of Activities for 2010 and to discuss the organization and contents of the T CoP workshop, to be organized in the first half of 2010. Work in small groups was identified as the preferred format for discussions by most of the T CoP members and therefore, the Executive Committee opted to organize a workshop for a group of member countries interested in the topic for May 2010.

2010 Annual Meeting on the use of Information Technologies in Treasury Operations in Chisinau, Moldova (May 2010)

The annual meeting was hosted by the Ministry of Finance of the Republic of Moldova. Participants discussed issues related to the use of information technologies in treasury operations. Special attention was devoted to the use of electronic payment systems and to digital signature application for treasury operations.

The main objective of the meeting was to offer participants the opportunity to exchange their experiences in applying information technologies for treasury operations, to learn from best practices and to discuss risks and potential mistakes to be avoided in the process of implementation of treasury modernization reforms.

The meeting agenda combined presentations from countries with different levels of IT application and using different models of digital signature. The approach proved to be successful for achieving workshop objectives, having generated the active exchange of experiences and views. In light of the high level of interest expressed by T CoP members in information technologies in treasury operations, an IT thematic group within the T CoP has been created to continue the sharing of experiences in this area.

T CoP Leadership Group Meeting through Video Conference (July 2010)

The main objective of the meeting was to discuss the T CoP Activity Plan for 2010-2012, focusing on the preparation of T CoP events scheduled for fall 2010. The T CoP leadership group also addressed issues related to members’ participation in the PEM PAL CoP meeting, planned for January 2011.

Implementation of the Integrated Budget Classification (BC) and Chart of Accounts (CoA) Workshop in Dushanbe, Tajikistan (October 2010)

This workshop was the first PEM PAL event held in a Central Asian country and generated a high level of interest in the region. Representatives of 6 countries, including Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan and the Ukraine, discussed the implementation of integrated budget classification and the chart of accounts, focusing on how to align these with international standards. In order to assess the existing situation in the BC and CoA area, each country was asked to prepare a case study for presentation and discussion, following the recommended format and structure.
Joint Leadership Group Meeting

On June 14, 2010 all three CoP Executive Committee members of the PEM PAL network held a joint meeting which took place in Bled, Slovenia. Two of three Executive Committees (Leadership Groups) were represented, namely T CoP and IA CoP by the World Bank and CEF staff.

The aim of this event was to hold a joint CoP discussion on the preparation for the Steering Committee and plenary meeting in January 2011 as well as on the PEM PAL strategy for the next 24 months.

Steering Committee Meetings

Steering Committee Meeting through Video Conference (March 2010)

The SC discussed the funding outlook for 2010 and beyond, which has improved considerably due to a new donor, the Russian Federation, joining the PEM PAL network. The SC also discussed and approved work plans and budgets for 2010 of all three CoPs. It was decided to organize a plenary meeting in January 2011. Other topics discussed were the use of wiki, the translation of the PIFC book, membership sustainability, the selection of the Community Facilitator, the Rules of Operation, and the Secretariat Report for 2009.

Steering Committee Meeting in Ljubljana (June 2010)

The steering Committee members met with two of three CoPs leadership groups, the World Bank and CEF staff, at a face to face meeting held at the CEF.

Following the conclusions adopted at the leadership meeting which took place on the previous day, the discussion largely focused on the strategic planning of activities across all three CoPs within the next 24 months. Updates of work plans and budgets for each CoP were also presented, whereby special attention was paid to discussing the organization of the 2011 plenary meeting and the status of the community facilitator.

Steering Committee Meeting through Video Conference (October 2010)

The SC discussed organizational matters related to the 2011 Zagreb Plenary meeting to be held in January 2011 in Zagreb, Croatia. Concept notes, topics, a schedule of activities, the facilitation seminar and linkages to other WB supported initiatives were all discussed. In addition, the Guidelines for study visits and events were approved and CoPs’ action plans for IA CoP and B CoP were discussed.

The SC members decided that performance indicators should be included in the Secretariat report for 2010.

Steering Committee Meeting through Adobe (December 2010)

The SC discussed the organization of the PEM PAL 2011 Plenary meeting, approved changes to the Rules of Operation and updated the B CoP budget.

The newly appointed community facilitator, Deanna Aubrey, reported on her first steps.
The cooperation of the Central Bank of Montenegro with the Center of Excellence in Finance (CEF) has proved beneficial. Initiated when the Center was established, it has developed through numerous forms of participation. We are pleased to state that extraordinary effects have been achieved through the staff training programs provided by the CEF.

The needs for strengthening institutional capacities are conveyed to the CEF via coordinators and, in the past, the CEF has consistently responded to these needs by preparing high quality programs and engaging competent lecturers, as well as permanent consultants for the fields in which the interests of the region have been the highest. In addition, the competent CEF staff, in cooperation with the Supervisory Board and other authorized bodies have initiated new opportunities for cooperation such as the project Strategic Planning and Budgeting implemented in cooperation with the Regional School for Public Administration.

The CEF has also created a useful web portal with technical facilities, providing comprehensive information on all aspects of its activity. It has obtained specific knowledge of living and working in the South Eastern European region, resulting in the implementation of suitable conferences and programs.

Internal audit, public purchasing, reporting, operation with securities, macroeconomic management, payment systems and communication, are just some of the workshops that were attended by employees of the Central Bank of Montenegro in 2010.

In the coming period, the fields of special interest for the Central Bank are internal finance, efficient cost management, internal audit, foreign debt statistics, as well as foreign exchange reserves management.

I expect that the cooperation between the Central Bank of Montenegro and the CEF will strengthen in the future.

Radoje Žugić
Governor
Central Bank of Montenegro
Step 5:
Monitoring and Evaluation

An important step in CEF’s capacity development endeavors in public financial management and central banking is measuring and evaluating capacity development results.

Most of the CEF capacity development activities are delivered by means of learning and training.

The CEF strives to find the optimal solution for achieving the enhanced institutional capacity of ministries of finance, central banks and other relevant institutions in its member countries by initially developing capacities at individual level, using learning and training as an input.

The CEF model is based on several models of understanding training such as the World Bank’s Independent Evaluation Group research presented in the Using Training to Build Capacity for Development publication as well as the International Training Center of the International Labor Organization’s Learning Management Cycle.

There are several assumptions in this model that lead us from input to output, from output to outcome, and from outcome to impact and present an important framework for measuring our results. The CEF evaluation approach is based on the Kirkpatrick model for training evaluation, modified to fit the dimensions of CEF training model.

The statistics presented below depict the evaluation results (according to Level 1 of the Kirkpatrick training evaluation model) of the four CEF workshops described in Step 4 (Workshops and Seminar section, 40-44).

An evaluation form is used at the end of the workshop as an evaluation tool.

Usually, the CEF measures the following 5 aspects of workshop design and implementation (general assessment of the workshop, usefulness of the workshop, workshop set-up and delivery, workshop content, and workshop organization). Participants are asked to provide their feedback on a scale of 1 (poor or strongly disagree) to 5 (good or strongly agree). According to the American Society for Training and Development, a score of 4.2 or higher is considered to be the benchmark for quality of training.

Budget Formulation
(distance learning course)

Evaluation forms were received from 20 out of 22 students, constituting a 90.9 per cent response rate. The average score for participant satisfaction regarding the Clarity of text, Interesting of subject matter and Relevance to current job for all 5 lessons of the distance learning course was 4.66.
**MONITORING AND EVALUATION**

**BEHAVIOR**
The extent of behavior and capacity improvement and implementation or application

**RESULTS/IMPACT**
The effects on the institutions’ capacities from participants’ performance

**REACTION**
What participants thought and felt about the training

**LEARNING**
The resulting increase in knowledge or skills

**EVALUATIONS, TOOLS AND METHODS**
- Evaluation forms at the end of each training event
- Verbal feedback from participants
- Pre- and post-tests
- Observations

**TRAINING MODEL**

**INPUT**
- How do we understand our training?

**OUTPUT**
- What are we trying to measure?

**OUTCOME**
- Internal (management) and external / international reports / analysis

**IMPACT**
- What participants thought and felt about the training

**ASSUMPTIONS**
- Learning program based on the correct assessment of the present capacities of participants
- Competent trainers used
- Curriculum and didactic methods appropriate for learning goals
- Learning is relevant for participants’ work
- Participants understand how to apply learned skills and knowledge at work
- Participants have adequate resources and incentives to apply learning
- Training curriculum based on organizational needs
- Human capacity development correctly identified as necessary for achievement of development objectives

**EVALUATION MODEL**
- Evaluation forms at the end of each training event
- Verbal feedback from participants
- Pre- and post-tests
- Observations
- Observations and interviews (in close cooperation with CEF Coordinators in the regions)
Tax Auditing: Basics

Evaluation forms were received from 13 out of 14 students, constituting a 92.8 per cent response rate.

The average score for participant satisfaction with *Usefulness of the workshop* was 4.59.

**Usefulness of the workshop**

Statements:
1. Relevance of this workshop to your current work or function.
2. Extent to which you have acquired information that is new for you.
3. Usefulness for you of the information that you have acquired.
4. Focus of this activity on what you specifically needed to learn.
5. Extent to which this workshop matched the announced objectives.
6. Quality of the facilitation (lecturers).
7. Usefulness of materials to your current work or function.
8. Overall balance of the workshop (presentations & group work).
9. Overall usefulness of this workshop.

Internal Audit in Central Banking

Evaluation forms were received from 14 out of 15 students, constituting a 93.3 per cent response rate.

The average score for participant satisfaction regarding the indicator Relevance of this workshop to your current work or function was 4.64.

**Relevance of this workshop to your current work or function**

Statements:
1. Overall satisfaction with this meeting
2. Length of this meeting
3. What is the likelihood that you will use the gained knowledge and skills
4. I learned from the experience of other participants at this meeting
5. I shared information and experience with other participants
6. Meeting participants had about equal levels of knowledge/experience
7. Enough time was allowed for questions and discussion
8. The methods used enabled participation and knowledge sharing
9. Identification of the features of an enabling institutional environment
10. Analysis of institutional framework of training in SEE countries and Turkey
11. Assessment of the CEF training program
12. Sharing of views on the role of the CEF Coordinator to define the ideal profile
13. Creation of a network of individuals responsible for capacity development

Enabling Environment for Capacity Building in Medium-Term Policy Design

Evaluation forms were received from 22 out of 26 students, constituting a 84.6 per cent response rate.

The average score for participant satisfaction with General assessment of this meeting was 4.95. This is well above the benchmark average score.

Participants were also highly satisfied with the facilitation of the workshop giving the indicator an average score of 4.81, which is significantly in excess of the 4.2 score defining the average benchmark for good performance.

**Enabling Environment for Capacity Building in Medium-Term Policy Design**

Rates: 0 = poor, 5 = good

1. Overall satisfaction with this meeting
2. Length of this meeting
3. What is the likelihood that you will use the gained knowledge and skills
4. I learned from the experience of other participants at this meeting
5. I shared information and experience with other participants
6. Meeting participants had about equal levels of knowledge/experience
7. Enough time was allowed for questions and discussion
8. The methods used enabled participation and knowledge sharing
9. Identification of the features of an enabling institutional environment
10. Analysis of institutional framework of training in SEE countries and Turkey
11. Assessment of the CEF training program
12. Sharing of views on the role of the CEF Coordinator to define the ideal profile
13. Creation of a network of individuals responsible for capacity development
Dear Sir/Madam,

Over the last 10 years, Albania has largely benefited from the presence of the Center of Excellence in Finance (CEF) technical assistance program and, more specifically from capacity building programs and specific trainings.

Albania was happy to be one of the countries participating in the pilot implementation of the Capacity Building in Public Accounting (CBIPA) program in 2003.

The CBIPA program has raised the capacities of participating experts and has assisted Albania to follow international accounting standards. The Capacity Building issue is one of the crucial components in the successfully accomplishment of the reform in Public Finance.

We are delighted to see the progress made on the capacity building program of Building Capacities for Policy Design and Implementation (BCPDI). Our Ministry of Finance is happy to cooperate in the Task Force to develop the Strategic Planning and Budgeting project, a part of the BCPDI program that is planned to be financed by the European Commission.

Through the years, the CEF has become a strong development platform, contributing a cutting edge to future generations.

Ridvan Bode
Minister of Finance
Albania
Financial Report
# Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A Non-current assets</strong></td>
<td>594,580</td>
<td>418,220</td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td>5,351</td>
<td>350,961</td>
</tr>
<tr>
<td>II. Property, plant and equipment</td>
<td>589,229</td>
<td>67,259</td>
</tr>
<tr>
<td>C. Equipment</td>
<td>589,229</td>
<td>67,259</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,399,284</td>
<td>1,192,625</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A Equity (Founder’s funds)</strong></td>
<td>4,398</td>
<td>4,398</td>
</tr>
<tr>
<td>1. Share capital (Founder’s funds)</td>
<td>4,173</td>
<td>4,173</td>
</tr>
<tr>
<td>2. Capital surplus</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td><strong>C Provisions and long-term accrued costs and deferred revenue</strong></td>
<td>986,892</td>
<td>877,013</td>
</tr>
<tr>
<td>1. Provisions</td>
<td>392,312</td>
<td>203,742</td>
</tr>
<tr>
<td>2. Long-term accrued costs and deferred revenue</td>
<td>594,580</td>
<td>673,271</td>
</tr>
<tr>
<td><strong>Operating liabilities</strong></td>
<td>154,950</td>
<td>194,885</td>
</tr>
<tr>
<td>2. Trade payables</td>
<td>74,651</td>
<td>55,494</td>
</tr>
<tr>
<td>3. Liabilities to employees</td>
<td>42,435</td>
<td>31,168</td>
</tr>
<tr>
<td>4. Other short-term payables</td>
<td>37,864</td>
<td>108,223</td>
</tr>
<tr>
<td><strong>E Short-term accrued costs and deferred revenue</strong></td>
<td>253,043</td>
<td>116,328</td>
</tr>
<tr>
<td>Off-balance sheet</td>
<td>29,315</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>1,399,284</td>
<td>1,192,625</td>
</tr>
</tbody>
</table>
# Income Statement

<table>
<thead>
<tr>
<th>Revenue from non-commercial public services</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue from public finance</td>
<td>1,442,130</td>
<td>1,116,256</td>
</tr>
<tr>
<td>2. Other revenue</td>
<td>579,150</td>
<td>359,876</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue from other operations</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue from operations</td>
<td>132,320</td>
<td>157,485</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other revenue</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial income</td>
<td>29,094</td>
<td>20,807</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL REVENUE</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,603,645</td>
<td>1,312,368</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs of goods, materials and services</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cost of materials</td>
<td>63,589</td>
<td>68,739</td>
</tr>
<tr>
<td>2. Cost of services</td>
<td>920,106</td>
<td>613,882</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labor costs</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wages and salaries</td>
<td>414,101</td>
<td>386,002</td>
</tr>
<tr>
<td>2. Social security contribution</td>
<td>69,324</td>
<td>58,920</td>
</tr>
<tr>
<td>3. Other labor costs</td>
<td>46,813</td>
<td>85,596</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciation and amortization costs</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revaluation expense</td>
<td>220</td>
<td>0</td>
</tr>
<tr>
<td>2. Other costs</td>
<td>13,974</td>
<td>40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial expenses</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31,001</td>
<td>24,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other expenses</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68</td>
<td>2,455</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL EXPENSES</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,603,645</td>
<td>1,312,368</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess of revenues over expenses</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

1. Activity

The CEF operates as a private legal entity, being entered in the Register of Institutions on March 6, 2001 maintained by the Ministry of Interior according to the Law on Institutions (Official Gazette of the Republic of Slovenia, No. 60/1995).

The CEF has no revenues from its operations for the region and no tax liabilities for either VAT or corporate profit tax. The CEF organized a training and certification program for accountants and internal auditors in the public sector in Slovenia, in 2010, revenues from which were taxable. However, no tax liabilities are reported in the financial statements for 2010 due to a balanced profit and loss account from these activities.

2. Basis for the Preparation of Financial Statements

The financial statements set out on the previous pages are prepared in accordance with Slovenian legal requirements. The CEF is a nonprofit institution and keeps its accounting records in line with the Slovenian Accounting Standard No. 36 – Nonprofit Private Legal Entities.

Taxable activities were recorded in a special set of accounts, as were activities related to projects that were financed with earmarked funds.

3. Notes to Financial Statements

Balance Sheet entries in 2010 comprise the following assets, equity, and liabilities:

Assets

A.I.1. Intangible assets comprise computer software. Intangible fixed assets are recorded at purchase value. A change in position results from investment and amortization. In addition, investments in improving the business premises that are not owned by the CEF are transferred to be recorded in item Equipment (see also A.II.3.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase value</td>
<td>570,503</td>
<td>-570,503</td>
<td>15,584</td>
<td></td>
<td>15,584</td>
</tr>
<tr>
<td>Amortization</td>
<td>-219,542</td>
<td>219,542</td>
<td>-10,233</td>
<td></td>
<td>-10,233</td>
</tr>
<tr>
<td>Carrying value</td>
<td>350,961</td>
<td>-350,961</td>
<td>15,584</td>
<td>-10,233</td>
<td>5,351</td>
</tr>
</tbody>
</table>
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 and depreciation of the tangible fixed assets, as well as transfer from item A.I.1.

<table>
<thead>
<tr>
<th>A.II.3. Equipment</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance</strong> December 31, 2009</td>
<td><strong>Transfer from A.I.1.</strong></td>
</tr>
<tr>
<td>Purchase value</td>
<td>250,707</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-183,448</td>
</tr>
<tr>
<td>Carrying value</td>
<td>67,259</td>
</tr>
</tbody>
</table>

New investments comprise computer equipment for CEF operations (in the amount of EUR 6,402), furniture (in the amount of EUR 10,588), and reconstruction of premises (acquisition of additional offices) that was completed in 2010.

B.II. Trade receivables in the amount of EUR 116,517 comprise claims from training accountants and auditors of the public sector in Slovenia and several projects for the region, accrued interest on deposits with banks, and other receivables.

<table>
<thead>
<tr>
<th>B.II. Trade receivables</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims from training accountants and auditors, Slovenian public sector</td>
<td>26,987</td>
</tr>
<tr>
<td>Study tour on banking supervision and market risks</td>
<td>10,231</td>
</tr>
<tr>
<td>Strengthening Macro and Micro Prudential Supervision Project</td>
<td>11,800</td>
</tr>
<tr>
<td>Improving Public Management Control and Accountability in Kosovo Project</td>
<td>64,026</td>
</tr>
<tr>
<td>Accrued income from deposits</td>
<td>1,283</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2,390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>116,517</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>B.IV. Cash and deposits</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Deposits in EUR</td>
<td>484,964</td>
</tr>
<tr>
<td>Cash and Deposits in USD</td>
<td>159,989</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>645,050</strong></td>
</tr>
</tbody>
</table>
C. Short-term deferred costs and accrued revenue comprise accrued income and expenses that will occur in 2011, such as, insurance premiums.

<table>
<thead>
<tr>
<th>C. Short-term deferred costs and accrued revenue</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at December 31, 2009</td>
<td>23,386</td>
</tr>
<tr>
<td>Disbursement</td>
<td>-23,386</td>
</tr>
<tr>
<td>Accrued revenue from PEM PAL project</td>
<td>40,161</td>
</tr>
<tr>
<td>Other deferred income</td>
<td>0</td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>2,976</td>
</tr>
<tr>
<td><strong>Closing balance as at December 31, 2010</strong></td>
<td><strong>43,137</strong></td>
</tr>
</tbody>
</table>

The accrued income for the PEM PAL project relates to the World Bank financing of the project for expenses that occurred in 2010 and will be reimbursed in early 2011.

**Equity and Liabilities**

A. **Equity** represents the Ministry of Finance of Slovenia’s start-up contribution in the amount of EUR 4,173 and capital surplus (revaluation of capital in 2001) in the amount of EUR 225.

C.1. **Provisions** represent provisions for developing new projects, for developing accounting and auditing profession in Slovenia, and unspent funds from previous years. In addition, reserves for investment from previous years are transferred to this account. Formatting comprises additional provisions for developing new projects for the region—mainly in the area of capacity building for policy design and implementation (EUR 21,826, see also A.2.), for investment—mainly completion of reconstruction of premises (EUR 42,500, see also A.1.) In 2010, the CEF started to build the General Reserve Fund by allocating EUR 90,000 (from which EUR 79,000 from item A.2.) and EUR 11,000 from exchange rate changes—item C.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund to finance CEF projects</td>
<td>147,318</td>
<td>21,826</td>
<td></td>
<td>169,144</td>
<td></td>
</tr>
<tr>
<td>Funds for development of accounting and audit profession in Slovenia</td>
<td>11,488</td>
<td></td>
<td></td>
<td>11,488</td>
<td></td>
</tr>
<tr>
<td>From previous years</td>
<td>30,679</td>
<td></td>
<td></td>
<td>30,679</td>
<td></td>
</tr>
<tr>
<td>The World Bank / Pension Reforms Conference</td>
<td>14,257</td>
<td></td>
<td></td>
<td>14,257</td>
<td></td>
</tr>
<tr>
<td>General reserves</td>
<td>90,000</td>
<td></td>
<td></td>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>203,742</strong></td>
<td></td>
<td></td>
<td><strong>392,312</strong></td>
<td></td>
</tr>
</tbody>
</table>

C.2. **Long term accrued costs and 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, 2010. The surplus was transferred from this account to C.1.
C.2. Long term accrued costs and deferred revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at December 31, 2009</td>
<td>673,271</td>
</tr>
<tr>
<td>Transfer to C.1. (Reserves for investment)</td>
<td>-34,244</td>
</tr>
<tr>
<td>Amortization and depreciation in 2010</td>
<td>-44,447</td>
</tr>
<tr>
<td><strong>Closing balance as at December 31, 2010</strong></td>
<td><strong>594,580</strong></td>
</tr>
</tbody>
</table>

Č. 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).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables to Slovenian suppliers</td>
<td>51,383</td>
</tr>
<tr>
<td>Trade payables to foreign suppliers</td>
<td>23,268</td>
</tr>
<tr>
<td>Liabilities to employees</td>
<td>42,435</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>37,864</td>
</tr>
<tr>
<td><strong>Total Operating liabilities</strong></td>
<td><strong>154,950</strong></td>
</tr>
</tbody>
</table>

E. Short-term accrued costs and deferred revenue comprise expenses in 2010 that were not invoiced and earmarked donations and provisions for liabilities that will be paid in 2011.

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2009</th>
<th>Formatting</th>
<th>Disbursements</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs in Slovenia</td>
<td>46,378</td>
<td>64,252</td>
<td>-46,378</td>
<td>64,252</td>
</tr>
<tr>
<td>Deferred revenues for projects in the region</td>
<td></td>
<td>125,500</td>
<td></td>
<td>125,500</td>
</tr>
<tr>
<td>Accrued expenses for projects in the region</td>
<td>0</td>
<td>22,238</td>
<td>0</td>
<td>22,238</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>116,328</strong></td>
<td><strong>253,043</strong></td>
<td><strong>-116,328</strong></td>
<td><strong>253,043</strong></td>
</tr>
</tbody>
</table>

EUR 46,378 was transferred to revenues from operations (Paragraph B.1) to finance costs for programs in Slovenia for students that enrolled (and paid the fee) in 2009, and EUR 64,252 was recorded in deferred revenues for the generation of students that enrolled in 2010 for costs that will occur in 2011 (TIAPS program in Slovenia that is self-financing).

EUR 125,500 is recorded under deferred revenues for projects in the region to finance expenses that will occur in 2011.

Other accrued charges represent costs that occurred in 2010 and for which invoices were not recorded in 2010.

Off-balance sheet liabilities in the amount of EUR 29,315 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: Slovenia through its Development Cooperation donated EUR 861,032 to finance CEF operations, of which EUR 42,500 was recorded under Provisions/Reserves for investments (see also C.1.). In addition, EUR 44,448 was transferred from deferred revenues to finance depreciation (see also C.2.)

<table>
<thead>
<tr>
<th>A.1. Revenue from Public Finance</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation of Ministry of Finance for 2009</td>
<td>861,032</td>
</tr>
<tr>
<td>To deferred revenues for investments in 2011</td>
<td>-42,500</td>
</tr>
<tr>
<td>From long term provisions to finance amortization and depreciation</td>
<td>44,448</td>
</tr>
<tr>
<td>Revenue from public finance used for operations</td>
<td>862,980</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>A.2. Other revenue</th>
<th>Amount</th>
<th>To deferred revenue</th>
<th>Net revenues in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEM PAL Project</td>
<td>335,299</td>
<td>335,299</td>
<td></td>
</tr>
<tr>
<td>Donation of the Bank of Slovenia</td>
<td>20,465</td>
<td>20,465</td>
<td></td>
</tr>
<tr>
<td>Strengthening Macro and Micro Prudential Supervision (ECB)</td>
<td>119,975</td>
<td>119,975</td>
<td></td>
</tr>
<tr>
<td>SBO meeting in Budva (OECD and MoF NL)</td>
<td>14,127</td>
<td>14,127</td>
<td></td>
</tr>
<tr>
<td>CBIPA project in Moldova</td>
<td>43,111</td>
<td>-5,000</td>
<td>38,111</td>
</tr>
<tr>
<td>CBIPA project in Macedonia</td>
<td>44,562</td>
<td>-23,000</td>
<td>21,562</td>
</tr>
<tr>
<td>CBIPA project in Macedonia (MFA Slovenia)</td>
<td>47,000</td>
<td>47,000</td>
<td></td>
</tr>
<tr>
<td>Other donations</td>
<td>22,611</td>
<td>22,611</td>
<td></td>
</tr>
<tr>
<td>Recorded under deferred revenue</td>
<td>-40,000</td>
<td>-40,000</td>
<td></td>
</tr>
<tr>
<td>Total Other Revenue</td>
<td>647,150</td>
<td>-68,000</td>
<td>579,150</td>
</tr>
</tbody>
</table>

Activities within the PEM PAL project were increased due to higher demand from member countries. Financing totaled EUR 335,299, which comprised the use of unspent funds from 2009 allocation, the grant for 2010, and contributions by other donors. Part of the expenses was covered from the 2011 budget (recorded as accrued revenue).

<table>
<thead>
<tr>
<th>Financing PEM PAL</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>The World Bank unspent for 2009</td>
<td>87,070</td>
</tr>
<tr>
<td>DGF for 2010</td>
<td>146,542</td>
</tr>
<tr>
<td>Adjustment for 2010</td>
<td>38,200</td>
</tr>
<tr>
<td>InWEnt GmbH</td>
<td>62,918</td>
</tr>
<tr>
<td>OECD/SIGMA</td>
<td>569</td>
</tr>
<tr>
<td>Donation for PEM PAL</td>
<td>335,299</td>
</tr>
</tbody>
</table>
The Bank of Slovenia donated EUR 15,000 for the development and delivery of the training program for central banks, EUR 5,000 to co-finance the publication “From Tolar to Euro” (all expenses were recorded in 2009) and a workshop in the amount of EUR 465.

The CEF delivered eight workshops in cooperation with the European Central Bank (ECB) within the project Strengthening Macro and Micro Prudential Supervision, which were completely sponsored by the ECB (in the amount of EUR 119,975).

OECD and the Ministry of Finance of the Netherlands financed a meeting of Senior Budget Officers (SBO) in the region by donating EUR 8,627 and EUR 5,500, respectively.

The CBIPA project in Moldova was financed by disbursing the last installment of the WB grant in the amount of EUR 43,111, from which EUR 5,000 was recorded in deferred revenue to finance expenses that will occur in 2011.

The CBIPA project in Macedonia was financed by disbursing the last installment of the WB grant in the amount of EUR 44,562 (from which EUR 23,000 was recorded in deferred revenue to finance expenses that will occur in 2011) and EUR 47,000 with a contract with the Ministry of Foreign Affairs of Slovenia—from the bilateral envelope for Macedonia.

### B.1. Revenues from operations

<table>
<thead>
<tr>
<th></th>
<th>Invoiced</th>
<th>From deferred revenues</th>
<th>To deferred revenues/ provisions</th>
<th>Net revenues in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent programs in Slovenia</td>
<td>82,911</td>
<td>46,378</td>
<td>64,252</td>
<td>65,037</td>
</tr>
<tr>
<td>TIAPS Kosovo</td>
<td>153,995</td>
<td></td>
<td>35,000</td>
<td>118,995</td>
</tr>
<tr>
<td>Other</td>
<td>71,614</td>
<td></td>
<td>22,500</td>
<td>49,114</td>
</tr>
<tr>
<td>Transfer to provisions</td>
<td>0</td>
<td></td>
<td>100,826</td>
<td>-100,826</td>
</tr>
<tr>
<td>Total</td>
<td>308,520</td>
<td>46,378</td>
<td>222,578</td>
<td>132,320</td>
</tr>
</tbody>
</table>

In 2010, a new generation of students in Slovenia enrolled to the TIAPS program (certificate and diploma level), for which EUR 82,911 was invoiced and EUR 64,252 was recorded in deferred revenues to finance the program until the end of the school year (September 2011 (see also E)). From the 2009/10 generation of students, EUR 46,378 was transferred from deferred revenues to finance costs of studies occurred in 2010.

The TIAPS project in Kosovo generated EUR 153,995 revenues, from which 35,000 was recorded in deferred revenues to finance expenses that will occur in 2011.

Other revenues resulted from study visits and the Strategy for EU Integration Process in Serbia.

From invoiced revenues, EUR 100,826 was recorded in provisions (see also C.1.)

**C. Financial income** 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, material and services</th>
<th>Costs of materials</th>
<th>Costs of services</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short programs</td>
<td>448</td>
<td>71,481</td>
<td>71,929</td>
</tr>
<tr>
<td>Permanent Certification programs in Slovenia</td>
<td>283</td>
<td>34,668</td>
<td>34,952</td>
</tr>
<tr>
<td>Permanent Certification programs in Macedonia - CBIPA</td>
<td>317</td>
<td>266,742</td>
<td>267,059</td>
</tr>
<tr>
<td>Permanent Certification programs in Moldova - CBIPA</td>
<td>87</td>
<td>31,735</td>
<td>31,822</td>
</tr>
<tr>
<td>Permanent Certification programs in Kosovo - TIAPS</td>
<td>84</td>
<td>20,108</td>
<td>20,192</td>
</tr>
<tr>
<td>Permanent Certification programs in Slovenia</td>
<td>79</td>
<td>115,160</td>
<td>115,240</td>
</tr>
<tr>
<td>Permanent Certification programs in Macedonia and Moldova - CBIPA</td>
<td>0</td>
<td>34,004</td>
<td>34,004</td>
</tr>
<tr>
<td>Permanent Certification programs in Kosovo - TIAPS</td>
<td>62,291</td>
<td>346,207</td>
<td>408,498</td>
</tr>
<tr>
<td>Total costs</td>
<td>63,589</td>
<td>920,106</td>
<td>983,695</td>
</tr>
</tbody>
</table>

Costs of services allocated to programs and projects are the following:

<table>
<thead>
<tr>
<th>Costs of services</th>
<th>Direct costs of events</th>
<th>Costs of authors, consultants, translators</th>
<th>Other costs</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops and other short programs</td>
<td>26,341</td>
<td>35,410</td>
<td>34,595</td>
<td>96,346</td>
</tr>
<tr>
<td>Introduction to Public Financial Management workshop</td>
<td>320</td>
<td>3,046</td>
<td>856</td>
<td>4,222</td>
</tr>
<tr>
<td>Meeting of CEF Coordinators</td>
<td>9,668</td>
<td>11,022</td>
<td>4,054</td>
<td>24,744</td>
</tr>
<tr>
<td>Supervisory, Advisory and Management Board meetings</td>
<td>6,840</td>
<td>8,674</td>
<td>15,514</td>
<td></td>
</tr>
<tr>
<td>6th OECD SBO meeting in Budva</td>
<td>9,057</td>
<td>5,070</td>
<td>14,127</td>
<td></td>
</tr>
<tr>
<td>Study tours</td>
<td>5,592</td>
<td>7,153</td>
<td>13,492</td>
<td></td>
</tr>
<tr>
<td>Building Capacities for Policy Design and Implementation Project</td>
<td>5,758</td>
<td>2,537</td>
<td>8,295</td>
<td></td>
</tr>
<tr>
<td>Strengthening Macro and Micro Prudential Supervision Project</td>
<td>76,554</td>
<td>1,058</td>
<td>77,612</td>
<td></td>
</tr>
<tr>
<td>Strategy for EU Integration Process Project / Serbia</td>
<td>33,756</td>
<td>348</td>
<td>34,004</td>
<td></td>
</tr>
<tr>
<td>PEM PAL project</td>
<td>89,832</td>
<td>57,180</td>
<td>266,742</td>
<td></td>
</tr>
<tr>
<td>Permanent Certification programs in Slovenia</td>
<td>0</td>
<td>34,229</td>
<td>106</td>
<td>34,668</td>
</tr>
<tr>
<td>Permanent Certification programs in Macedonia and Moldova - CBIPA</td>
<td>1,839</td>
<td>44,532</td>
<td>5,472</td>
<td>51,843</td>
</tr>
<tr>
<td>Permanent Certification programs in Kosovo - TIAPS</td>
<td>5,741</td>
<td>81,862</td>
<td>27,557</td>
<td>115,160</td>
</tr>
<tr>
<td>Other</td>
<td>20,282</td>
<td></td>
<td>20,282</td>
<td></td>
</tr>
<tr>
<td>Unallocated costs</td>
<td>15,408</td>
<td>4,039</td>
<td>123,608</td>
<td>143,055</td>
</tr>
<tr>
<td>Total costs of services</td>
<td>247,525</td>
<td>319,045</td>
<td>353,536</td>
<td>920,106</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. Participation costs, such as travel and accommodation (when sponsored by a donor) is recorded under services. Costs of authors and consultants comprise lecturing, tutoring, preparation of training materials, authors’ fees, interpreters’ fees, and consultants’ expenses.

Costs of services that are allocated to PEM PAL are as follows:

<table>
<thead>
<tr>
<th>PEM PAL costs</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steering Committee and Other</td>
<td>24,753</td>
</tr>
<tr>
<td>Budget Community of Practice (B CoP)</td>
<td>39,050</td>
</tr>
<tr>
<td>Internal Audit Community of Practice (IA CoP)</td>
<td>125,628</td>
</tr>
<tr>
<td>Treasury Community of Practice (T CoP)</td>
<td>77,920</td>
</tr>
<tr>
<td>Secretariat costs</td>
<td>62,804</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>330,155</strong></td>
</tr>
</tbody>
</table>

The PEM PAL project expanded its activities in 2010 and broadened its work. The Steering Committee and Other item reports the costs of participation of leaders at Steering Committee meetings, maintenance of the web page in three languages and the translation of materials relevant for all CoPs (including the PIFC book) into two languages. Costs for B CoP comprises two study visits and a plenary meeting. IA CoP was most active and financed its plenary meeting, two workshops and a study visit. Costs for T CoP comprise a plenary meeting and a workshop. Secretariat costs comprise the CEF support for PEM PAL activities, costs of materials and travel of CEF staff.

F. Labor costs: The CEF paid salaries and other labor-related costs to 16 employees according to the Slovenian Law on Civil Servants and Law on Levels of Salaries for Civil Servants (EUR 530,238). Expenses for wages and salaries increased by 7 percent due to increased number of employees (15 employees in 2010 comparing to 14 in 2009) and were financed from the respective projects. Share of labor costs and other costs that relate to projects for which CEF receives revenues from operations are the following:

<table>
<thead>
<tr>
<th>Costs of services and labor</th>
<th>Direct cost of program*</th>
<th>Labor costs</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Certification programs in the region</td>
<td>167,003</td>
<td>74,764</td>
<td>241,767</td>
</tr>
<tr>
<td>(Macedonia, Moldova, Kosovo)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Certification programs in Slovenia</td>
<td>34,668</td>
<td>24,450</td>
<td>59,118</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>201,671</strong></td>
<td><strong>99,214</strong></td>
<td><strong>300,885</strong></td>
</tr>
</tbody>
</table>

*Direct costs of the program represent costs that can undoubtedly be allocated to the program.

G. Depreciation and amortization costs in the amount of EUR 44,448 are recorded by the method of linear depreciation and amortization.

Following the auditor’s recommendations, the CEF changed the basic depreciation rate in 2010 compared to the rate used in 2009 for investments in premises that have a longer period of use from 20.00% to 3.00%.

<table>
<thead>
<tr>
<th>Depreciation and amortization rates</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Software and computer equipment</td>
<td>33.33% to 50.00%</td>
<td>33.33% to 50.00%</td>
</tr>
<tr>
<td>- Investment in premises</td>
<td>20.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>- Other equipment</td>
<td>20.00% to 33.33%</td>
<td>20.00% to 33.33%</td>
</tr>
</tbody>
</table>

The financial impact of the above changes reflects in reduced expenses for depreciation for EUR 44,443 (from EUR 58,276 to EUR 13,843).

J. Financial expenses represent negative exchange rate changes on deposits in USD.
Independent Auditor's Report

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

We have audited the accompanying financial statements of the Center of Excellence in Finance, Ljubljana, which comprise the balance sheet as at 31 December 2010, 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 2010, and its financial performance for the year then ended in accordance with Slovene Accounting Standards.

Other Matters

We herewith confirm that as at 31 December 2010 the Center of Excellence in Finance, Ljubljana, in all material respects, used the assets for activities or in accordance with the work programme and provisions of the contract on financing the respective programme concluded with the Ministry of Foreign Affairs and the Ministry of Finance of the Republic of Slovenia, and other sponsors.

Information in the work programme is in conformity with the accompanying financial statements.

Renata Erzen Potisek, M.Sc.Ec.
Certified Auditor
Ljubljana, 3 May 2011

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
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Mojmir Mrak

Mojmir Mrak is a Full Time Professor at the Academic Unit for Money and Finance at the Faculty of Economics, University of Ljubljana. He has also been a regular visiting professor at the Wirtschaftsuniversitaet in Vienna (Austria) and at the Universita di Siena in Siena (Italy).

He has more than 15 years of experience in designing and implementing the Slovenian Government’s policy in areas of international finance and EU accession. Between 1992 and 1996, he was the Chief External Debt Negotiator of the Republic of Slovenia and was responsible for Slovenia’s early credit arrangements with the European Bank for Reconstruction and Development (EBRD) and with the International Bank for Reconstruction and Development (IBRD). He acted as the Chief Advisor of the Slovenian Government on financial aspects of the country’s EU accession process. Within this framework, he was responsible for negotiations on the financial package of Slovenia’s accession to the EU and has been coordinating Slovenian activities with respect to the medium-term financial perspectives of the EU. Between 2005 and 2009, he was a member of the Knowledge for Growth high level expert group formed by Commissioner Janez Potočnik. Currently, he is a member of the International Advisory Board of Unicredit Bank, one of the largest European commercial banks.

Mr. Mrak acts as a lecturer at the CEF and delivers workshops on Instruments for Pre-Accession Assistance (IPA) topics. He also facilitates discussions on the inclusion of structural reforms and policy coordination of medium term fiscal and economic planning for the CEF’s Building Capacities in Policy Design and Implementation (BCPDI) project. Currently, he acts as an advisor for the Strategic Planning and Budgeting program Task Force.

Max Watson

Max Watson is a Fellow of Wolfson College, Oxford and is an Associate Fellow of Chatham House (the Royal Institute of International Affairs). He has experience working as a Senior Advisor at the Bank of England, a Deputy Director at the IMF (where he led missions to many countries in Eastern and Western Europe) and as an economic adviser to the European Commission.

In 2010, Mr. Watson together with Mr. Klaus Regling, wrote a report for the parliament in Ireland on the sources of the crisis in the Irish banking system and later that year he was appointed a Director of the Central Bank of Ireland for a 5-year term. He is also the Director of Research at the UK financial consultancy John Howell and Co., Ltd.

Mr. Watson has taught a number of CEF workshops in recent years and is among its most experienced and popular instructors on banking issues. His case study was an important basis for the Financial Stability Reports and Introduction to Central Banking workshops.

Max Watson presented the CEF’s first concept of the BCPDI project at the TAIEX Workshop in Tirana in December 2009. Currently, he acts as an advisor for the Strategic Planning and Budgeting program Task Force.
The Train4Dev Network is the Joint Donors’ Competence Development Network and an open forum for donor agencies and multilateral organizations. The overall objective of the network is to promote improved aid effectiveness for poverty reduction through enhanced donor co-operation in the field of competence development and training.

The CEF became a member of the Train4Dev network in 2008 when it became active in the Public Financial Management (PFM) sub-group. The PFM sub-group has focused on identifying courses in the field of PFM and Public Expenditure Financial Accountability (PEFA) offered by Train4Dev member organizations with the aim to enhance the capacity among donor and partner country staff to participate effectively in development cooperation, especially the new aid modalities.

In 2010, the CEF joined the Knowledge Management (KM) sub-group. KM focuses on the creation, storage, and dissemination of knowledge resources in an organization. The KM subgroup was established to support the Train4Dev network with activities concerning knowledge management, in particular e-learning. It works on the elaboration of guidelines on issues related to knowledge sharing and e-learning.

Once a year, representatives of all participating organizations meet. Typically, this event is organised by two of its members. A CEF staff member actively participated at the 8th Annual Meeting that took place in Marseille on June 1-3, 2010, which was co-organized by the AFD (French Development Agency) and EuropeAid. The aim of the meeting was to make an inventory of activities of Train4Dev in the past and to look forward to what this network still has to do in order to increase performance of member organizations’ staff.

The CEF participation in the Train4Dev network has significantly contributed to the increase of capacity of CEF staff. In 2010, a CEF staff member took part in a training activity organized by the KfW Entwicklungsbank in Frankfurt, Germany and a Train4Dev member took part in the CEF Budget Specialist training program.

The CEF, in collaboration with the International Training Centre of the International Labor Organization (ITC ILO) in December 2010 in Skopje, Macedonia organized a training event for experts responsible for strategic human resources development at ministries of finance and central banks of the CEF member institutions (CEF Coordinators).

Two CEF employees participated in and contributed to the first Learning Link which was held at the International Training Centre of the International Labour Organization (ITC-ILO) in Turin, Italy in 2009. The Link enabled participants to network and share practices with policy makers and practitioners from development training and learning institutes and to engage in state of the art learning approaches. Participation in the Learning Link led to an increase in cooperation between the CEF and the ITC-ILO, specifically aimed at strengthening the training and facilitation capacities of the CEF staff.

The CEF organized the Enabling Environment for Capacity Building in Medium-term Policy Design for their coordinators; during the joint design of the event the ITC-ILO suggested participatory methods for the implementation of the sessions. We were also asked to facilitate the sessions in Skopje and could rely on tight cooperation with the CEF staff and on their constructive professional approach. Early this year, a fellow trainer from my team co-designed and facilitated the Training of trainers on Learning Facilitation workshop in Zagreb, which was another opportunity for an open and positive exchange of knowledge and know how.

The CEF staff contributed to the second edition of the Learning Link, which took place in 2011, to illustrate the Center’s approach to Communities of Practice and to highlight what was transferable to other organizational contexts.

Cooperation between our two institutions has been smooth, effective and on a personal note, extremely pleasant. These are all good auspices for the future.

Robin Poppe
Chief, Learning and Communication
International Training Centre of the ILO

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CEF FACILITIES

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.

CLASSROOMS

In 2007, the CEF acquired and in 2008, refurbished new classroom space that comprises a classroom for 48 students (that can be enlarged to accommodate up to 60 students), a classroom for 32 students and two smaller classrooms for 12 and 18 students, respectively. A spacious front lobby is available for participants to network during breaks.

The classrooms are fully equipped with everything needed for the successful implementation of training, such as a computer, an LCD projector, an overhead projector, a flip chart, and a white board. In addition, the large classroom allows simultaneous translation (although the CEF does not provide translators). The classroom for 18 students is equipped with a videoconferencing facility allowing ISDN videoconferencing at up to 512 kbs speed.

Some courses of longer duration and/or of larger size are held in outsourced facilities in other locations.

Global Development Learning Network (GDLN)
The CEF became an affiliate member of the World Bank’s GDLN family in 2004. GDLN networks videoconferencing centers around the world. While the CEF invested in the necessary equipment, member countries can utilize facilities available at the World Bank offices in respective countries. In addition, the network will be used to facilitate short inputs to events at the CEF by prominent speakers from around the world.
OFFICE SPACE

Because of its continuously growing number of projects and as a result, the growing number of permanent staff needed to support these projects, the CEF has expanded office space that became available in 2008. The newly acquired space was finalized and accommodated nine new work positions in August 2010.
The CEF would like to thank Paul McClure, Senior Communications Officer at the World Bank and the expert delivering the Written Communication course at the CEF in October 2008 and June 2010, for suggesting the slogan used in this Annual Report: *Sharing Knowledge, Building Skills.*

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