CEF in 2011

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.

55 events, 1,605 participants
attended events CEF organized or co-organized

32 workshops, 639 participants
30 face to face events, 2 distance learning courses

14 PEM PAL events, 418 participants from 21 countries
• 1 plenary meeting of all three CoPs
• 5 individual CoPs meetings
• 2 study visits
• 1 leadership group meeting
• 5 steering committee meetings

CEF became Coordinator for Priority Area 10 of the EU Strategy for the Danube Region
一起 with the City of Vienna, Austria

Certification programs:
• Accounting: 146 certificate and 131 diploma holders in Slovenia since 2003; 115 certificate and 47 diploma holders in Albania and Croatia; 71 certificate and 40 diploma holders in Macedonia, Moldova and Kosovo
• Auditing: 108 certificate and 32 diploma holders in Slovenia since 2006; 32 certificate and 12 training of trainer certificate holders in Kosovo

26 IMF missions

7 CEF institutional capacity development and knowledge sharing events

Subscribe to our newsletter at http://www.cef-see.org/.
Follow the CEF on and stay on top of current CEF developments and activities.
Annual Report 2011
Sharing Knowledge, Building Skills
# CONTENTS

5    Director's Welcome

6    CEF 10th Anniversary

8    **CEF CAPACITY DEVELOPMENT CYCLE**

11   **Step 1: Engaging Stakeholders**
12   Supervisory Board
14   Management Board
15   European Union Strategy for the Danube Region
16   Advisory Board
18   Coordinators

19   **Step 2: Understanding Regional Needs**
19   IMF Regional Technical Assistance
27   Coordinators
29   Program "Building Capacities for Policy Design and Implementation"

31   **Step 3: Designing Program**

33   **Step 4: Implementing Program**
33   Short Programs
53   Permanent Certification Programs
60   Policy Events and Research
65   Communities of Practice

70   **Step 5: Monitoring and Evaluation**

74   **FINANCIAL REPORT**

86   **CEF STAFF AND AFFILIATED EXPERTS**

94   **CEF FACILITIES**
Engaging Stakeholders

CEF Region and its Members

Members:
Albania
Bosnia and Herzegovina
Bulgaria
Croatia
Kosovo*
Macedonia
Moldova
Montenegro
Romania
Serbia
Slovenia
Turkey

Other Countries Where the CEF is Present:
Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

* under UNSCR 1244.
In the CEF Annual Report 2011 Kosovo (under UNSCR 1244) is named as Kosovo.
In 2011, we marked the 10th anniversary of the Center of Excellence in Finance (CEF). We were very happy to celebrate this important milestone together with our members at events organized in Ljubljana. We are especially pleased that the CEF was also joined by a new member, Turkey. Our cooperation has begun successfully, with many Turkish experts already joining CEF capacity development events either as participants or experts.

With our first decade behind us, even more demanding times lie ahead. The global economic and financial crisis has affected us all. While the region has seen its access to funding diminish, the demand for capacity development in public financial management and central banking has continued to rise. For all of us, addressing these challenges has required innovation, resourcefulness, and extremely hard work.

To successfully adapt to this changing landscape, we scaled up our efforts this year to change the CEF’s legal status to that of an international organization. This will make it easier to access donor funding and to hire international and regional experts. The proposal to change our status was endorsed by the CEF’s Supervisory Board in 2011, and in cooperation with our members we have already achieved important progress toward making this new status a reality.

Understanding training needs across South Eastern Europe is essential for the CEF to be able to develop high-quality and relevant programs. Hence we increasingly put a strong emphasis on a participatory approach to training and learning. We also work closely with the CEF Coordinators, whose extensive knowledge of their institutions’ needs helps us set priorities for the region and incorporate these into the CEF’s programs. The courses themselves are designed to maximize the interaction between lecturers and participants, and among participants themselves. We believe it is the complete cycle of understanding needs, developing and delivering courses, and thorough evaluation for continuous improvement that makes the CEF such a strategic facilitator of capacity development.

Our goal, quite simply, is to offer our members the best resources for capacity development. This year we again strengthened our Permanent Certification Programs, which our strategic partner, the Chartered Institute of Public Finance and Accountancy (CIPFA), is helping us modernize. We are working to identify sufficient funding to introduce these programs in member countries that have already expressed interest. We also continued our excellent cooperation with the IMF and its regional technical assistance advisors for South Eastern Europe. We hope it will strengthen even further in the future, so that our members can benefit from close synergies between technical assistance and capacity development.

Recognizing the challenging times ahead of us, the CEF remains committed to strengthening the capacities of our own staff, so that we can respond to the needs of the region as nimbly and thoughtfully as possible.

I would like to thank our member countries, donors, and other partners for excellent collaboration and support. I also thank the very dedicated CEF staff for their contributions to the success of our work.

Mira Dobovišek
Director
In 2011 the CEF celebrated its 10th anniversary.

To mark this milestone in our successful operation, several events took place in Ljubljana between June 20 and 24.
INTRODUCTION

CEF 10th Anniversary Reception

Mr Mitja Mavko, Current CEF Management Board Acting Chair, with Mr Andrej Kavčič and Ms Irena Sodin, Former CEF Management Board Chairs

Mr Samuel Žbogar, Minister of Foreign Affairs of Slovenia, Ms Mira Dobovišek, CEF Director, and Ms Regine Doornbos-Neyt, Chair of the CEF Advisory Board

Ms Jana Repanšek, CEF Deputy Director, Ms Mira Dobovišek, CEF Director, and Mr Suad Musić, ReSPA Director, at the CEF Advisory Board Meeting

High Representatives of International Institutions Mr Thomas Mirov (EBRD), Mr Philippe Le Houérou (World Bank), Mr Anton Rop (EIB), Mr Gerd Schwartz (IMF) and Mr Max Watson, CEF Associate Fellow, at the CEF’s Regional Policy Forum on Growth Strategies After the Crisis

CEF 10th Anniversary Reception
CEF
Capacity Development Cycle
A five-step cycle informs all of the CEF’s work in capacity development.
Capacity development (CD) is the process of human development and change and is about managing transformations. It derives from the principle that people are most likely to realize their full potential when the means of development are sustainable over the long term and are generated and managed collectively by those who stand to benefit.

Capacity development represents transformations that empower individuals, leaders, institutions, and societies. We see it as a process through which individuals, institutions, 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 that 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.

Some fundamental questions set by the United Nations Development Programme provide the framework for effective capacity development:

Why do we need to develop this capacity? What will its purpose be?

Who needs to develop capacity? 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) has argued 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 thinking, the CEF’s 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, while it supports them in developing 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 the Program**
- **Step 4: Implementing the Program**
- **Step 5: Monitoring and Evaluation**
Step 1: Engaging Stakeholders

As part of its commitment to its core purpose of capacity development, the CEF recognizes the importance of maintaining close cooperation with its stakeholders. This relationship lets stakeholders articulate their needs and priorities, to which the CEF can respond. Close cooperation with member countries’ ministries of finance and central banks gives the CEF a good understanding of regional needs and supports the development of highly practical, tailor-made programs that aim to satisfy immediate training needs and priorities in the region.

The CEF has established a coherent governance structure with clear goals and responsibilities. It involves the following parties in their natural role and strength:
Supervisory Board

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

The Supervisory Board met for its 11th session on June 24, 2011, in Ljubljana, Slovenia. The meeting was chaired by Mr Franc Križanič, Slovenia’s Minister of Finance.

At the 2011 Meeting, the Supervisory Board:
• Expressed satisfaction with developments on the CEF’s upcoming change of status and committed to helping gain their respective authorities’ support for joining the CEF as international organization.
• Took note of reports from the Management Board and the Advisory Board.
• Endorsed the regional International Monetary Fund (IMF) Public Financial Management (PFM) and Tax Administration Reform Advisors’ plans for 2012 and 2013. The Supervisory Board stated that a stable financing mechanism must be pursued to ensure continuity of the regional technical assistance program.
• Welcomed the progress in developing the Building Capacities for Policy Design and Implementation (BCPDI) program, including the fact that part of it will be financed through the Multi-Beneficiary Instrument for Pre-Accession Assistance (IPA) 2012-2013. The Supervisory Board established that the envisaged funding is not sufficient to meet the region’s needs and strongly urged that the available budget be increased to include structural issues or that a new project with available financing be introduced.

Members of the Supervisory Board as of June 24, 2011:

<table>
<thead>
<tr>
<th>Country</th>
<th>Member</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Ridvan Bode</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Ardian Fullani</td>
<td>Governor</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Dragan Vrankić</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Kemal Kozarić</td>
<td>Governor</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Simeon Djankov</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Ivan Iskrov</td>
<td>Governor</td>
</tr>
<tr>
<td>Croatia</td>
<td>Martina Dalčić</td>
<td>Minister</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Bedri Hamza</td>
<td>Governor</td>
</tr>
<tr>
<td></td>
<td>Gani Gërguri</td>
<td>Governor</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Zoran Stavreski</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Dimitar Bogov</td>
<td>Governor</td>
</tr>
<tr>
<td>Moldova</td>
<td>Veaceslav Negruța</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Dorin Drăgușanu</td>
<td>Governor</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Milorad Katnić</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Radoje Żugić</td>
<td>Governor</td>
</tr>
<tr>
<td>Romania</td>
<td>Gheorghe Ialomițianu</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Mugur Isărescu</td>
<td>Governor</td>
</tr>
<tr>
<td>Serbia</td>
<td>Mirko Cvetković</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Dejan Šoškić</td>
<td>Governor</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Franc Križanič</td>
<td>Minister</td>
</tr>
<tr>
<td></td>
<td>Marko Kranjec</td>
<td>Governor</td>
</tr>
<tr>
<td>Turkey</td>
<td>Ibrahim Halil Çanakci</td>
<td>Undersecretary of Treasury</td>
</tr>
</tbody>
</table>
The Ministry of Finance of Montenegro is improving institutional and human capacity so that we can provide the highest level of public service to our citizens and the international community.

Following our successful implementation of European Commission recommendations in 2011, we will begin negotiations in June 2012 toward expected membership in the European Union. As we harmonize our institutional and legal framework with EU standards, economic policy in Montenegro provides an additional instrument to increase our economic competitiveness, reduce the negative effects of new crises, and establish a stable basis for sustainable long-term growth.

The road ahead of us to EU membership poses new institutional and capacity requirements. Building and strengthening our capacity calls for help from our international partners, including the Center of Excellence in Finance. The results of the last several years, as well as the projects ahead, are the best proof of the quality of our cooperation.

In Montenegro we welcome the initiative to transform the CEF into an international organization. This will further strengthen and expand the capacity of an important institution, whose regional focus is steadily broadening into that of a European institution.

The Ministry of Finance of Montenegro and the CEF recently took a step forward in cooperation by signing a memorandum of understanding on a project entitled Fiscal Impact Assessment of Structural Reforms. By addressing the long-term importance of structural reforms in times of global fiscal, economic, and financial crisis, this project is expected to help all participating countries raise awareness of structural reforms and implement them smoothly in fiscal frameworks.

I am pleased that cooperation between the Ministry of Finance of Montenegro and the CEF will continue. I believe that our joint projects will support the Ministry’s capacity building efforts while enhancing recognition of the CEF in the international community.

Milorad Katnić, Ph.D.  
Minister of Finance  
Montenegro
The CEF Management Board is 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 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 appropriate information from the CEF management on a timely basis.

Members of the Management Board as of December 31, 2011:

<table>
<thead>
<tr>
<th>Representative</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katja Božič (Chair)</td>
<td>Director General, Financial System Directorate, Ministry of Finance, Slovenia</td>
</tr>
<tr>
<td>Mitja Mavko</td>
<td>Head of International Finance Department, Ministry of Finance, Slovenia</td>
</tr>
<tr>
<td>Andreja Jerina</td>
<td>State Secretary, Government Office for Development and European Affairs, Slovenia</td>
</tr>
<tr>
<td>Martina Skok</td>
<td>Minister Counselor, Ministry of Foreign Affairs, Slovenia</td>
</tr>
</tbody>
</table>

During 2011, in five regular sessions and one correspondence session, the Management Board:

- Adopted the CEF’s Annual Report with Financial Statements for 2010 and Work Plan (with financial plan) for 2012 and 2013.
- Discussed and approved documents and procedures for the CEF’s change of status to an international organization.
- Discussed and approved activities linked to CEF’s 10th Anniversary.
- Approved the appointment of new staff to support an increasingly complex program and a growing number of projects.
- Oversaw the CEF’s activities through regular reporting by the Director.

In the uncertain environment and with a challenge to achieve comprehensive budgetary consolidation, a new Government took office in Slovenia in early 2012. We are reviewing the entire span of our spending categories, including our development budget. We want to make sure that each budgetary line offers legitimate value for money. In this exercise, delivering results efficiently is of crucial importance.

The CEF, with its highly professional and dedicated staff as well as strong support from donors and partner institutions, is well placed to continue making a difference. Given that the region it serves has a strong external anchor for policy design through its aspiration for EU membership, the Center is developing closer co-operation with EU institutions, most notably with the European Commission and the European Central Bank. At the same time, we are looking to enhance further the traditionally fertile relationship with the IMF.

In the uncertain environment and with a challenge to achieve comprehensive budgetary consolidation, a new Government took office in Slovenia in early 2012. We are reviewing the entire span of our spending categories, including our development budget. We want to make sure that each budgetary line offers legitimate value for money. In this exercise, delivering results efficiently is of crucial importance.

For the CEF, 2011 was yet another successful year, and the Management Board is happy to note that the institution continues to serve as a reliable partner to its membership. The Center does not rely solely on standardized capacity building and knowledge sharing instruments but maintains an unwavering drive for innovative approaches and new alliances to benefit the region. Especially in the current economic uncertainty, public finance policy design and implementation are under intense pressure to strike the right balance between stimulus and consolidation. By asking questions and providing possible answers to the challenges, the CEF has retained its edge in promoting excellence in public financial management and central banking.

Mitja Mavko
Member of the CEF Management Board
Head of International Finance Department
Ministry of Finance, Slovenia

Last year we marked the 10th anniversary of the CEF, and we made it an opportunity to set the bar even higher for the next decade. The decision to strengthen the institution by transforming it into a full-fledged international organization presents a historic milestone. The Management Board is looking forward to this forthcoming challenge and will be working with the Slovenian Government and the Ministry of Finance to equip the CEF to continue delivering results.

Mitja Mavko
Member of the CEF Management Board
Head of International Finance Department
Ministry of Finance, Slovenia
The European Union Strategy for the Danube Region (EUSDR) was proposed by the European Commission (EC) Directorate General for Regional Policy in December 2010 and was endorsed by the European Union (EU) Council in April 2011. The strategy aims to boost the region’s development and increase cooperation and coordination between countries and at the regional level. It involves 14 countries (Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Moldova, Montenegro, Romania, Serbia, Slovakia, Slovenia, and Ukraine), eight of which are CEF members.

The CEF is the Coordinator of Priority Area 10 “To Step up Institutional Capacity and Cooperation” together with the City of Vienna, Austria. As Priority Area Coordinator, the CEF is helping provide an implementation framework for the strategy. This includes setting up an operational working structure; agreeing on targets and deadlines for actions and projects; supporting policy discussion and development; and ensuring communication and visibility of results and monitoring, including reporting on progress to the EC.

The start of this implementation work was discussed at the coordination meeting in Vienna in March 2011. The role of the priority area coordinators and steering groups, as well as milestones for implementing the strategy overall, were discussed at the joint meeting of national contact points and priority area coordinators in Gödöllő, Hungary, in May 2011.

The CEF co-chaired the kick-off meeting of the Priority Area 10 Steering Group in Vienna on July 1, 2011. There the steering group reviewed proposed operational and organizational actions and agreed on a tentative work plan. Accordingly, the CEF and the City of Vienna began to facilitate the setup and nominations of working groups’ experts and project proposals. The CEF participated at the third meeting of the EUSDR Labgroup, a consultative body that met on October 7, 2011, in Belgrade. To support the work of priority area coordinators, the CEF and the City of Vienna in September 2011 submitted a grant application for technical assistance to the EC. In December, a grant agreement was signed with the EC in the amount of EUR 100,000.

I would like to thank you, on behalf of the Hungarian Government Commissioner for the EU Danube Strategy, for organizing the financial working group meeting in Ljubljana. Personally speaking, I believe the meeting was very informative, productive, and gave a great opportunity for a first interaction. I am looking forward to a fruitful continuation and a successful follow-up based on the objectives we have agreed upon.

Péter Kiss-Parciu
Advisor
Ministry of Foreign Affairs, Hungary
Advisory Board

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

At the 9th annual Advisory Board meeting on June 23, 2011, the CEF and representatives of donor partner institutions addressed the needs of recipient countries and institutions and discussed possibilities for future cooperation. Mr Samuel Žbogar, Slovenia’s Minister of Foreign Affairs, congratulated the CEF on its 10 years of operations in South Eastern Europe (SEE). He stated his opinion that the best years are still to come as the Government of the Republic of Slovenia welcomed the CEF’s initiative to change its status to a fully recognized international organization.

Representatives of 16 CEF partner institutions and the Management Board agreed that the CEF would continue to focus its activities in SEE and Central Asia and that its program would remain demand-driven and flexible to ensure that the limited resources available to the CEF could be most effectively utilized in meeting member countries’ needs. The Advisory Board also supported recent efforts to improve monitoring and evaluation systems related to delivery of the CEF’s program and the intention to improve these systems further.

The meeting was chaired by Ms Regine Doornbos-Neyt from the Ministry of Finance of the Netherlands.

Present at the Advisory Board Meeting on June 23, 2011:

<table>
<thead>
<tr>
<th>Representative</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Julia Attridge</td>
<td>Chartered Institute of Public Finance and Accountancy (CIPFA)</td>
</tr>
<tr>
<td>Regine Doornbos - Neyt</td>
<td>Ministry of Finance, the Netherlands</td>
</tr>
<tr>
<td>Elisabetta Dovier</td>
<td>Central European Initiative (CEI)</td>
</tr>
<tr>
<td>Nicolas Dubois</td>
<td>OECD SIGMA</td>
</tr>
<tr>
<td>Roger Grawe</td>
<td>World Bank (ret.)</td>
</tr>
<tr>
<td>Hongjoo Hahm</td>
<td>World Bank Office, Croatia</td>
</tr>
<tr>
<td>Xavier Hawia</td>
<td>National Bank of Belgium</td>
</tr>
<tr>
<td>Lewis Hawke</td>
<td>World Bank Office, Serbia</td>
</tr>
<tr>
<td>Andreja Jerina</td>
<td>Government Office for Development and European Affairs, Slovenia</td>
</tr>
<tr>
<td>Andrej Kavčič</td>
<td>World Bank</td>
</tr>
<tr>
<td>Tatyana Leonova</td>
<td>World Bank Institute (WBI)</td>
</tr>
<tr>
<td>Mitja Mavko</td>
<td>Ministry of Finance, Slovenia</td>
</tr>
<tr>
<td>Suad Musić</td>
<td>Regional School of Public Administration (ReSPA)</td>
</tr>
<tr>
<td>Brian Olden</td>
<td>International Monetary Fund (IMF)</td>
</tr>
<tr>
<td>Patrick Rijsdijk</td>
<td>Ministry of Finance, the Netherlands</td>
</tr>
<tr>
<td>Gerd Schwartz</td>
<td>International Monetary Fund (IMF)</td>
</tr>
<tr>
<td>Irena Sodin</td>
<td>European Bank for Reconstruction and Development (EBRD)</td>
</tr>
<tr>
<td>Alenka Suhadolnik</td>
<td>Ministry of Foreign Affairs, Slovenia</td>
</tr>
<tr>
<td>Vida Šeme Hočevar</td>
<td>Bank of Slovenia</td>
</tr>
<tr>
<td>Max Watson</td>
<td>Wolfson College, University of Oxford / CEF Associate Fellow</td>
</tr>
<tr>
<td>Lucia Zimányova</td>
<td>Ministry of Finance, Slovakia</td>
</tr>
<tr>
<td>Samuel Žbogar</td>
<td>Ministry of Foreign Affairs, Slovenia</td>
</tr>
</tbody>
</table>
The 2011 Advisory Board meeting, representing the CEF donor partner countries and institutions, took place in an atmosphere of appreciation of what has been and optimism for the future. Since we were celebrating the 10th anniversary of the CEF, it was an ideal opportunity to look back to what the CEF has accomplished in this decade but also to look ahead to where the needs and possibilities for future cooperation lie.

The Board was reminded that while the objectives remain the same as in 2001, the CEF has expanded both geographically and in the content of activities over the past 10 years. Its activities have been complemented in the last few years by distance learning. At the same time, the number of participants and workshops has been increasing, together with a constant rise in the quality of the training. The CEF has also expanded in the number of its partner institutions, lecturers and staff.

The Advisory Board concluded that in the coming years the CEF’s focus will remain on PFM and central banking issues. The target region remains SEE and Central Asia. If possible, more attention will be given to identifying other public institutions than ministries of finance and central banks.

Although there is a continuing need to expand the program within and outside the region, the CEF’s growth will remain controlled to assure the quality of the program. In this respect, the absence of an overall (funding) strategy for the European Union’s technical assistance is a shortfall. The activities will stay demand-driven and flexible, tailored to member country needs to ensure that the limited resources available to the CEF can be most effectively utilized.

It was observed that more attention should be given to statistical issues in the future. The CEF has developed a well-functioning system to measure its performance and to further assess the region’s needs. The CEF plans to transform into an international organization to ease funding of its program and the hiring of international experts was enthusiastically received.

We welcome the next decade of CEF with confidence!

Regine Doornbos-Neyt
Chair of the CEF Advisory Board
Foreign Financial Affairs Directorate - EU Department
Ministry of Finance, The Netherlands
Coordinators

The CEF program aims to be demand-driven and to respond to its members’ capacity development needs. This requires close cooperation with regional representatives. Therefore, a base of South Eastern Europe (SEE) coordinators, nominated by ministries of finance and central banks, has been established.

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 identify the capacity development priorities in the region and incorporate them into our training program.

Coordinators’ activities and interactions in a Community of Practice (CoP) are described in Step 2 (on page 27).
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 (PFM) 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. In addition to the CEF Coordinators, the International Monetary Fund’s (IMF) Regional PFM Advisor and its Tax Administration Advisor for South Eastern Europe (SEE) play a key role in this process.

IMF Regional Technical Assistance

The impact of the global economic and financial crisis has increased the demand for technical assistance in SEE. The IMF provides technical assistance through a program funded by the Japanese Government that aims to strengthen fiscal management, focusing on transforming budget processes and strengthening revenue administration. The program recognizes that measures to mitigate the impact of the crisis and promote fiscal consolidation should be anchored in sustainable medium-term fiscal policies. While the top priority has been to support longer-term institutional reform, it has also been necessary to assist the authorities in some short-term measures to mitigate the immediate impact of the crisis. Many countries in the region are also candidates or potential candidates for European Union (EU) membership, and implementing reforms to improve institutional capacity is an important element of the accession process.

In 2011 the IMF’s regional PFM and Revenue Administration advisors, who are based in the CEF, had a full agenda, with a number of requests to assist with specific weaknesses in institutional or management capacity that the economic crisis has brought to light, coupled with ongoing reform efforts to strengthen institutional capacity. Technical assistance was delivered through a mixture of short individual missions, longer missions with teams bolstered by headquarters staff and regional experts, targeted short-term experts’ visits, and ad hoc desk-based research and reviews. A significant segment of the work consisted of identifying training needs in the SEE region and, in close cooperation with the CEF, delivering workshops and seminars. This combination of CEF training and IMF technical assistance creates synergies and increases the impact of capacity development efforts in CEF member countries.
The crisis in Europe has clearly demonstrated the importance of having in place sound policy frameworks and strong fiscal institutions. While the headlines focus on efforts to restore financial stability and the sustainability of public finances, strengthening fiscal institutions and the capacity of the people who run them are crucial for achieving these objectives.

Notwithstanding the significant achievements in this area over the last decade in which the CEF has been in existence, plenty of challenges remain in South Eastern Europe (SEE). There is a need to implement ongoing budget and treasury reforms, such as improved accounting and fiscal reporting, integration of cash and debt management, introduction of a medium-term horizon to budget planning processes, and the gradual introduction of performance-based budgeting. In the revenue administration area, common challenges include increasing taxpayer compliance with the tax laws, improving the investment climate by providing fair and service-oriented tax administration, and achieving higher levels of administrative efficiency.

In helping to address some of these challenges, the IMF’s Fiscal Affairs Department (FAD) has been working closely with the CEF, through the provision of technical assistance and training. This collaboration has been very effective, has grown gradually, and is now a cornerstone of FAD’s technical assistance strategy in SEE.

The CEF is currently hosting two FAD regional technical assistance advisors who provide advice to SEE countries on public financial management and revenue administration. Together with our experts in Washington, the two advisors help SEE countries identify weaknesses in policies and institutional frameworks, develop concrete reform proposals and strategies, and work on the nuts and bolts of structural reforms to help translate the IMF’s policy advice into concrete outcomes. The advisors also help identify and discuss training needs as part of the CEF training program, present at CEF training events, and contribute to seminars, conferences and other events organized by the CEF. Additionally, in late 2011, the CEF hosted and supported a very successful FAD technical assistance seminar which explored tax administration challenges affecting SEE countries.

FAD is committed to continuing to help countries in the region address their structural fiscal and institutional reform challenges. In the years to come, I look forward to further strengthening our close collaboration with the CEF on both technical assistance and training.

Carlo Cottarelli
Director, Fiscal Affairs Department
International Monetary Fund
Regional PFM Advisor

In 2011 the biggest challenges in PFM involved addressing immediate needs, while ensuring that the medium-term focus of regional reform programs was not neglected. Priority capacity development initiatives were, among others, targeted to strengthen fiscal discipline and facilitate fiscal consolidation. More immediate technical assistance demands focused on management and reduction in payment arrears, better fiscal reporting and control over expenditure at the central and local government levels, and strengthening cash and debt management operations. Work on longer-term reforms focused on improving medium-term budget frameworks (MTBF), strengthening independent fiscal oversight, introducing fiscal rules, and enhancing the performance orientation of budget processes. Strengthening debt management offices’ institutional capacity was also a key activity in 2011. Ongoing problems with financing government operations stemmed from lower investor appetite for domestic government bonds, ongoing repricing of risk and the continuing high yields being demanded for sovereign debt in international capital markets. Revising medium-term debt management strategies to take account of this more challenging environment has been a significant area of demand.

Regional Tax Administration Advisor

On the tax side, efforts to implement the IMF’s technical assistance strategy to strengthen tax administrations in SEE were accompanied by some short-term efforts to bolster revenue and mitigate the impact of the economic crisis. Long-term reform efforts remain the main focus of the revenue administration work. These seek to align the region’s tax administrations with good international practices across key components of tax administration, including management, organization, and business processes. A major focus of the strategy, which involves a number of technical assistance delivery tools (missions by headquarters-based staff, long- and short-term advisors, and training activities), is to help tax agencies implement modern, risk-based approaches to compliance management, which are also being promoted by the EU and the Organisation for Economic Co-operation and Development (OECD). The emphasis is on segmenting the taxpayer base into discrete risk categories, devising standard risk treatments for each category, and treating the least compliant cases first. The revenue administration advisor’s work on managing large taxpayers, with specialist units for dealing with high-worth individuals, has supported the risk segmentation strategy. The IMF’s advice is increasingly reflected in annual compliance plans in regional revenue administrations and in their multi-year strategies. Significantly, segmented and risk-based approaches to revenue administration, when fully adopted, reduce the level of intrusion into largely tax-compliant businesses, greatly improving the business climate and reducing the costs of administration for tax agencies and businesses.
The IMF team provided an important contribution to our efforts to improve the legislation on fiscal and budgetary issues with a view to streamlining public spending. The team’s proposals helped us to implement thoroughly the new requirements laid out in the EU treaty on fiscal discipline (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union). Thank you for all!

Ioana Burla
Director General
Ministry of Public Finance, Romania

We thank Mr Olden very much for his most recent mission to our department and for the very detailed, professional and important report he produced for us. We have learned a great deal and hope to put his recommendations to a plan of action. We would also like to thank the IMF/CEF for their continuous support of our transformations here at the MoF of Albania.

We have benefited a great deal from the technical assistance of the IMF/CEF and hope to see this program continue in the future. The context of the financial and sovereign debt crises has made this technical assistance invaluable. In particular, Mr Olden’s vast knowledge of public debt management issues, debt systems, and overall public financial management have proven to be an outstanding source of best expert advice to us.

Xhentil Demiraj
Director of General Directorate of Debt Management
Ministry of Finance, Albania

Going Forward
While there has been a substantial increase in commitment to reforms in both PFM and revenue administration, further capacity development will be needed to ensure fiscal sustainability in the region’s economies over the longer term. Scarce resources need to be managed more efficiently, and expenditure prioritization and revenue mobilization efforts will need to be significantly improved in an environment where the requirement to “do more with less” is likely to intensify, particularly if economic growth remains sluggish.

On the PFM side, there is a need to further strengthen medium-term budgeting and turn attention to meaningful introduction of performance-oriented budgeting systems that focus on achieving outputs and outcomes rather than managing inputs. Further development of accounting policies could improve fiscal reporting and increase the level of transparency of government operations, while internal and external audit capacity could also be further improved. Recent surveys in the region indicate that more work is needed to establish independent and parliamentary oversight of fiscal policy design and implementation, while identification and monitoring of fiscal risks also needs attention.

On the revenue mobilization side, immediate efforts are needed to improve the quality of the tax register and the levels of timely tax filing and payment; these are essential building blocks for long-term reform of tax administration. Generally, these reforms are hampered today by inadequacies in underlying information technology. Modern tax administration cannot function properly without the data integration, risk analysis, and streamlined processes that modern IT systems support. Most administrations in the region are moving toward better IT, with World Bank and IMF support. In coming years, creating adequate skills in the vital areas of tax audit, the use of e-audit tools, and tax anti-fraud investigations will become essential to the success of reforms.
### IMF Regional PFM Advisor for SEE; Priority Areas and Missions in 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Priority areas in 2011</th>
<th>Missions in 2011</th>
<th>Comments on progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Development of debt management capacity</td>
<td>October: Regional advisor’s mission on strategic direction of the Debt Management Directorate</td>
<td>Advised the authorities on key strategic priorities for development of the debt management function over the medium term</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Introduction of fiscal responsibility legislation (FRL) in Republika Srpska</td>
<td>November: Regional advisor with short-term expert on FRL</td>
<td>Advised the authorities on the implications of introducing fiscal responsibility legislation in Republika Srpska</td>
</tr>
<tr>
<td></td>
<td>Strengthening fiscal reporting at a general government level</td>
<td>Desk-based advice offered to authorities by regional advisor</td>
<td>New accounting rulebook approved in Republika Srpska; draft rulebook awaiting approval in the Federation</td>
</tr>
<tr>
<td>Croatia</td>
<td>Integrated cash and debt management</td>
<td>April: Regional advisor presented paper on Strategies and Good Practice in Public Debt Management</td>
<td>Paper was well received at the seminar</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Further strengthening of budget planning</td>
<td>September: Assessment of technical assistance needs in budget planning and cash and debt management</td>
<td>Found that the technical assistance to further strengthen budget planning could be considered in the context of improving the effectiveness of the medium-term budget framework (MTBF)</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Medium-term budgeting</td>
<td>April-May: CEF/IMF HQ mission led by regional advisor on medium-term budgeting</td>
<td>A model for a MTBF was developed for consideration by authorities. Also reviewed the budget classification structure relating to budget programs and recommended enforcement of existing commitment controls</td>
</tr>
<tr>
<td>Moldova</td>
<td>Advising on improving budget planning and reviewing the draft Budget System Law</td>
<td>January: Regional advisor’s mission on medium-term budgeting</td>
<td>Offered advice on a draft Public Finance and Fiscal Responsibility Law including the design of fiscal rules and escape clauses</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Medium-term budgeting</td>
<td>March: CEF/IMF HQ mission on medium-term budgeting, led by regional advisor</td>
<td>An MTBF model was developed for consideration by the authorities</td>
</tr>
<tr>
<td></td>
<td>Capacity building in cash and debt management</td>
<td>December: Short-term expert review of 2011-13 debt management strategy (DMS) and assistance in developing 2012-14 DMS</td>
<td>A draft debt management strategy was developed with the assistance of the short-term expert and presented to the Minister for approval</td>
</tr>
<tr>
<td>Country</td>
<td>Priority areas in 2011</td>
<td>Missions in 2011</td>
<td>Comments on progress</td>
</tr>
<tr>
<td>----------</td>
<td>------------------------</td>
<td>------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Romania</td>
<td>Implementation of a new debt management system</td>
<td><strong>August and October:</strong> Regional advisor with short-term expert to help the Debt Management Department improve its use of the analysis functionality in the debt management system (two visits)</td>
<td>Worked with the authorities to improve their debt management analysis capacity and the procedures on debt management operations. The mission included workshops and hands-on practical advice for key officials in the risk management and operations divisions of the Debt Management Directorate.</td>
</tr>
<tr>
<td></td>
<td>Budget accounting and reporting framework</td>
<td><strong>December:</strong> IMF HQ mission and regional advisor on developing fiscal reporting capacity and reviewing proposed changes to the Public Finance Law</td>
<td>Worked to strengthen fiscal reporting capacity, review changes to the Public Finance Law, and recommend a strategy to introduce a performance element to the budget process.</td>
</tr>
<tr>
<td>Serbia</td>
<td>Three-year PFM reform program</td>
<td><strong>January:</strong> IMF HQ mission on identifying the next phase of PFM reforms</td>
<td>Workshops and discussions on medium-term budget planning; implementation of FRL and establishment of the Fiscal Council; integrating cash and debt management; improving budget execution; introducing performance-based budgeting.</td>
</tr>
<tr>
<td></td>
<td>Debt management</td>
<td><strong>June:</strong> Regional advisor’s mission to review the functionality of the debt management system</td>
<td>Reviewed the functionality of the debt management system but also found more fundamental weaknesses in organizational structure and capacity. Urgent upgrades were recommended to address these issues.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>CEF training courses on public financial management topics</td>
<td><strong>March:</strong> CEF workshop – Program Budgeting</td>
<td>The regional advisor helped in design, lectured at the seminar</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>June:</strong> CEF workshop – Medium Term Budgeting</td>
<td>The regional advisor helped in design, lectured at the seminar</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>June:</strong> IMF/CEF joint seminar – Building Fiscal Institutions to Meet Post Crisis Challenges</td>
<td>The regional advisor organized, coordinated, and lectured at the seminar</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>September:</strong> CEF workshop – Developments in Debt Management since the Crisis</td>
<td>The regional advisor designed the program, was the main lecturer</td>
</tr>
<tr>
<td>Country</td>
<td>Priority areas in 2011</td>
<td>Missions in 2011</td>
<td>Comments on progress</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Albania</td>
<td>Delivery and modernization of the General Department of Taxation’s (GDT) Strategic Plans</td>
<td>April: participation on HQ-led mission</td>
<td>Further HQ-led mission planned for 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>November: Three-week mission with short-term expert on the GDT’s drafting of its next Strategic Plan</td>
<td>IMF technical assistance will be intensified to work with the GDT to implement a comprehensive set of long-term reforms proposed by the GDT with IMF technical assistance</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Modern approaches to tax compliance management</td>
<td>July: Regional advisor’s mission to the National Revenue Agency on risk analysis and compliance planning</td>
<td>Possible further work being considered for 2012</td>
</tr>
<tr>
<td>Croatia</td>
<td>Evaluation of progress made by the Croatian Tax Administration</td>
<td>March: Mission with the World Bank to assess progress made in implementing infrastructural and administrative reforms funded by the WB under the Revenue Administration Modernization Project (RAMP)</td>
<td>Work on the RAMP will continue in 2012 in cooperation with the World Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>October: WB mission on the implementation of the RAMP</td>
<td></td>
</tr>
<tr>
<td>Moldova</td>
<td>Preparation of 2011 tax compliance strategy for the State Tax Inspectorate (STI)</td>
<td>February: Regional advisor mission as a follow-up to the work of Fiscal Affairs Department (FAD) missions on developing a compliance plan for 2011</td>
<td>A further HQ-led mission will take place in early 2012; it is likely that IMF technical assistance will be intensified to work with the STI on implementing key long-term reforms</td>
</tr>
<tr>
<td></td>
<td>Implementation of tax compliance strategies</td>
<td>June: Short visit to the STI on a specific short-term issue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compliance plans for 2012 and revenue mobilization measures</td>
<td>September: Regional advisor mission to review progress in implementing tax compliance strategies and large taxpayer office’s operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>December: Regional advisor worked with the STI and conducted a number of workshops on revenue administration modernization</td>
<td></td>
</tr>
</tbody>
</table>
## IMF Regional TA Advisor for SEE:
### Priority Areas and Missions in 2011 (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Priority areas in 2011</th>
<th>Missions in 2011</th>
<th>Comments on progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montenegro</td>
<td>Assessment of the Montenegro Tax Administration’s immediate and long-term priorities</td>
<td><strong>March:</strong> Two-week FAD mission to Montenegro&lt;br&gt;<strong>July:</strong> Short visit to assess future technical assistance needs and follow up on issues from March HQ-led mission&lt;br&gt;<strong>November-December:</strong> Regional advisor advised the MTA in ongoing development of the Large Taxpayer Office</td>
<td>Possibly further work being considered for 2012</td>
</tr>
<tr>
<td></td>
<td>Large Taxpayer Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>Analyzing policy options for the National Agency for Fiscal Administration</td>
<td><strong>July:</strong> Two-week HQ mission on improving effectiveness and focus of tax administration</td>
<td>Regional advisor will contribute content and teaching time to three joint CEF/IMF courses in 2012 on compliance themes</td>
</tr>
<tr>
<td>Slovenia</td>
<td>CEF training courses and conferences</td>
<td><strong>June:</strong> CEF workshop on Bringing Compliance Risk Management within Tax Administration to Life&lt;br&gt;<strong>October:</strong> IMF/CEF Conference on Tax Administration in South East Europe</td>
<td></td>
</tr>
</tbody>
</table>
Coordinators

When designing and implementing demand-driven training activities, the CEF regularly consults its regional representatives within ministries and central banks in the South Eastern Europe (SEE) region: the CEF Coordinators. The Coordinators have access to first-hand information about their institutions’ development strategies as well as the capacity development needs of staff. They inform the CEF about their institutions’ interests and training needs and are responsible for communication with the CEF on behalf of their institutions.

A set of continuous activities has been identified to reinforce existing cooperation and to share relevant information between the CEF and its Coordinators. These activities have evolved over the years into a community of practice (CoP). CoP interactions between the CEF and its Coordinators take place in two main ways: virtual and face-to-face.

The CEF informs Coordinators of upcoming training events through the Catalog of Forthcoming Workshops and Seminars and via email correspondence. To support effective information sharing and interactive cooperation, the online tool Moodle was introduced in 2011. Moodle’s engaging features facilitate online collaboration between the CEF and its coordinators throughout the year.

The CEF Coordinators also meet periodically 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, current, and future activities and experiences, which helps the CEF set the way forward. Another purpose of the meetings is to reinforce existing relationships and to allow the Coordinators to network, to exchange their respective information and experiences and become better acquainted.

Moodle

Moodle is an open-source course management system, also known as a learning management system or virtual learning environment. It is available free of charge on the web and is easily downloadable; it 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 these tools 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 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
The recent changes in the international financial markets and the European Union (EU) integration process have induced Albanian institutions to enhance capacity building and create a culture where employees are encouraged to reach their full potential and improve their competencies. In this context, the CEF, by covering a wide range of topics, has supported our strong beliefs that training and capacity development demonstrates a commitment to keep our employees on the cutting edge of knowledge and practice, by optimizing the use of human resources that help the employee achieve organizational as well as individual goals.

Our cooperation has been very fruitful, and we highly appreciate the efficiency of CEF’s training events, where Albanian participants have benefited by sharing experiences and knowledge.

Priorities and training needs differ from year to year, but I am confident that we will find important support in the CEF’s continuous, collaborative efforts to strengthen the skills of the central bank and ministries’ experts.

I would particularly emphasize that the CEF has acted as a research and information aggregator in our region, providing useful activities and supporting our necessities in this dynamic framework.
Building Capacities for Policy Design and Implementation (BCPDI) is a program being prepared by the CEF through a number of seminars, workshops, and meetings with representatives of beneficiaries in South East Europe (SEE), the International Monetary Fund (IMF), the European Commission (EC), and other regional and international experts. Launched at the initiative of the CEF’s members in early 2008, the program focuses on building beneficiaries’ capacities to carry out medium-term economic and fiscal policy analysis, design, and implementation, and on improving internal and external policy coordination through the use of domestic and external anchors, which help shape sustainable medium-term macroeconomic policy. Delivery components include: (1) a series of workshops and high-level regional dialogues; (2) facilitating exchange of experiences through existing or newly created communities of practice (CoPs); and (3) technical assistance (TA). In 2010, the first component of the BCPDI program was included in the Instrument of Pre-accession Assistance (IPA) Multi-beneficiary programming on Public Administration and Governance (PAG) for 2012-2013. The second and third components are still being defined and await further discussions with beneficiaries. To deliver all three components of the BCPDI program, additional funding resources will need to be activated.

Strategic Planning and Budgeting
The first BCPDI program component is scheduled to be implemented by the CEF as part of the Regional School of Public Administration (ReSPA) networking component entitled Strategic Planning and Budgeting (SPB). The SPB component was first discussed at a meeting of the MB-IPA PAG Working Group in Danilovgrad in November 2010, where beneficiaries agreed on the next steps of project preparation. The meeting included an assessment of which regional capacity building needs should receive further attention: the thematic priorities of medium-term macroeconomic and fiscal frameworks as well as structural reforms and policy coordination. The meeting also established an SPB Task Force, which represents crucial stakeholders who are involved in the medium-term planning processes of the eight beneficiaries in the Western Balkans and Turkey.

At its first meeting in Ljubljana in February 2011, the SPB Task Force, which is facilitated by the CEF in cooperation with the IMF and Joint Vienna Institute (JVI), discussed the thematic priority areas that shall be addressed by the project, highlighting the national planning processes and drafting possible activities and expected results. A second meeting in Danilovgrad in April 2011 produced a first draft of a project logframe matrix by aggregating...
30 UNDERSTANDING REGIONAL NEEDS

Fiscal Impact Assessment of Structural Reforms

In the second half of 2011, the CEF prepared another project to focus on sectoral policy and policy coordination issues, which have thus far been relatively little addressed. Subject to additional funding that will become available in 2012, this project on Fiscal Impact Assessment of Structural Reforms (FIASR) will actively involve line ministries and international experts as stakeholders in the project and help better assess their needs. This will result in more informed design of training activities on fiscal impact assessments of structural reforms and their integration into national budget documents.

For further information, please refer to www.cef-see.org/bcpdi.

I am pleased to have an opportunity to express my very positive experience with the CEF. As a BiH member of the IPA Multi-beneficiary Working Group on Public Administration and Governance I participated in developing the ReSPA component on Strategic Planning and Budgeting as a specific component of the BCPDI program, comprising a series of workshops and high-level regional dialogues to be implemented by CEF and other stakeholders (IMF, JVI, WB, etc.). The workshop for developing the logframe was facilitated by CEF staff. In doing this, they presented high professionalism and strong capacities and competences by taking an active role in debates and guiding the participants towards the proper formulation of the logframe, addressing the regional character of the project and at the same time the specific needs of countries.

I also attended the seminar on Building Fiscal Institutions to Meet Post Crisis Challenges, held in Ljubljana on June 20-23, 2011. The objective was to help participants better understand the crucial importance of sound fiscal institutions to foster economic and financial stability and growth through appropriately designed and executed fiscal policy. The seminar organization, friendly staff of the CEF, and their enthusiasm, training materials, competent lectures as well as exercises supported an effective exchange of experiences among the participants and good practices. The seminar convinced me that the CEF is a leading institution in helping policy makers improve their institutional capacities.

Radmila Pustahija
Head of Department for EU Integrations and Programming of EU Assistance
Ministry of Finance and Treasury, Bosnia and Herzegovina
Step 3: Designing Program

The CEF Work Plan for the 2012 calendar year was endorsed at the 11th Supervisory Board meeting in June 2011. It is based on input received from the CEF member countries and experts from a wide range of international and other institutions.

The CEF’s short programs include workshops, seminars, and study tours. They respond to the most pressing capacity development needs in South East Europe (SEE) and beyond.

The annual program of workshops and seminars proposes over 35 workshops, covering public financial management, central banking, and people and process management topics. Starting in 2012, the CEF’s taxation courses will broaden current offerings to better cover the thematic area and address the critical issues encountered by tax administrations in the SEE region, such as tackling risk compliance management and modernization efforts. The Instrument of Pre-accession Assistance (IPA) funds workshops will be offered at different levels to address the concrete needs of participants and encourage them to be more actively involved in workshop activities. The written communications course will be adjusted on a per-request basis to particular needs of members. In addition, the CEF will work on a redesign of a number of current workshops to keep them up-to-date and as participatory as possible. Special attention will be given to potential transformation of some in-classroom workshops to e-learning training modules.

The CEF will continue to be available for design and delivery of a limited number of study tours on the basis of peer requests and subject to the availability of experts.

The permanent programs include introductory workshops, specialization, and certification programs.

The CEF will continue to offer two introductory workshops on a per-request basis. Introduction to Public Financial Management (IPFM) is targeted to junior economists and new employees at the ministries of finance and line ministries. Introduction to Central Banking is targeted to junior central bankers, ministry of finance staff, and other public sector staff who would like to be familiar with central banking issues.

In 2012 the CEF will again 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.

The CEF certification programs will continue to evolve. The Capacity Building in Public Accounting (CBIPA) was completed in Albania, Croatia, and Slovenia in 2007 and in Macedonia and Moldova by mid-2011. Macedonia requested a continuation of a redesigned and updated program now called Public Accountants Certification Training (PACT), which started in early 2012. Moldova has also expressed interest in 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 was delivered in Kosovo and concluded in 2011. Albania, Macedonia, Moldova, and Montenegro have expressed interest; however, financing is yet to be secured. The CEF will strive to expand both programs to other member countries in the future.

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. In 2012 and beyond the CEF will continue to focus on medium-term economic and fiscal policy design and implementation, paying particular attention to medium-term budgeting and the integration of structural reform issues into government public finances.

The secretariat for the Public Expenditure Management Peer Assisted Learning (PEM PAL) initiative was trans-
ferred from the World Bank to the CEF in 2008. The CEF will continue to play an active role in coordinating and delivering PEM PAL communities of practice meetings and activities.

The International Monetary Fund’s (IMF) technical assistance, delivered through the CEF in the public financial management and tax administration areas, will also continue in 2012. There is scope for more synergies between this technical assistance and the training offered to members. Two regional IMF advisors and their interpreter are currently located at the CEF.

In 2011, the CEF became the priority area coordinator to step up institutional capacity and regional cooperation as part of the European Union Strategy for the Danube Region. The strategy aims to boost the development of the Danube Region and involves 14 countries, eight of which are CEF members. It is supported by the European Commission DG for Regional Policy. Area coordinator efforts have begun with two working groups, on Financing and Institutional Capacity.

After a substantial needs assessment, the CEF in 2012 aims to start design and implementation of a segment of the Building Capacities for Policy Design and Implementation (BCPDI) program, which will help strengthen regional capacity in medium-term economic and fiscal policy in the Western Balkans and Turkey. The first component of BCPDI, a series of workshops and high-level regional dialogues, was included in the IPA Multi-Beneficiary programming for 2012-2013 (Public Administration and Governance). It is scheduled to be implemented by the CEF as part of a Regional School of Public Administration (ReSPA) component entitled Strategic Planning and Budgeting. Strong synergies with the CEF’s short programs will also be sought.

The CEF may also be involved in other projects after carefully considering its members’ needs, financing availability, and its own capacity.

The CEF is seeking to develop further 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 Events and Research
- Communities of Practice

Short Programs

Workshops and seminars make up the core activity of the CEF. They are tailor-made and aim to satisfy the immediate learning 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 developing people’s ability to work in teams as well as individually, including effective communication and constructive problem solving.
The CEF believes that capacity development is an endogenous process: that capacity can only be developed when the effort has strong country ownership. While decision-making power and responsibility for developing individual and institutional capacity remain within our member countries, the CEF provides crucial support for this effort by facilitating learning.

It is widely recognized that individuals learn most when they are actively involved in their learning process. An appropriate attention to developing individual capacity can positively influence the capacity of institutions and then of society as a whole.

Within this context, the CEF increasingly puts a strong focus on a participatory approach to learning. This places an even greater emphasis on understanding the learning needs of the individuals and institutions.

The CEF’s approach to learning is participant-centered and experience-based. Learning events are designed to maximize interaction between lecturers and participants, and among participants themselves.

The CEF learning cycle — from surveying and understanding learning needs to designing, implementing, and evaluating learning events — makes us a strategic facilitator of capacity development efforts in member countries.

A variety of learning methods allow the highest level of interaction among participants. These include ice breakers, case studies, group work, simulations, fish bowl, world café, role play, and other techniques.

Designing relevant learning objectives is an important step in the CEF’s design, implementation, and evaluation process. These objectives help our participants understand the knowledge and skills they will acquire at CEF learning events and how this will be measured. Setting objectives also helps us design appropriate learning methods and tools to achieve these goals and to evaluate the performance of CEF lecturers and participants, as well as the overall effectiveness of each learning program.

The CEF’s participatory approach to training and learning offers the following major benefits:

- As participants are in most cases involved already before the start of their training—through pre-training surveys and assignments—they can directly influence what they need and want to learn.
- Pre-training assignments and tests serve as a very good benchmark for determining the participants’ knowledge baseline.
- Training programs aim to be participant-centered and experience-based.
- Participants are challenged to ‘think outside the box,’ comparing what they are doing with other participants’ practices, learning from them and sharing what they know.
- Through a variety of learning methods and tools, participants are actively involved in their capacity development, which increases the efficiency and relevance of their learning. At the same time they find the process interesting and enjoyable.
- Through exit surveys, participants can express their view of their learning experience and, as a result, can again influence the design of future training activities.
In 2011, 639 participants attended 32 training courses, of which 30 were face-to-face workshops and two were distance learning courses.

CEF Workshops and Seminars program:
Participants by country

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of participants</th>
<th>Number of events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Financial Management</td>
<td>523</td>
<td>24</td>
</tr>
<tr>
<td>Central Banking</td>
<td>62</td>
<td>5</td>
</tr>
<tr>
<td>People and Process Management</td>
<td>54</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>639</td>
<td>32</td>
</tr>
</tbody>
</table>

PUBLIC FINANCIAL MANAGEMENT

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

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

CEF Workshops and Seminars program:

Workshops and Seminars: Topics

The CEF workshops and seminars cover the following topics:
- Public Financial Management
- Central Banking
- People and Process Management

Events per subtopic

Participants by country
IMPLEMENTING PROGRAM

>> TAX POLICY AND ADMINISTRATION

<table>
<thead>
<tr>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>106</td>
</tr>
</tbody>
</table>

Workshops and Seminars
- Auditing Multinational Enterprises
- Tax Audit Automation and Data Analysis
- Market Value-Based Taxation of Real Property: Lessons from International Experience
- Introduction to Taxation and Tax Reform
- Bringing Compliance Risk Management within Tax Administration to Life
- Tax Auditing: Basics

CEF’s training program on taxation delivered in 2011 offered a variety of training solutions in the thematic area, ranging from two-day workshops to five-day intensive courses for tax officials at different professional levels in South East Europe (SEE). The courses provided concrete solutions to problems tax officials face at their daily job assignments and challenged them to “think outside of the box,” comparing what they are doing with other participants’ practices, learning from them and sharing what they know. The training program combined traditional training methods with the participatory approach to learning.

Existing course offerings were broadened to better cover the thematic area and to address the critical issues encountered by tax administrations in the SEE region. Topics related to tax auditing, taxation of land and real property, and transfer pricing remained the focus. However, the launch of the International Monetary Fund’s (IMF) new regional technical assistance program in tax administration for SEE allowed an introduction of a new set of topics tackling the risk compliance management and modernization efforts in tax administrations. The latter reflects the emerging need identified by the region’s tax agencies to increase tax compliance, achieve administrative efficiencies, and reduce revenue risks and compliance costs for taxpayers.

The Lincoln Institute of Land Policy is a non-profit educational foundation located in Cambridge, Massachusetts. Its mission is to assist in the improvement of land policy, including land use and land taxation, through research, teaching, and educational publications.

From the beginning of our collaboration, the CEF has set clear goals and high standards for its courses. Its capable and responsive team is always willing to take an extra step in order to provide a well-organized, productive, and enjoyable program for participants and faculty. The breadth of the programs now offered, the caliber of the faculty, the fine facilities, and dedicated staff have established the CEF as a primary center of public finance education for policymakers in South Eastern Europe. We are pleased to look forward to continued collaboration in the future.
During 2011, I participated in two CEF workshops: Capital Budgeting and Introduction to Taxation and Tax Reform, as well as two online courses: Budget Formulation and Budget Execution. As my work is related to close cooperation with representatives of cities and municipalities of the Republic of Serbia (I work for National Association of Cities and Municipalities) on various issues in the field of local finance, CEF programs helped me to improve and expand my knowledge.

I shared the knowledge that I have gained through these courses with the representatives of Serbian local governments, especially with employees in local tax administrations during the current process of fiscal decentralization in Serbia, and with employees in local finance departments, during the preparation of their budgets. The CEF courses were also an opportunity to meet colleagues from different countries. I gained new contacts from my field of work and an opportunity to exchange experiences with them. The CEF lecturers and representatives from the IMF and the ministries of finance of Sweden, Catalonia, and Slovenia were of great importance for my further work. Also, the logistical organization of CEF courses is always excellent.

In 2011, the CEF’s budget training curriculum focused on improving fiscal policy implementation. Special emphasis was placed on developing medium-term budget capacity; strengthening program and performance budgeting reforms; understanding the relationship between the annual budget and the medium-term budget framework; strengthening fiscal institutions; and most importantly, discussing the implementation challenges and changes needed in public financial management and public administration generally to ensure success of reforms in these areas.

In designing the budgeting workshops, the training needs of CEF participants and their institutions were taken into consideration, to ensure that interactive exchange of ideas and experience among budget officials in the region was facilitated. Regional needs were identified through feedback from previous training events, discussions with key country training coordinators, and feedback from the IMF regional advisor’s technical assistance missions.

The ongoing economic and financial crisis in Europe has placed additional constraints on budget officials in SEE as they struggle to meet the challenges of fiscal consolidation and designing sustainable long-term fiscal policy. As part of our effort to assist country authorities in this work, the CEF, in cooperation with the IMF’s Fiscal Affairs Department, organized a four-day seminar on Building Fiscal Institutions to Meet Post Crisis Challenges from June 20 to 23, 2011. The event was designed to assist senior officials from the region’s ministries of finance to better understand the crucial importance their institutions play in fostering economic and financial stability and growth through appropriately designed and executed fiscal policy.

The seminar was delivered by Brian Olden, Regional IMF Public Financial Management Advisor for South East Europe; Duncan Last, Senior Economist at the IMF; and Sami Yläoutinen, Director of the Economics Department at the Ministry of Finance of Finland.

Feedback from participants was overwhelmingly positive, with the vast majority commenting that they had come away with a far clearer understanding of the interlinkages between different fiscal institutions and how a comprehensive and sequential approach to strengthening fiscal institutions should be a priority in the effort to ensure long-term fiscal sustainability in the region.

Seminar web page: www.cef-see.org/imfseminar
IMPLEMENTING PROGRAM

38

Together and also to confront the views of IMF and of Ministries of Finance about the directions of public finance reforms. It was particularly valuable to share the “wrongs” and the “rights” of the reforms undertaken by the represented countries.

Having Duncan Last and Brian Olden from the IMF to bring the best practices and Sami Yläoutinen to share his expertise from the perspective of one of the most advanced countries in terms of fiscal institutions created an incomparable chance to approach public finance challenges in the greatest detail. I have to note that the participants’ interaction and interest in the course created an incredible environment favorable to bringing out all the accumulated knowledge, uncertainties, and frustrations.

As the leader of a small team I find the distance learning courses (e-learning courses) a very suitable form of education, especially in times of severe financial constraints. Three out of the five legal experts in my department successfully passed the CEF distance learning course on Budget Execution in 2009, and during 2011 I and two other colleagues took part in the distance learning course on Budget Formulation.

Both courses, although mainly intended for financial experts, are exceedingly useful to legal advisers from the public sector, who deal with the legal aspects of the budgetary process. The courses provide such experts with the necessary basic knowledge about the economic prospective of the process and prepare them for a better participation in it.

On my own behalf and that of my colleagues I would like to express our sincere gratitude to the Center of Excellence in Finance, to the Public Finance School in Bulgaria – a partner to the CEF – and also personally to the Program Manager, Urška Zrinski.

I hope that the CEF will soon provide other new themes for distance learning courses, including on topical issues such as financial stability, fiscal discipline, and fiscal consolidation.

Rozalina Albu
Head of Budget Preparation and Multiyear Forecasting Unit
Ministry of Finance, Moldova

I had the privilege to be delegated by the Ministry of Finance of Moldova to attend the course, Building Fiscal Institutions to Meet Post Crisis Challenges, in June 2011. The course fascinated me with its well-balanced content between theory and time reserved for networking and sharing experiences with the countries from the region. The course created a unique opportunity to put together and also to confront the views of IMF and of Ministries of Finance about the directions of public finance reforms. It was particularly valuable to share the “wrongs” and the “rights” of the reforms undertaken by the represented countries.

I also want to highlight the quality of facilitating activities provided by Urška Zrinski. Since public finance is a large ocean it can’t be covered in one single short course, and it would be very easy to lose track of the set objectives. Urška reminded me of a guide who helps tourists follow the course set at the beginning of the journey though there are so many roads to be explored.

I discovered the CEF in 2004 when I was a young civil servant with no experience in budgeting. Now looking back at the course from 2004 and comparing it with the one I attended this year, I can say that the CEF has grown incredibly and continues to impress senior officials. After 7 years of work for the Ministry of Finance I was thinking that I have learned pretty much everything that there is to know about public finances, and I was surprised to find out that CEF is able to teach me new perspectives about things I thought I knew inside-out.

As always, the CEF manages to organize courses on topics of an utmost interest in line with the latest challenges for fiscal and monetary policies.

I wish the CEF all the best and recommend its courses to all stakeholders.

Paola Kirkova
Head of Statutory Instruments Division, State Legal Directorate
Ministry of Finance, Bulgaria

In 2011 I had the pleasure to take part in the CEF distance learning course on Budget Formulation. The CEF distance learning courses enjoy great popularity not only among the financial experts of the Bulgarian Ministry of Finance, but also among my colleagues – legal advisors.
In cooperation with Brian Olden, the IMF regional Public Financial Management advisor for SEE, a new workshop was designed in 2011 to assess the main developments and innovations that have been witnessed in debt management over the course of the last 20 years and whether these changes are sufficient to allow public debt managers to meet the significant challenges that lie ahead, both in funding their governments’ requirements and managing their ever-expanding and ever more complex debt portfolios. Debt and cash management operations have assumed increasing importance in an environment where a significant repricing of risk and a high level of demand for international capital is going to significantly increase pressures on debt managers to fund ongoing government operations.

A workshop on Developments in Debt Management since the Crisis assessed innovations in institutional and strategic practices surrounding debt and cash management in advanced and less advanced countries, and the impact that these innovations have had in improving management of government finances. It also identified many of the challenges that countries in the region are likely to face over the medium term in managing their financial resources and needs. Workshop participants were encouraged to identify where weaknesses remain in their own countries and what measures need to be taken to address such weaknesses.

It was a great pleasure for me to attend the workshop on Developments in Debt Management since the Crisis. I found it was organized very well and met its objectives. It was a great opportunity for me to listen to other countries experiences and share and discuss the Turkish experience with other participants.

I was extremely impressed with the approach in covering the topic. I believe that having the theoretical discussion before moving on to analyze specific countries’ experiences helped participants get deeply involved in the topic.

I thought that the participants’ active involvement in the discussion added great value to the workshop. With this approach the workshop was undoubtedly a rewarding experience for attendees.

Also, on the behalf of the Turkish Treasury I want to thank you for your hospitality in Ljubljana. I believe CEF is a great source for the Turkish Treasury to share knowledge and build skills.

Tolga Yücel
Head of Department
Directorate General of Public Finance
Undersecretariat of Treasury, Turkey
There is a growing consensus that good information on a government’s activities matters. Reforms have emphasized the importance of good governance in the public sector, with accountability being its crucial element. In 2011 the CEF delivered a workshop focused on preparation of annual reports as the main accountability mechanism for governments.

Accountable and transparent use of public funds is increasingly important, in particular in light of deteriorating fiscal positions and rising public debts. Some countries use a cash-based approach, while others have moved, in part or completely, to accrual because of the benefits it brings. But managing the transition to an efficient and transparent accrual framework is not easy.

In November 2011 we had the honor of sharing our professional views and experiences on the subject of reporting for Internal Auditors. Participants came from all over Eastern Europe, each with his or her own views and experiences. The discussions were fun to have and at a high level.

In fact the experience was an example of last year’s subtitle for the CEF’s annual report, “sharing knowledge, building skills.” Sharing knowledge is essential. It helps people get clear understanding of the background, the reasons why, the raison d’être. And this can help to develop the necessary skills.

Again, it was our pleasure to share our knowledge and experience, just to get others to consider their own views. In return, the feedback from the discussions helps the teacher reconsider his views!

Internal auditing in particular is developing very rapidly, and auditing of European expenditures is an especially tough subject. Sharing knowledge and practical skills will contribute to develop an auditing standard that will be able to deal with the challenges European expenditures can give! We are convinced that the work undertaken by the CEF is essential for capacity development in South Eastern Europe. Their strength is to link specific needs with practical solutions from a broad variety of experts. We hope to receive the opportunity to continue our cooperation and – again – we would like to acknowledge the CEF staff as a key success factor.

Aldert van Duijvenbode
RARO MGA
Senior auditor Audit Service
Ministry of Economic Affairs, Agriculture and Innovation, The Netherlands
IMPLEMENTING PROGRAM

In 2011 I had the chance and pleasure to attend two auditing workshops at the CEF, being attracted by the recommendations of colleagues supported by the explicit information available on the CEF’s website, confirmed by further personal experience.

Having extensive previous experience with trainings of different kinds, I must say that the CEF’s workshops are supremely well done and of the highest practical value.

CEF workshops present excellent synergy between the professionalism of the CEF supporting team, the brilliance of the faculty, strong mutual cooperation and support within the audience groups, and clearly result-oriented topics and presentations.

I would allow myself to paraphrase one of the CEF’s mottos (many of them you can see everywhere in CEF’s facilities): “Excellence is not just the knowledge you are getting at CEF workshops, excellence is efficient implementation of that knowledge in practice.”

Due to the current economic climate, the public sector faces an ever more challenging environment. Public sector audit activity plays an important role in confirming whether public funds are spent economically, efficiently, and effectively. It is also a key element in effective and sustainable development on the national level.

This year’s CEF training program offered a diverse series of workshops that covered broader thematic areas of audit activity in search of answers to pressing questions that arise in the audit profession.

On one hand, training focused on performance auditing as a type of audit, which is an independent examination of the efficiency and effectiveness of government undertakings, programs, or organizations, with due regard to the economy and the aim of leading to improvements. Performance audit is one of the most demanding audits since it includes a lot of variety. On the other hand, training also emphasized the reporting and follow-up phase of an audit process, with two sets of workshops for both internal and external auditors.

Given the increased recognition in the public and private sector that corruption and fraud are serious obstacles to effective government, economic growth, stability, and decision-making, and the growing importance of a systematic approach to risk management in public sector organizations, the CEF developed two sets of workshops that focused on the auditor’s role in dealing with corruption, fraud, and the risk management process.

Trainings included a significant proportion of practical experience and concrete examples compared to theory and were highly participatory to allow the interactive exchange of experience among lecturers and participants.

Alexandru Murzac
Head of Administration
Regional Cooperation Council (RCC)

<table>
<thead>
<tr>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>176</td>
</tr>
</tbody>
</table>

Workshops and seminars
• Performance Auditing (delivered twice)
• Reporting and Follow-Up: External Audit
• Corruption and Fraud: Role of the Auditor
• Internal Audit Procurement
• Audit of IPA Projects
• Reporting and Follow-Up: Internal Audit
• Risk Management and Risk Identification
Implementing Program

>> General Public Financial Management

The CEF General Public Financial Management workshops and seminars cover areas connected with all phases of the budget process. In 2011, the CEF organized two training events in this subject: one on Public Private Partnerships (PPP) with the World Bank Institute, and a second one on Macroeconomic Management and Financial Sector Issues with the International Monetary Fund Institute.

<table>
<thead>
<tr>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>37</td>
</tr>
</tbody>
</table>

Workshops and seminars

- Public Private Partnerships: Practitioners Workshop
- Macroeconomic Management and Financial Sector Issues

The objective of the first event was to serve as a knowledge sharing event for the public sector PPP practitioners, and to address cross-sectoral challenges in project management, supervision, accounting, and budget reporting risks. The second event surveyed the most important macroeconomic policy issues confronting authorities in developing, emerging, and advanced economies, and the options available to policymakers in these countries, with special attention to how financial sector issues interact with macroeconomic management.

In addition, in 2011 the CEF developed new trainings focusing on the Instrument for Pre-Accession Assistance (IPA) cycle programming and audit, to help its member countries keep up with the pace of reform efforts and better achieve the expected results. The IPA is a European Union (EU) financial instrument to help candidate and potential candidate countries introduce the necessary political, economic, and institutional reforms to bring them into line with EU standards. In designing this training curriculum, the CEF took into consideration the foreseen changes and challenges of the new EU Multiannual Financial Framework 2014-2020.
IMPLEMENTING PROGRAM

I have been with CEF and pre-accession assistance training from the beginning of the program. It is amazing to observe institutional capacity building within the CEF in this respect and the evolution of the program. In recent times special attention has been given to needs assessment of potential participants, identifying their objectives and expectations so that delivery can be designed according to their specific needs. Pre-course work and intensive practical workshops have been introduced. Participants are very active, and through workshops they benefit also from each other and learn about different national practices.

I would say that staying in contact with your fellow colleagues is also a valuable asset. The CEF offers excellent support for networking too and helps develop cross-national and cross-cultural connections for working together, in keeping with the EU spirit.

Andreja Jerina
State Secretary
Government Office for Development and European Affairs, Slovenia

Working as an analyst at the Central Bank, I need to be aware of the challenges related to various macroeconomic issues. It is of the greatest importance to continuously build my knowledge and be well-informed about the latest findings not just in one field, but in the overall economy. I was introduced to the work of the CEF as the Central Bank of Montenegro and CEF have had long-term cooperation in strengthening institutional capacities. I was particularly interested in the courses about macroeconomic issues and coping with crisis effects in transition economies. As the CEF is a leading capacity development institution in South Eastern Europe on Macroeconomic Management and Financial Sector Issues, I did not have any doubt about participating in the workshop.

The workshop on Macroeconomic Management and Financial Sector Issues is a training program that completely met my individual capacity development needs in this field. The course addressed functioning of financial markets, reform and regulation of the financial sector, and policies dealing with post-crisis effects. It also covered macroeconomic adjustment, together with governing of monetary, fiscal and exchange rate policies and managing international capital flows to emerging countries. The course was supported by international experts from the most relevant institutions. It would not have been possible to learn so much without the support of Prof. Mourmouras and Prof. Gylfason. It was really impressive to see how professors put great emphasis on answering numerous questions. In particular, I gained practical knowledge about macro-financial linkages that are of utmost importance for my work as the Central Bank of Montenegro prepares its macro-stress model. Hence I am truly convinced that I will use all the knowledge I gained in my future work.

I would warmly recommend this course and the CEF because of the chance to gain valuable knowledge from eminent professors, the opportunity to share experiences with other participants from South Eastern European countries, and the overall great organization of the course.

Aleksandra Mićunović
Advisor
Central Bank of Montenegro
CENTRAL BANKING

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

Number of events  
Number of participants  
5  
62

Workshops and seminars
- Payments and Securities Settlement Systems
- Financial Stability Reports: Design and Effectiveness
- Cash Counterfeit Monitoring System
- Accounting, Planning and Controlling for Central Banks
- The World of Securities: Securities Settlement Systems Sector Issues

The average length of central banking training events was two to three days, organized in the form of a workshop combined with expert presentations and group work, with extensive use of different learning and facilitation methods that included and stimulated participants to participate actively in discussions.

International speakers from central banks facilitated the knowledge sharing by explaining the work of their respective institutions in the fields of payment and settlement systems, detecting and preventing cash counterfeit, and financial stability as well as by linking their experience and know-how to the needs of participants, who came mainly from SEE countries.

Learning from participants’ and lecturers’ feedback, the format in general and the substance of the courses specifically were substantially remodeled for future sessions, offering an even closer involvement of participants and their points of view.

In 2011, the CEF training program targeted especially to central bankers offered participants a variety of possibilities to exchange views and good practices as well as learn from each other’s gains or lessons learned in practice. Learning not to repeat the mistakes of others was a valuable asset and a learning approach.

In 2011 I was invited to the other side of the table, as I was able to present the Central Bank of Hungary’s experience in the workshop Financial Stability Reports: Design and Effectiveness. My overall positive perception of the CEF and its events were reconfirmed by this second experience: perfect organization of the course, very open-minded and active participants. All in all, I was delighted to be invited by an institution providing courses with such high quality.

I think that the CEF’s aim, to bring together theory and practice and help implement best policy practice in the Central, Eastern and Southeastern Europe (CESEE) region, is very important, especially in the light of policy challenges of the current crisis.

Dániel Homolya  
Principal economist, Financial Stability  
Magyar Nemzeti Bank, Hungary
Strengthening Macro and Micro Prudential Supervision in EU Candidates and Potential Candidates

Strengthening Macro and Micro Prudential Supervision in EU Candidates and Potential Candidates was an EU-funded program aimed at strengthening the medium-term resilience to financial stress of eight EU candidate and potential candidate countries by supporting the adjustment of their banking and financial supervision, in line with international and EU standards.

The program focused on supporting, sharing, and transferring know-how to benefit supervisors in participating countries. It created opportunities for policy dialogue among decision makers, enabling them to exchange their views and findings.

Within this program, in 2010 the CEF organized and delivered 8 training events, supported by the European Central Bank (ECB). The events were attended by around 100 participants from EU candidates and potential candidates and close to 40 tutors from the majority of Euro system central banks.

On October 18, 2011, the CEF hosted the 8th Steering Committee meeting of the program, an event jointly organized with the Bank of Slovenia. Attendees included representatives from the ECB, the European Commission (EC), and the World Bank, as well as representatives from 10 Euro system central banks and 11 central banks and supervisory institutions in the beneficiary countries.

The two-year project finished in January 2012, with the final meeting of the steering committee at the ECB premises in Frankfurt am Main, Germany.
IMPLEMENTING PROGRAM

The recent economic and financial crisis has reminded us of the importance of strategic capacity development. We are convinced that the programs at the Center of Excellence in Finance (CEF) help regional public financial management and central banking experts build capacity by acquiring new knowledge and sharing their know-how and experience with others. At the Bank of Slovenia we are aware that human capital is one of the most crucial assets of any institution, and this is why our staff regularly participates in CEF training events, both as lecturers and participants. This involvement has a positive effect on their individual capacity, and that of the Bank of Slovenia as an institution.

Recently the Bank of Slovenia and the CEF have successfully collaborated on the framework of a new program that aims to strengthen the medium-term resilience to financial stress of eight EU candidate and potential candidate countries. The Bank of Slovenia was invited to participate by the European Central Bank (ECB) in 2009, and our close collaboration with the CEF was an important reason that we decided to cooperate in the program. We invited the CEF to participate in delivering it.

In 2010 the CEF successfully delivered eight training events that supported sharing and transfer of know-how among supervisors from participating countries and created opportunities for decision-makers to exchange their views and findings on the topic. In autumn 2011 the Bank of Slovenia and the CEF co-hosted the 8th Steering Committee meeting, which was attended by representatives of the ECB, the European Commission, the World Bank, Euro System central banks, and central banks and supervisory institutions of the beneficiary countries. The project very successfully concluded in January 2012.

We are satisfied with the results of our collaboration with the CEF, and we are confident that the fruitful cooperation between the two institutions will continue to grow.
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.

The CEF approach to capacity development goes beyond fixed answers and a rigid program to address critical content capacity gaps. It focuses not only on the essential hard skills, but also on soft skills. Sets of skills called, “softer skills.” These include the ability to understand and manage stakeholders engaged in change, to listen and communicate clearly, and to analyse and reduce resistance to change. These skills can be taught and practiced by decision-makers and officials at all levels of government institutions. In fact, I would go so far as to say that in the next 10 years, it will be institutions led by people who pay as much attention to these skills as they have done in the past to technical financial skills that will be the most effective and admired. And I would not be surprised if these decision-makers and officials were all graduates of CEF programs.

Effective Project Cycle Management is a hallmark of effective institutions
The CEF’s Project Cycle Management (PCM) training is one of the most intensive and useful programs of its type. It combines elements of technical skills with a practical focus on delivery. In the last three years I have been privileged to work with CEF colleagues in training over 100 participants from South East Europe on the PCM Program. Participants are drawn from funders, central and local governments, NGOs, and other partners. What they all have in common is the need to learn how to develop effective, stakeholder-focused programs of intervention to improve institutional capacity.

Participants are often experienced in preparing bids for funding, but they frequently lack the underpinning knowledge of how an effective project is constructed and planned for. What the CEF program gives participants is the time and opportunity to make sense of the technical guidance so that they can think through how to practically apply it to their own programs and projects.
CEF workshops and seminars are delivered in close cooperation with partners outside the CEF’s region and institutions of beneficiary countries. A total of 78 experts from 25 institutions delivered lectures at the workshops and seminars. Some of our delivery partners listed below worked with other experts not listed here to assure the best knowledge exchange at the CEF’s workshops and seminars.

- Bank of Slovenia
- Central Bank of Hungary
- Chartered Institute of Public Finance and Accountancy (CIPFA), United Kingdom
- Court of Audit, Slovenia
- De Nederlandsche Bank
- European Court of Auditors
- International Monetary Fund
- International Monetary Fund Institute
- Kapitalska družba d. d., Slovenia
- Lincoln Institute of Land Policy, United States
- Ministry of Economic Affairs, Agriculture and Innovation, The Netherlands
- Ministry of Environment and Spatial Planning, Slovenia
- Ministry of Finance, Croatia
- Ministry of Finance, France
- Ministry of Finance, The Netherlands
- Ministry of Finance, Slovenia
- Ministry of Finance, Sweden
- Ministry of Infrastructure and Environment, The Netherlands
- National Bank of Belgium
- Organization for Economic Co-operation and Development (OECD)
- SAS, Ireland (Business Analytics and Business Intelligence Software)
- State Audit Office, Macedonia
- Tax and Customs Administration, The Netherlands
- Undersecretariat of Treasury, Prime Ministry, Republic of Turkey
- World Bank Institute
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

639 participants that attended CEF workshops in 2011, accumulated to a total of 2,191.5 participant days.

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.

<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>39</td>
<td>116.0</td>
<td>34,800</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>22</td>
<td>73.5</td>
<td>23,300</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>51</td>
<td>210.5</td>
<td>45,200</td>
</tr>
<tr>
<td>Croatia</td>
<td>70</td>
<td>218.0</td>
<td>67,000</td>
</tr>
<tr>
<td>Kosovo</td>
<td>67</td>
<td>222.5</td>
<td>75,600</td>
</tr>
<tr>
<td>Macedonia</td>
<td>50</td>
<td>195.0</td>
<td>41,100</td>
</tr>
<tr>
<td>Moldova</td>
<td>44</td>
<td>182.5</td>
<td>36,100</td>
</tr>
<tr>
<td>Montenegro</td>
<td>17</td>
<td>52.5</td>
<td>16,600</td>
</tr>
<tr>
<td>Romania</td>
<td>34</td>
<td>125.5</td>
<td>30,900</td>
</tr>
<tr>
<td>Serbia</td>
<td>40</td>
<td>131.0</td>
<td>40,800</td>
</tr>
<tr>
<td>Slovenia</td>
<td>85</td>
<td>266.5</td>
<td>0</td>
</tr>
<tr>
<td>Turkey</td>
<td>39</td>
<td>132.0</td>
<td>75,600</td>
</tr>
<tr>
<td>Total: member countries</td>
<td>558</td>
<td>1,925.5</td>
<td>487,000</td>
</tr>
<tr>
<td>Other countries</td>
<td>81</td>
<td>266.0</td>
<td>68,600</td>
</tr>
<tr>
<td>Total</td>
<td>639</td>
<td>2,191.5</td>
<td>555,600</td>
</tr>
</tbody>
</table>
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>Estimated costs in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>De Nederlandsche Bank</td>
<td>4.0</td>
<td>5,000</td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>36.0</td>
<td>27,000</td>
</tr>
<tr>
<td>Lincoln Institute of Land Policy, The United States</td>
<td>9.0</td>
<td>15,000</td>
</tr>
<tr>
<td>Ministry of Finance, Sweden</td>
<td>3.0</td>
<td>4,500</td>
</tr>
<tr>
<td>Ministry of Finance, The Netherlands</td>
<td>29.0</td>
<td>35,500</td>
</tr>
<tr>
<td>Ministry of Infrastructure and Environment, The Netherlands</td>
<td>2.0</td>
<td>2,500</td>
</tr>
<tr>
<td>National Bank of Belgium</td>
<td>2.5</td>
<td>2,750</td>
</tr>
<tr>
<td>SAS, Ireland (Business Analytics and Business Intelligence Software)</td>
<td>2.0</td>
<td>4,000</td>
</tr>
<tr>
<td>Undersecretariat of Treasury, Prime Ministry, Republic of Turkey</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td>World Bank Institute</td>
<td>4.0</td>
<td>17,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>97.0</strong></td>
<td><strong>120,500</strong></td>
</tr>
</tbody>
</table>
STUDY TOURS

The CEF is involved in the preparation of study tours. These short stays of three to five days aim to address specific aspects of public financial management or central banking. Study tours usually include presentations by and on-site visits to ministries of finance, line ministries, central banks, and other institutions involved in public financial management or central banking. The CEF organizes study visits 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 from non-member countries.

CEF Hosted Banking Supervisors from Bosnia and Herzegovina

The CEF, in cooperation with the United States Agency for International Development Partnership for Advancing Reforms in the Economy (USAID PARE) office in Sarajevo, hosted a delegation of banking supervisors from Bosnia and Herzegovina in April 2011. The purpose of the three-day study tour was to strengthen the regulatory system for the financial services sector by improving banking supervision. The title of the study tour was Risk Management Decree. It was attended by 11 participants, accompanied by two representatives of the USAID PARE office, who participated as observers.

The experience in risk management from the perspective of the regulator was presented by Mr Tomaž Rottovnik, from the Bank of Slovenia, and the case of the commercial bank was presented by Mr Kristijan Hvala, from Abanka, d.d.
Mongolian Delegation Discussed Fiscal and Budget Reforms

Representatives of the Parliament of Mongolia and other state institutions met at the CEF on April 15, 2011, to discuss challenges facing Mongolia and its reform objectives. The visit to Slovenia was a conclusion to their tour of Estonia and Poland, where they were collecting information on these countries’ experiences on fiscal policies and management, public investment planning, and capital budgeting.

Brian Olden, International Monetary Fund Regional (IMF) Public Financial Management (PFM) advisor located at the CEF, presented on developments in medium-term budgeting and fiscal institutions in South Eastern Europe (SEE) countries, with an emphasis on the impact of the crisis, including on future medium-term budgeting reform initiatives. Rogier van den Brink and Zahid Hasnain, both from the World Bank, presented the key improvements for a new integrated budget law and pointed out the importance of greater fiscal decentralization in Mongolia, given its large geography and poor connectivity. The meeting was followed by open discussion on the different approaches to implementation of reforms and the lessons learned from other countries.

Training for National Assembly, Republic of Serbia

As part of the Separation of Powers Program (SPP), the CEF in cooperation with USAID delivered a training specifically developed to fit the needs of the Budget Office of the National Assembly of the Republic of Serbia (NARS). The focus of the training was the introduction to public financial management with emphasis on the preparation and execution of the budget.

The main topics presented were: budget and the institutional context and budget preparation, budget execution, accounting and financial reporting, results-based budgeting, financial management information systems, and external and internal audit.

The training was delivered by four experts in public finance – Zdenka Vidovič, Bojan Pogačar, and Zoran Mladenović from Slovenia and Samra Šuškić Bašić from Bosnia and Herzegovina – and was attended by 12 staff members of the Financial and Monetary Services Department. Some topics were also attended partially by 19 other staff of the NARS.

Training consisted of lectures, discussion, and case studies where participants had an active role. A combination of theory and practice allowed participants to learn from experience and acquire knowledge that will help them in budget preparation, execution, and reporting on results.

The lecturers gave the participants much new information and presented practical experience. Participants all agreed that this training fulfilled their expectations and that the newly obtained knowledge is useful for their work, particularly in preparation of financial plans and budget execution.

Based on the results of this training, the SPP consultants and task manager discussed further possibilities for supporting the NARS staff within the framework of the SPP. The CEF recommends that the SPP continue similar trainings relevant to the NARS staff’s tasks and duties.
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 and skills that can be put into practice in their respective countries. International knowledge and practices are passed on to internal auditors and accountants in the region's public sector through Permanent Certification Programs to ensure that high standards are attained in public sector governance and accountability.

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

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

Both programs strongly emphasize the importance of establishing and observing 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 programs are prepared as distance learning but can also be organized as classroom training, provided that students are able to attend two weeks of training for each module.

The implementation of each training program in a beneficiary 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, translating training materials into a local language, training tutors that will help students in the local language, and training a sufficient number of students that will become owners of the program going forward. Such students can serve as a think-tank for the future development of the profession in the country and help build national capacity for running the program.

CEF runs Permanent Certification Programs as projects in other member countries and as self-sustaining fee-based programs in Slovenia.
REGIONAL PROGRAMS

Public Accountants Certification Training (PACT)

The PACT program—which replaces a former program, Capacity Building in Public Accounting (CBIPA)—supports improvements in public sector accounting systems and standards in South Eastern Europe (SEE). It has evolved into a regional training and certification program, helping a new generation of public finance staff contribute to transparency and accountability, thus aiding the development of good governance. The program emphasizes the importance of establishing and observing international public sector accounting standards and helps countries raise the status of the accounting profession in line with European Union (EU) member states.

In 2011, CIPFA reviewed and renewed its global Professional Qualification (PQ) to ensure that it was completely up to date and relevant in the rapidly developing field of public financial management. As part of this review, it was decided to more closely align its International Certificate and Diploma (ICD)—in the SEE region named PACT—with the new PQ, to enable students to seamlessly progress from the ICD to the full CIPFA PQ.

In order to distinguish between the previous route and the new approach, it was agreed to rename the program from CBIPA to PACT to more accurately reflect the changes.

The program consists of two levels, a Certificate level and a Diploma level. Completion of each normally takes one year. The program consists of seven modules. Six have an international focus and are developed by CIPFA. The seventh is a national module developed by local authors. The duration of the training in each module is approximately three months.

At the Certificate level, PACT students complete the following modules:
- Financial Accounting
- Management Accounting
- National Module: National Public Finance and Accountancy Legislation and Taxation

(These replace previous CBIPA modules on Financial Reporting, Cost Management, Management, and National Module—Legislation.)

At the Diploma level, PACT students complete the following modules:
- Audit and Assurance
- Managing Organizations
- Managing Finance
- Public Sector Financial Reporting

(These replace previous CBIPA modules on Auditing, Financial Management, Information Systems Management, National Module—Taxation.)

Countries that have completed CBIPA are entitled to continue with the program, as the teaching material in local languages was handed over to them. Should the countries decide to independently run the CBIPA program, the local experts can revise the modules in line with the recent developments in PFM. In the future, countries that express interest in training public sector accountants, or that finalized CBIPA and would like to continue the program with CIPFA, will be offered the PACT program.

The beneficiary countries that completed CBIPA program can also request the CEF’s help in implementing the PACT program.

<table>
<thead>
<tr>
<th>Country</th>
<th>CBIPA</th>
<th>PACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Macedonia</td>
<td>✓</td>
<td>To start in 2012</td>
</tr>
<tr>
<td>Moldova</td>
<td>✓</td>
<td>Requested for 2013</td>
</tr>
<tr>
<td>Slovenia</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Overview of the countries with permanent certification program for accountants

As part of recognition of obtained marks and transition to the new program, students enrolled in CBIPA who did not pass two or more exams will need to enroll in PACT. Specific conditions for migration from one program to another will be communicated to students who meet the general criteria for finalization of the program.
IMPLEMENTING PROGRAM

Implementation and Plans for the Future

The major challenge remains for continuing the program at the country level: the need for 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 for the training program could certainly contribute to its sustainability in each country.

In Macedonia, implementation of the CBIPA program began in 2007 and was completed in 2010. Students who met conditions for certification in 2010 were recognized at a ceremony in May 2011. CIPFA awarded 25 certificates and 22 diplomas to the country’s first generation of students.

In 2011, the Government of Macedonia requested continuation of the project. The CEF responded by exploring funding opportunities for implementing the Certificate level of the PACT program, which will take place in 2012, with the last months of 2011 being used to prepare for implementing the training. Tutors and translators have been selected, and experts for update of international and drafting of national modules were approached. The project is expected to start with official event in the first quarter of 2012. The Diploma level is planned for launch in 2013.

The Government of Moldova requested continuation of training for accountants—that is, PACT—in 2013. CEF will start in 2012 with program planning and fundraising.

Greetings to the CEF from the Chartered Institute of Public Finance and Accountancy

It is with great pleasure that I extend my warmest congratulations to the CEF on its 11th annual report this year. I am glad to see that the CEF continues to live up to its name throughout the region and beyond. The warm welcome it offers visitors provides a model we can all aspire to.

CIPFA is the only global accountancy body that specializes in the public sector. We seek to bring professionalization to public financial management by developing capacity in individuals and institutions. We see the CEF as a vital regional partner in this endeavor because of its particular public finance knowledge and linkages in the region and connected countries. We can also see a regional role for the CEF in “Fixing the Foundations,” CIPFA’s international call for action to fundamentally improve public financial management.

Working together, CIPFA and the CEF have developed two training programs for accountants and internal auditors leading to CIPFA Certificates that have been implemented across the CEF region. The programs have been established to meet the beneficiary countries’ capacity development priorities and capacities.

We are proud to have the CEF as partners in these programs. The CEF is highly professional and has enhanced the reputation of CIPFA in many countries. CEF provides valuable local knowledge, enabling CIPFA to contextualize its services and ensure that CIPFA qualifications remain highly valued.

Together, CIPFA and the CEF are always looking to improve our services and build long-term, sustainable professional outcomes that build the public financial management architecture in a holistic way (see CIPFA’s “Whole System Approach” for more on this: http://www.cipfa.org.uk/international/whole_system_approach.cfm). We are looking to extend our cooperation with partners in new ways and with new offerings across the extended region that the CEF serves, and we look forward to entering into new dialogues to achieve this.

Alan Edwards,
International Director
CIPFA, United Kingdom

Greetings to the CEF from the Chartered Institute of Public Finance and Accountancy

It is with great pleasure that I extend my warmest congratulations to the CEF on its 11th annual report this year. I am glad to see that the CEF continues to live up to its name throughout the region and beyond. The warm welcome it offers visitors provides a model we can all aspire to.

CIPFA is the only global accountancy body that specializes in the public sector. We seek to bring professionalization to public financial management by developing capacity in individuals and institutions. We see the CEF as a vital regional partner in this endeavor because of its particular public finance knowledge and linkages in the region and connected countries. We can also see a regional role for the CEF in “Fixing the Foundations,” CIPFA’s international call for action to fundamentally improve public financial management.

Working together, CIPFA and the CEF have developed two training programs for accountants and internal auditors leading to CIPFA Certificates that have been implemented across the CEF region. The programs have been established to meet the beneficiary countries’ capacity development priorities and capacities.

We are proud to have the CEF as partners in these programs. The CEF is highly professional and has enhanced the reputation of CIPFA in many countries. CEF provides valuable local knowledge, enabling CIPFA to contextualize its services and ensure that CIPFA qualifications remain highly valued.

Together, CIPFA and the CEF are always looking to improve our services and build long-term, sustainable professional outcomes that build the public financial management architecture in a holistic way (see CIPFA’s “Whole System Approach” for more on this: http://www.cipfa.org.uk/international/whole_system_approach.cfm). We are looking to extend our cooperation with partners in new ways and with new offerings across the extended region that the CEF serves, and we look forward to entering into new dialogues to achieve this.

Alan Edwards,
International Director
CIPFA, United Kingdom
My involvement in CEF activities in my country started at the end of 2008, when I was nominated to be a local project coordinator for a CBIPA training program administered by the CEF.

Realizing the possibilities that this training program offers for professional development, I decided to enroll in the public sector accountants’ training program and to fill in gaps in my knowledge relevant to my work.

I have to say that studying for the CIPFA diploma has given an enormous value added to my work.

I am pleased that with great support and engagement from the CEF, the PACT training program will continue to be implemented in the period 2012-2014, which will enable us to build a firm foundation for professional public sector accounting. Continuing the training will be a great opportunity for my other colleagues to enrich their knowledge and practical experience and to give a new perspective to their day-to-day duties.

From my personal experience as a PACT project coordinator and former student, I can only say that the CEF is a reliable partner when deciding to invest in human potential.

Aleksandra Dimovska
Financial System Department
Ministry of Finance, Macedonia

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 a Certificate level and a Diploma level, each of which can be completed within a year. It comprises an introductory workshop that updates participants on accounting principles and procedures, and seven training modules, each of which takes up to three months. Six of the modules are international and are developed by the CIPFA. The seventh is national and is developed by local experts.

At the Certificate level, students complete modules in:
- Legislation and Taxation (National Module)
- 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

Implementation and Plans for the Future
After successful pilot implementation of the TIAPS program in Slovenia in 2006/07, where it has been running as a self-sustaining program ever since, TIAPS has been offered to other countries in the region provided that financing is available.

In 2011, the program was successfully completed in Kosovo, with final activities delivered in September 2011. Certificates were awarded to 32 participants upon completion of the first level of training. 12 mentors were awarded training of trainer certificates. In the last phase the CEF also drafted guidelines for training localization. This EU-funded Program was implemented in consortium with Tribal Helm and CIPFA.

CEF has carefully assessed the region’s needs and priorities for the TIAPS program. These findings have aligned with the needs expressed by the finance ministries of Macedonia and Montenegro. The CEF has begun project design and fundraising for the two countries. Launch in both countries is expected in mid 2012.

Enrolling in the TIAPS program was a great opportunity to enhance my knowledge in the field of Internal Audit. Being an Internal Auditor in the Office of Auditor General (OAG) is very challenging work. It requires in-depth knowledge to meet my duties. I had some previous experience in this field, so the theoretical knowledge gained from our mentors was easy to implement afterwards in practice.

Often when faced with any dilemma in performing audit work, I go back to the TIAPS books, where I can always find a proper solution to my challenge, in accordance with best international practices and standards.

Now after obtaining the Certificate I better understand the importance and the value of it. I am convinced that it gave me a robust base for carrying out audits that will add value to OAG. However, I’m eager to continuously develop in my profession and look forward to the introduction of the Diploma level.

Ardiana Sahiti
Internal Auditor
Office of Auditor General, Kosovo
PROGRAMS IN SLOVENIA

Authorized and supported by the Slovenian Ministry of Finance, the CEF delivers Permanent Certification Training Programs to public sector internal auditors and accountants in Slovenia. The programs are financed through participation fees and supervised by the Program Steering Committee (PSC). The two programs are self-sustaining and operate as distance learning.

CBIPA

Since the implementation of the CBIPA program in 2003, the fourth generation of Slovenian students has completed the studies. In total, 146 students have been awarded a CIPFA Certificate and 131 students a CIPFA Diploma. Delivery of the CBIPA program has been slowed, pending changes of the Public Finance Act that 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>79</td>
<td>73</td>
</tr>
<tr>
<td>3rd generation</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>4th generation</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>146</td>
<td>131</td>
</tr>
</tbody>
</table>
IMPLEMENTING PROGRAM

TIAPS

Since 2006, the pilot year for the training of internal auditors in Slovenia's public sector, 108 successful students from five generations of internal auditors were awarded the CIPFA Certificate, while 32 successful students were awarded the CIPFA Diploma. The sixth generation of students enrolled in the training at the Certificate level in 2011.

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>35</td>
<td>17</td>
</tr>
<tr>
<td>3rd generation</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>4th generation</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>5th generation</td>
<td>15</td>
<td>8**</td>
</tr>
<tr>
<td>6th generation</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td>40</td>
</tr>
</tbody>
</table>

* Studies of 6th generation began in October 2011
** Studies of 5th generation will be completed in February 2012 and concluded with official award ceremony in March/April 2012

The evaluation of the Slovenian program shows that the newly obtained or improved knowledge of public finance accounting and auditing has a positive impact on strengthening good governance and particularly the accountability in the public sector.

Zoran Mladenovič
Deputy President
Court of Audit, Slovenia

The need for adequate professional training in Slovenia’s public sector is intensifying. The financial crisis and ongoing public sector reform, combined with the very busy schedules of professional staff often create a barrier, which makes it difficult to receive adequate training, career development, financial support, and other necessary resources. If auditing professionals are overwhelmed and left without proper training, they will be unable to reach their fullest potential as employees, and the profession will fail to operate at its desired level of excellence. The adverse impact will ultimately be felt by the organizations’ stakeholders as the value for money of their services will diminish. The challenges that public financial management (PFM) faces today also indicate the huge need for mature risk assessment processes. All public sector bodies must practice risk management, regularly undertake a structured risk assessment process to identify the risks facing their organizations and be able to demonstrate the management of those risks. If there are no adequate processes of risk management in place and running as designed, there will be no way to ensure that public bodies can respond to and recover from any disruption of operations. Such a situation would inevitably result in failure to discharge the duties that public bodies were set up for.

I believe that most professionals recognize this as a threat; however, many are uncertain of the correct approach to take to alleviate the problem. The new strategy of development for public finance and internal control in Slovenia provides quite relevant guidance on what right course of action should be. It envisages both training of management to better discharge their duties, and it institutionalizes continuous professional training for internal auditors. An adequate approach to both these issues is crucial for further strengthening of PFM and control in Slovenia.

Based on my personal experiences, I found the CEF to be perfectly positioned to provide services of good quality in these areas. They have demonstrated excellent insight into related training and professional development needs.

What matters most is that they have proven very skillful in developing the right approaches, methods, and tools to fulfill those needs. In my opinion, the rich flavor of regional experiences that CEF offers provides an excellent framework for further capacity development of PFM in the region.

It will be great pleasure and honor for me to continue participating in the CEF’s future endeavors to shape the form of public finance throughout the region.

Since 2006, the pilot year for the training of internal auditors in Slovenia’s public sector, 108 successful students from five generations of internal auditors were awarded the CIPFA Certificate, while 32 successful students were awarded the CIPFA Diploma. The sixth generation of students enrolled in the training at the Certificate level in 2011.

The evaluation of the Slovenian program shows that the newly obtained or improved knowledge of public finance accounting and auditing has a positive impact on strengthening good governance and particularly the accountability in the public sector.

Since 2006, the pilot year for the training of internal auditors in Slovenia's public sector, 108 successful students from five generations of internal auditors were awarded the CIPFA Certificate, while 32 successful students were awarded the CIPFA Diploma. The sixth generation of students enrolled in the training at the Certificate level in 2011.
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 CEF’s policy events and research activity is to enable the sharing of views and build on the experience of parties that have already implemented policies and reforms.

Annual Policy Conference: International Trends in Public Sector Accounting Reforms

In partnership with the World Bank and the International Monetary Fund (IMF), the CEF organized an annual policy conference on international trends in public sector accounting reforms that took place in Ljubljana from April 20 to 22, 2011.

The conference brought together around 200 participants, mainly high-level officials from ministries of finance and treasuries in several European and Central Asian countries and from other institutions across the region that play a key role in accounting and budgeting in their organizations.

During the first two days, the conference focused on issues relevant for a number of countries, while on the third day it reviewed topics that are closely related to Slovenian reform efforts. The conference followed ear-
Earlier policy conferences organized by the CEF: on taxation (February 2006), pension (June 2007), education (April 2008), health (June 2009), and fiscal policy (April 2010).

The fiscal accountability of governments is essential for enhancing economic growth and development worldwide and is important for building and maintaining confidence. For this reason there is a growing demand for a sound accounting framework with an appropriate accounting basis (cash, accrual), principles, standards (such as IPSAS), and policies. The conference discussed the increased role of accounting in the public sector, especially in the post financial crisis era, revisited the evolution of public accounting in recent years, and discussed lessons learned and offered recommendations on the design of future public sector accounting reforms.

The conference was linked to a workshop that was part of the Treasury Community of Practice (T CoP) program in the framework of the Public Expenditure Management Peer Assisted Learning (PEM PAL) network. The PEM PAL workshop was held on April 18, 19, and 22, 2011.

Noel Hepworth
Former chief executive of the CIPFA, currently a SIGMA expert advisor on implementation of PIFC

The CEF has a very important role in improving public internal financial control (PIFC) in all its aspects. What is lacking in many countries is coherent training in financial management and control and in internal audit. Some have developed training and certification in internal audit, but not in financial management and control. Also, no systematic arrangements have been developed to exchange information on either internal audit or financial management and control, so that countries can learn from each other and from outside experts.

The CEF therefore provides a vital and necessary source of support and information. The CEF’s training also provides an opportunity to put these technical issues into a political and managerial context. Without that context, neither financial management and control nor internal audit is of substantive value; it might be interesting but not of real benefit in improving management quality in public finances.

Roundtable Discussion:
Economic Outlook and the Role of Public Finances in South East Europe (SEE)

This Roundtable Discussion took place on June 23, 2011 in Ljubljana. The goal was to promote the policy debate in the region by analyzing the link between the public financial situation and factors that would ensure a more balanced and sustainable catching-up process in the South Eastern Europe (SEE) region.

The event allowed economists and policymakers from SEE countries and recently acceded European Union (EU) member states to exchange their views and experiences on promoting endogenous growth and the role that public finances play. The topics discussed included cross-cutting themes and challenges that are especially relevant to the SEE region, while insights and experiences from recently acceded EU member states enriched the picture, e.g. with respect to the need to smoothly navigate through the crisis as new EU members. The discussion revolved around a number of macroeconomic and fiscal issues, recognizing the specific characteristics of the countries that were represented and the region as a whole.
Regional Policy Forum on Growth Strategies After the Crisis

The Regional Policy Forum on Growth Strategies after the Crisis took place on June 24, 2011 in Ljubljana. It was organized by the CEF to honor its 10th anniversary. It focused on how to reinforce the economic growth potential of economies in SEE and how to continue the transition to more diversified and modern market economies as a means to overcome the impact of the financial and economic crisis. The discussions evolved from a global economic outlook and its implications for the region toward strategies to boost the region’s growth performance.

The forum brought together policymakers and experts in the region who are involved in drafting agendas to strengthen growth, particularly growth that is endogenously driven. High-level speakers from international organizations shared their views on key themes of the region’s growth agenda.

Laza Kekic (Economist Intelligence Unit) set the stage for the discussions by addressing the opportunities and risks in the global outlook. Thomas Mirow (European Bank for Reconstruction and Development), Philippe Le Houérou (World Bank), Anton Rop (European Investment Bank), and Gerd Schwartz (International Monetary Fund) shared their views on the regional growth agenda together with ministers of finance and central bank governors of SEE. The forum was co-chaired by Max Watson (Wolfson College, Oxford) and Mojmir Mrak (University of Ljubljana), both CEF associate fellows; Mitja Gaspari (Minister for Development and European Affairs, Slovenia) provided closing remarks.
“SEE countries are facing intensified competition, and they urgently need to move toward knowledge economies. Current policy agendas should, therefore, include structural reforms, a clean-up of the banking sector, fiscal consolidation, and solutions to address the shrinking of the labor force. The CEF has an important role to play in supporting these processes by building institutional capacities in the region.”

CEF news release on Regional Policy Forum, June 24, 2011
Conference on Tax Administration in SEE: Challenges and Responses

The IMF’s Fiscal Affairs Department (FAD) and the CEF co-organized a two-day conference for heads of tax administrations from SEE. The conference was held at the CEF in Ljubljana on October 6 and 7, 2011.

The event brought together the heads and representatives of tax agencies from the region who discussed the current challenges for tax administrations, the responses to these challenges, and in this context, the IMF’s ongoing regional approach to delivering technical assistance to SEE tax agencies to support their modernization. At the same time, the conference provided a unique opportunity for heads of tax administrations to discuss their technical assistance needs with other international organizations that are supporting tax administration reforms in SEE.

Conference participants also exchanged their views and experiences in three key strategic issues affecting most administrations and discussed the important role of strategic planning in progressing these issues:

- Organization, management, and people
- Information technology
- Integrating social insurance contributions and tax collections

Issues concerning implementation of appropriate and sustainable responses to tax compliance challenges were also highlighted.

From the Romanian Tax Administration’s perspective, the CEF in Ljubljana became a strong reference for quality training courses by developing highly interesting training offerings over the years. Our colleagues participating in CEF events attested to the excellent training provided at the center and about the professionalism of its staff. Working with CEF is both agreeable and beneficial in terms of professional experience.

We always search in the CEF’s work program for training opportunities that complement other training programs we may usually access. In our view, the Center in Ljubljana has a strength in providing specialized and high-quality courses that support the institutional capacity development of a tax administration, subjects that are difficult to address in other training institutions. More than that, CEF distinguishes itself by offering a unique regional perspective to the participants as compared to what we have experienced in other European fora, which are typically much broader and where the regional specificities cannot be taken into consideration.

From a personal perspective, participation in the Conference for Heads of Tax Administrations from South Eastern Europe hosted by CEF in October 2011 was a new and unique experience, allowing us to understand the status of reforms within the region’s tax administrations, to discover common issues and challenges. The conference highlighted the needs of the region’s tax administrations for further support through technical assistance. The regional answers to the economic crisis differed from one country to another, but we all acknowledged the importance of new reforms aiming at modernizing tax administration processes, reinforcing compliance strategies and optimizing tax revenues.

The high level of participation and the strong presence of experts and providers of international technical assistance ensured that the Conference will bear fruits in the short to medium term. New reform projects are developing within the region’s tax administrations, and the CEF could be further involved in supporting the development of such projects alongside the IMF, the European Union or IOTA.

We look forward to continuing to work with CEF to create together a framework for institutional building efforts within the South Eastern Europe region.

Octavian Deaconu
Director, Directorate for International Cooperation
National Agency for Fiscal Administration, Romania
Communities of Practice

A Community of Practice (CoP) is a learning partnership among people who find it useful to learn from and with each other about a particular domain. They use each other’s experience as a learning resource. And they join forces in making sense of and addressing the challenges they face individually or collectively.

A combination of three elements constitutes a CoP. One 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 the members pursue their interest in their domain, engaging in joint activities and discussions, helping each other, and sharing information. This builds relationships that enable them to learn from each other. The third element is the 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.


PUBLIC EXPENDITURE MANAGEMENT
PEER-ASSISTED LEARNING NETWORK

The Public Expenditure Management Peer-Assisted Learning network (PEM PAL) represents a multilateral effort to develop capacity and share reform experiences among countries in Central Asia and Central and Eastern Europe. It aims to improve the efficiency, effectiveness, and transparency of public expenditures in countries in the region.

The initiative launched in 2006 and has experienced impressive growth over the last few years. It connects some 150 practitioners in public financial management who are going through similar challenges in public finance policy design and implementation. These challenges are discussed within three Communities of Practice (CoPs) that focus on budget, internal audit, and treasury. The CoPs meet regularly to address common topics, learn from the practical experience of others, and find solutions to specific problems, based on the best available experience and knowledge. Each CoP has formed a leadership group to coordinate its work and steer its activities.

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

The Steering Committee includes representatives of donors and chairs of the CoPs. It 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.

A number of donors support the network’s growth. In 2011, PEM PAL received financial support from the Russian Federation and State Secretariat of Economic Affairs Switzerland, and in-kind support from the World Bank, OECD/SIGMA, the International Monetary Fund, and GIZ, the German development agency.

Visit www.pempal.org
PEM PAL Events

In 2011, a plenary meeting for all three CoPs, five individual CoP meetings, one cross-CoP meeting, and a seminar for the leadership groups were held in six countries (Belarus, Croatia, Kazakhstan, Moldova, Slovenia, and Switzerland). In addition, there were two study visits, five Steering Committee meetings, and over 20 meetings of CoP leadership groups. The PEM PAL’s seven meetings and a seminar, plus two study visits were attended by 418 participants from 21 countries. A further 49 resource people and 59 speakers participated at these events.

Budget Community of Practice (B CoP)

Meeting on Reforms to Capital Budgeting Practices, Minsk, Belarus (June 2011)

Participants discussed how the current financial crisis has affected capital budgets. They addressed weaknesses in organization and regulation in capital budgeting processes and the roles of finance and line ministries. Key pillars of every capital budgeting process have been identified: asset inventory, strategic planning, project identification and selection process, project budgeting, project monitoring and evaluation, dialogue with politicians, capital project filtering, and training.

Uzbekistan Officials Visiting Their Peers Ljubljana, Slovenia (October 2011)

Ten officials of Uzbekistan’s Ministry of Finance discussed the budget processes and challenges in procurement in Slovenia.
**Internal Audit Community of Practice (IA CoP)**

IA CoP Workshops: IA Manual and Training & Certification, Chisinau, Moldova (June 2011)

Participants discussed IA manuals in selected countries, as well as the components of an IA manual template: fundamentals, planning, execution, reporting, quality improvement, people, tools, knowledge and interaction with others. They also developed modules for a training syllabus.

Moldovan Officials Visiting Their Peers Zagreb, Croatia (October 2011)

Ten internal auditors from various institutions in Moldova visited their peers at the Croatian Ministry of Finance to discuss the organization of internal audit in Croatia and steps in its institutional development.

Plenary Meeting Ohrid, Macedonia (October 2011)

The IA CoP meeting focused on the finalization of the IA Manual template, and revisited the T&C program for internal auditors. Views were also exchanged about the division of powers between IA and inspection, as well as the strengths and weaknesses in current IA annual reporting.

**Treasury Community of Practice (T CoP)**

Meeting on Reforms in Public Sector Accounting, Ljubljana, Slovenia (April 2011)

Participants exchanged experiences in designing and implementing public sector accounting reforms, with particular emphasis on public sector accounting standards and transition from cash to accrual in public sector accounting. They also attended, and some of them delivered presentations at the international conference (April 20-21) organized by the Center of Excellence in Finance in partnership with the World Bank and the International Monetary Fund (IMF).

Meeting on the Use of IT in Treasury Operations, Astana, Kazakhstan (September 2011)

Participants discussed challenges in the design, procurement, and implementation of financial management information systems (FMIS), and looked at practical experiences from Kazakhstan, South Korea, Denmark, France, the Russian Federation, and the World Bank. FMIS projects involve significant costs, which depend on the size of a country, the number and scope of components, and the complexity of the project design. For this reason, a thorough consideration of all their elements is essential before projects are designed and started.
Joint CoPs Plenary Meeting
Zagreb, Croatia (January 2011)

The Plenary meeting discussed managerial accountability in budget execution with a focus on two related topics: (i) arrangements that inhibit or undermine managerial accountability, and (ii) the quality of budget formats and reporting, and how they contribute to decision-making process.

Training on Training on Learning Facilitation
Zagreb, Croatia (January 2011)

The 2011 Plenary meeting was preceded by a workshop on moderation/facilitation. The workshop was intended for the leadership groups to learn about participatory methods in learning sessions and meetings.

Joint Leadership Group Meeting
Bern, Switzerland (June 2011)

The PEM PAL Executive Committees of all three CoPs met to discuss (i) how to improve the network’s effectiveness and sustainability, (ii) PEM PAL strategy for the period beyond 2012, (iii) the 2012-2014 Action Plans for the CoPs, and (iv) ways to learn from Swiss practices and processes in budget and internal audit.

Steering Committee Meetings

The PEM PAL Steering Committee held five meetings in 2011: in January, April, July, September, and November. The main focus was on the PEM PAL Strategy for 2012-2017 and PEM PAL Evaluation. The Committee also provided guidance on the use of the CoPs’ budgets and recommendations on their action plans, and has monitored their implementation and performance indicators. The cross-CoP work and collaboration, the options for the External Audit CoP, and the Secretariat’s reports were also on the agenda, and changes of the operational rules and guidelines were approved.

Ljerka Crnković
Coordinator
Ministry of Finance, Croatia

Opportunities for knowledge exchange in the framework of PEM PAL helped improve the quality of our Manual for Internal Auditors. For example, when I was attending an Internal Audit Manual Workshop in Bled, Slovenia, I had a chance to discuss the content of the manual with Mr Jean Pierre Garitte, an internal audit expert. I described my dilemma regarding the types of audit to be included in the manual. His recommendations and ideas on the issue were useful advice for me. Reflection on our conversation helped me decide what types of audit to include in our manual. During its preparation I also found the manuals of Albania and Kosovo very helpful. I compared sections in those manuals with sections in our manual and took the best practice examples to include in our handbook.

Through the PEM-PAL session, my presentations skills significantly improved. I have had a chance to see how professional facilitators make workshops go smoothly. When I was delivering presentations in Croatia, for example on risk management, I applied the methods used at the PEM-PAL workshop, such as large post-its on the wall. It has been an excellent way of maintaining participants’ interest in the discussion. I have been receiving positive feedback, even a few months after the presentation.

I would also like to mention that my personal horizon of knowledge on the topic expanded, and it’s a great pleasure for me to share gained knowledge and experience with my colleagues. That is why I am always happy to respond to requests for sharing different types of knowledge, information, and experiences that come from other PEM PAL participants. I participated in the organization and implementation of the study visit of the Moldovan delegation to Croatia in October 2011. Knowing that others want to learn from you is a recognition that you are doing a good job and that you are on the right track, which gives me professional and personal satisfaction and confidence.
IMPLEMENTING PROGRAM

PEM PAL’s growth continued in 2011
• 418 PEM PAL participants from 21 countries, plus 49 resource people and 59 speakers, at seven meetings held in six countries and at two study visits. This is up from 178 PEM PAL participants in 2010, and 160 in 2009.

• PEM PAL website: 10,459 visits, with 1,027 pages viewed 38,344 times. For comparison, there were 6,318 visits in 2010 and 3,062 visits in 2009.

Promoting collective learning and exchange of information
• Virtual Library (http://www.cef-see.org/pempal/library/): Provides access to and direct upload of PFM documents (400+ at the start). Free access.

• Glossary of Terms (http://www.pempal.org/glossary/): Helps users understand and consistently apply the PFM terminology, with 136 pages explaining terms and concepts. Free access.

• PEM PAL wiki: Online tool for storing documents and informal discussion forum for registered users. Treasury Community of Practice (T COP) and Budget Community of Practice (B COP) opened wikis in 2011, following the good example of Internal Audit Community of Practice (IA COP), which has operated a wiki since 2009.

Measuring performance and impact
• PEM PAL post-event surveys: Public Financial Management (PFM) participants expressed high overall satisfaction with the events (4.7 on a 1-5 scale). Other findings: Topics were relevant (4.5). Participants could learn from the experience of their peers (4.3). Contribution to leadership and management tasks could be improved (2.8), as well as inputs to event discussions (3.0).

• PEM PAL Success Stories: Fifteen stories were shared by 17 PEM PAL practitioners to portray their personal and collective experience with PEM PAL. Success stories and performance indicators allow us to evaluate impact of PEM PAL on PFM practitioners, the organizations where they work, and processes in their environment.

• Immediate expenses per PEM PAL participant per (three-day) event: USD 3,000, up from USD 2,600 in 2010 and USD 2,000 in 2009. Net of translation and organization expenses, USD 2,000 in 2011.

Looking ahead
• PEM PAL Strategy for 2012 - 2017: Based on six pillars to help reach the PEM PAL targets: demand-driven action plans, committed network membership and ownership, good governance, sufficient financial resources, high-quality network resources, and an adequately resourced and functioning Secretariat.

• PEM PAL 2011 Evaluation: Second evaluation of the PEM PAL network; first was in 2008. Several recommendations. Design a common vision supported by all stakeholders. Develop into a ministry-to-ministry network. Focus on professional competency of individuals rather than general results in PFM systems. To respond to growing demand, resource technical support function, create PEM PAL-branded knowledge products, and revisit modality of the Secretariat function. Address the issue of adequate funding beyond June 2012.

• Topics for early 2012: Integration of external financing into national budgets (T COP), approaches to program budgeting (B COP), and risk assessment in internal audit and mentoring in the internal audit certification (IA COP).
Step 5: Monitoring and Evaluation

SHORT PROGRAMS

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’s capacity development activities are delivered by means of learning and training.

The CEF strives to find the optimal approach 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.

We use different evaluation tools to measure participants’ reactions, which allows us to make any necessary adjustments to our training program and assists us in designing new training activities. Also, collecting participants’ feedback assures that we have available information for decision-making and discussing our future training with our partners – which include the CEF Coordinators in the region, as well as members of the Supervisory and Advisory Boards.

The CEF model is based on several models of understanding training and learning processes, such as the World Bank Independent Evaluation Group’s research as 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 the CEF training model.

In 2011, the CEF invested in revising the existing model of training evaluation. This was done to critically reflect on the existing model, prepare a plan of future improvements, and most importantly to integrate the CEF’s participatory approach to training with the evaluation model.
**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

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

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

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

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

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

**IMPACT**
Observations and interviews (in close cooperation with CEF Coordinators in the regions)

**TRAINING MODEL**

**EVALUATION MODEL**

**EVALUATIONS, TOOLS AND METHODS**

**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

**ASSUMPTIONS**
- Training curriculum based on organizational needs
- Human capacity development correctly identified as necessary for achievement of development objectives

**ASSUMPTIONS**
- 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

**ASSESSMENT**
Evaluation forms at the end of each training event
- Verbal feedback from participants
- Pre- and post-tests
- Observations

**EVALUATION MODEL**
- Internal (management) and external / international reports / analysis
- Observations and interviews (in close cooperation with CEF Coordinators in the regions)
- Pre- and post-tests
- Observations
- Evaluation forms at the end of each training event
- Verbal feedback from participants
PERMANENT CERTIFICATION PROGRAMS

The CEF systematically keeps track of feedback on knowledge gained and its use in the daily duties of students. In cooperation with the Chartered Institute of Public Finance and Accountancy (CIPFA), the CEF regularly tracks and analyzes the evaluation outcomes from trainings of trainers. These data provide useful information to support teachers’ successful performance. It also gives a comprehensive and accurate understanding of bottlenecks in program implementation, and allows us to intervene as needed, with preventive or follow-up measures to ensure quality control in teaching.

The CEF and CIPFA have held several mid-term evaluation missions in the field and proposed measures for steering the teaching and learning process in the right direction. Students’ needs and capacities were analyzed, and in the case of the Western Balkans region, and CEF accordingly proposed a switch from distance learning to classroom sessions. The intervention was done in time, and the students’ results improved.

Monitoring and evaluation information is shared on a regular basis with beneficiary representatives, allowing the various ministries of finance to understand their participants’ capacities and properly implement follow-up measures. Based on such results, the ministries in Macedonia and Moldova expressed their need for continued Capacity Building in Public Accounting (CBIPA) / Public Accountants Certification Training (PACT) programs. The CEF will make all possible efforts to follow up on these beneficiaries’ needs and apply for funding of further training.
To ensure it is delivering on its mission, the Public Expenditure Management Peer-Assisted Learning Network (PEM PAL) is focusing on results in all its activities. It is evaluating performance with various criteria, and is trying to document outputs and outcomes to better understand how PEM PAL is supporting reform agendas. In 2011 quantitative data, pooled in a core set of indicators, has been complemented by qualitative assessments, mainly in a form of success stories.

Changes in processes and problem-solving approaches cannot be explained easily. Indicators tell their part of the story, which might not always be complete, precise, or accurate. They are usually based on many assumptions. Besides, there are always many other factors that contribute to successes or failures. A collection of anecdotes reflecting on personal experiences with PEM PAL can add a new perspective, and provide for interesting insights and motivation.

An internal assessment of the network and its communities of practice (CoPs) guided by a conceptual framework for promoting and assessing value creation in communities and networks, developed by Wenger et al., was conducted in fall 2011. The assessment, focusing on the value of the learning enabled by the PEM PAL CoPs, was informed by 15 stories told by 17 PEM PAL members.

Interviewed about the usefulness of PEM PAL activities, its members reflected on five “cycles” of value creation. The first cycle considers the immediate value of being together, the second a potential value of creating “knowledge capital,” the third the applied value of bringing changes in practice, the fourth a realized value through performance improvement, and the final cycle a reframing value of redefining the success.

Combined with sources and types of data such as statistical data and post-event surveys, the aim was to show what value the PEM PAL represents across constituencies, including participants and resource teams, and how successfully the network serves its purpose in supporting public financial management reforms, promoting capacity development, the exchange of experiences, and joint learning in ECA countries.

Results of the PEM PAL assessment are summarized in documents *PEM PAL 2011 Annual Report* and *PEM PAL 2011 Success Stories*. 
Financial Report
## Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Non-current assets</td>
<td>561,345</td>
<td>594,580</td>
</tr>
<tr>
<td>1. Intangible assets</td>
<td>3,518</td>
<td>5,351</td>
</tr>
<tr>
<td>II. Property, plant and equipment</td>
<td>557,827</td>
<td>589,229</td>
</tr>
<tr>
<td>III. Trade receivables</td>
<td>303,935</td>
<td>116,517</td>
</tr>
<tr>
<td>IV. Cash and cash equivalents</td>
<td>412,834</td>
<td>645,050</td>
</tr>
<tr>
<td>B Current assets</td>
<td>716,769</td>
<td>761,567</td>
</tr>
<tr>
<td>III. Trade receivables</td>
<td>303,935</td>
<td>116,517</td>
</tr>
<tr>
<td>IV. Cash and cash equivalents</td>
<td>412,834</td>
<td>645,050</td>
</tr>
<tr>
<td>C Short-term deferred costs and accrued revenue</td>
<td>20,520</td>
<td>43,137</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>1,298,634</td>
<td>1,399,284</td>
</tr>
<tr>
<td>Off-balance sheet</td>
<td>31,462</td>
<td>29,315</td>
</tr>
</tbody>
</table>

## EQUITY AND LIABILITIES

| A Equity (Founder's funds) | 4,398 | 4,398 |
| 1. Share capital (Founder's funds) | 4,173 | 4,173 |
| 2. Capital surplus | 225 | 225 |
| C Provisions and long-term accrued costs and deferred revenue | 1,156,942 | 986,892 |
| 1. Provisions | 595,597 | 392,312 |
| 2. Long-term accrued costs and deferred revenue | 561,345 | 594,580 |
| TOTAL EQUITY AND LIABILITIES | 1,298,634 | 1,399,284 |

| E Short-term accrued costs and deferred revenue | 63,203 | 253,043 |
| Off-balance sheet | 31,462 | 29,315 |

| TOTAL EQUITY AND LIABILITIES | 1,298,634 | 1,399,284 |
### Income Statement

<table>
<thead>
<tr>
<th>A</th>
<th>Revenue from non-commercial public services</th>
<th>1,566,888</th>
<th>1,442,130</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Revenue from public finance</td>
<td>893,478</td>
<td>862,980</td>
</tr>
<tr>
<td>2.</td>
<td>Other revenue</td>
<td>673,410</td>
<td>579,150</td>
</tr>
<tr>
<td>B</td>
<td>Revenue from other operations</td>
<td>165,666</td>
<td>132,320</td>
</tr>
<tr>
<td>1.</td>
<td>Revenue from operations</td>
<td>165,666</td>
<td>132,320</td>
</tr>
<tr>
<td>C</td>
<td>Other revenue</td>
<td>42</td>
<td>101</td>
</tr>
<tr>
<td>D</td>
<td>TOTAL REVENUE</td>
<td>1,738,401</td>
<td>1,603,645</td>
</tr>
<tr>
<td>E</td>
<td>Costs of goods, materials and services</td>
<td>1,017,804</td>
<td>983,695</td>
</tr>
<tr>
<td>2.</td>
<td>Cost of materials</td>
<td>67,635</td>
<td>63,589</td>
</tr>
<tr>
<td>3.</td>
<td>Cost of services</td>
<td>950,169</td>
<td>920,106</td>
</tr>
<tr>
<td>F</td>
<td>Labor costs</td>
<td>655,717</td>
<td>530,238</td>
</tr>
<tr>
<td>1.</td>
<td>Wages and salaries</td>
<td>514,475</td>
<td>414,101</td>
</tr>
<tr>
<td>2.</td>
<td>Social security contribution</td>
<td>84,765</td>
<td>69,324</td>
</tr>
<tr>
<td>3.</td>
<td>Other labor costs</td>
<td>56,477</td>
<td>46,813</td>
</tr>
<tr>
<td>G</td>
<td>Depreciation and amortization costs</td>
<td>51,112</td>
<td>44,448</td>
</tr>
<tr>
<td>I</td>
<td>Other costs</td>
<td>11,120</td>
<td>14,194</td>
</tr>
<tr>
<td>1.</td>
<td>Revaluation expense</td>
<td>0</td>
<td>220</td>
</tr>
<tr>
<td>2.</td>
<td>Other costs</td>
<td>11,120</td>
<td>13,974</td>
</tr>
<tr>
<td>J</td>
<td>Financial expenses</td>
<td>2,506</td>
<td>31,001</td>
</tr>
<tr>
<td>K</td>
<td>Other expenses</td>
<td>142</td>
<td>68</td>
</tr>
<tr>
<td>L</td>
<td>TOTAL EXPENSES</td>
<td>1,738,401</td>
<td>1,603,645</td>
</tr>
<tr>
<td>M</td>
<td>Excess of revenues over expenses</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
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 2011, revenues from which were taxable. However, no tax liabilities are reported in the financial statements for 2011 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 2011 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.

<table>
<thead>
<tr>
<th>A.I.1. Intangible assets</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance December 31, 2010</td>
<td>New investments</td>
</tr>
<tr>
<td>Purchase value</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. Net value of write offs of depreciated equipment is zero; in addition to EUR 28 net of write offs of equipment that has not yet been depreciated.

<table>
<thead>
<tr>
<th>A.II.3. Equipment</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
</tr>
<tr>
<td>December 31, 2010</td>
<td>1,015,719</td>
</tr>
<tr>
<td>New investments</td>
<td>16,823</td>
</tr>
<tr>
<td>Write offs</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-426,490</td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>1,014,395</td>
</tr>
</tbody>
</table>

New investments comprise computer equipment for CEF operations (in the amount of EUR 14,986) and furniture (in the amount of EUR 1,837).

B.III. Trade receivables in the amount of EUR 303,935 comprise claims from training internal auditors of the public sector in Slovenia (self-financed program) and several projects for the region, accrued interest on deposits with banks, and other receivables.

<table>
<thead>
<tr>
<th>B.III. Trade receivables</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims from training internal auditors of public sector in Slovenia</td>
<td>3,825</td>
</tr>
<tr>
<td>PEM PAL project (the World Bank)</td>
<td>263,192</td>
</tr>
<tr>
<td>Improving Public Management Control and Accountability in Kosovo project</td>
<td>34,680</td>
</tr>
<tr>
<td>Accrued income from deposits</td>
<td>1,425</td>
</tr>
<tr>
<td>Other receivables</td>
<td>813</td>
</tr>
<tr>
<td>Total</td>
<td>303,935</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>411,779</td>
</tr>
<tr>
<td>Cash and Deposits in USD</td>
<td>462</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>593</td>
</tr>
<tr>
<td>Total</td>
<td>412,834</td>
</tr>
</tbody>
</table>
C. Short-term deferred costs and accrued revenue comprise accrued income and expenses that were paid in 2010 and will occur in 2012, such as insurance premiums.

<table>
<thead>
<tr>
<th>C. Short-term deferred costs and accrued revenue in EUR</th>
<th>December 31, 2010</th>
<th>Disbursement</th>
<th>Formatting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at December 31, 2010</td>
<td>43,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td></td>
<td>-43,137</td>
<td></td>
</tr>
<tr>
<td>Accrued revenue from CBIPA project in Moldova</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other deferred income</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>520</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing balance as at December 31, 2011</td>
<td>20,520</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accrued revenues for the CBIPA project in Moldova relates to the Central European Initiative co-financing the project that was completed in 2010 and will be reimbursed in early 2012 after approval of the final report.

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 the accounting and auditing profession in Slovenia, and unspent funds from previous years and reserves for investment. Formatting comprises additional provisions for developing new projects for the region (EUR 35,070), for development of the accounting and audit profession in Slovenia (EUR 25,215), for investment—mainly completion of reconstruction of premises (EUR 40,000) and for General reserve fund by allocating EUR 103,000 (from deferred revenues in 2010); see also Revenues / B.1.

<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>169,144</td>
<td></td>
<td>35,070</td>
<td>204,214</td>
<td></td>
</tr>
<tr>
<td>Funds for development of accounting and audit profession in Slovenia</td>
<td>11,488</td>
<td></td>
<td>25,215</td>
<td>36,703</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>World Bank / Pension Reforms Conference</td>
<td>14,257</td>
<td></td>
<td></td>
<td>14,257</td>
<td></td>
</tr>
<tr>
<td>Reserves for investment</td>
<td>76,744</td>
<td></td>
<td>40,000</td>
<td>116,744</td>
<td></td>
</tr>
<tr>
<td>General reserves</td>
<td>90,000</td>
<td></td>
<td></td>
<td>103,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>392,312</td>
<td>203,285</td>
<td>595,597</td>
<td></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, 2011.
### C.2. Long-term accrued costs and deferred revenue

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at December 31, 2010</td>
<td>594,580</td>
</tr>
<tr>
<td>New investments</td>
<td>17,905</td>
</tr>
<tr>
<td>Amortization and depreciation in 2010</td>
<td>-51,140</td>
</tr>
<tr>
<td>Closing balance as at December 31, 2011</td>
<td>561,345</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).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables to Slovenian suppliers</td>
<td>10,593</td>
</tr>
<tr>
<td>Trade payables to foreign suppliers</td>
<td>921</td>
</tr>
<tr>
<td>Liabilities to employees</td>
<td>31,888</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>30,689</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>74,091</td>
</tr>
</tbody>
</table>

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

Comprise revenues recorded in 2011 for CEF services that will be delivered in 2012 (programs in Slovenia), deferred revenues for earmarked donations—provisions for liabilities that will be paid in 2012, and expenses in 2011 for which invoices have not yet been received.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs in Slovenia</td>
<td>64,252</td>
</tr>
<tr>
<td>Formatting</td>
<td>27,326</td>
</tr>
<tr>
<td>Disbursements/Transfers</td>
<td>-64,252</td>
</tr>
<tr>
<td>Deferred revenues for projects in the region</td>
<td>-125,500</td>
</tr>
<tr>
<td>Accrued expenses for projects in the region</td>
<td>-16,558</td>
</tr>
<tr>
<td>Other accrued charges</td>
<td>-41,053</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-247,363</td>
</tr>
</tbody>
</table>

EUR 64,252 was transferred to revenues from operations to finance costs for programs in Slovenia for students that enrolled (and paid the fee) in 2010, and EUR 27,326 was recorded in deferred revenues for the generation of students that enrolled in 2011 for costs that will occur in 2012 (TIAPS programs in Slovenia that are self-financing) - see also Revenues / B.1.

EUR 15,000 of earmarked donation by Bank of Slovenia to finance a visiting expert in 2012 was recorded under deferred revenues; EUR 22,500 was disbursed/transferred to revenues to finance costs of respective projects in 2011. EUR 103,000 was transferred to general reserves (see also Revenues / B.1.).

Accrued expenses and other accrued charges represent costs that occurred in 2011 and for which invoices were not recorded in 2011.

Off-balance sheet liabilities in the amount of EUR 31,462 represent the unspent balance for transactions with business cards (MasterCard credit line).
Principal accounting policies used in the preparation of the Income Statement are as follows:

Revenues

A.1. Revenue from public finance: The Ministry of Finance of Slovenia donated EUR 860,243 to finance CEF operations, of which EUR 17,905 was transferred to provisions to finance amortization and depreciation of newly purchased equipment and EUR 51,112 from deferred revenues to finance depreciation (see also Liabilities / 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 2011</td>
<td>860,243</td>
</tr>
<tr>
<td>To provisions to finance amortization and depreciation</td>
<td>-17,905</td>
</tr>
<tr>
<td>From provisions to finance amortization and depreciation in 2011</td>
<td>51,140</td>
</tr>
<tr>
<td>Revenue from public finance used for operations</td>
<td>893,478</td>
</tr>
</tbody>
</table>

A.2. Other revenue comprises donations from donors other than the Slovenian Ministry of Finance.

<table>
<thead>
<tr>
<th>A.2. Other revenue</th>
<th>Invoiced</th>
<th>Accrued Revenue in 2010</th>
<th>To Deferred Revenue</th>
<th>Net Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEM PAL Project</td>
<td>672,520</td>
<td>-38,200</td>
<td>634,320</td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>671,616</td>
<td>-38,200</td>
<td>633,416</td>
<td></td>
</tr>
<tr>
<td>IMF for workshop</td>
<td>7,010</td>
<td></td>
<td>7,010</td>
<td></td>
</tr>
<tr>
<td>Donation of the Bank of Slovenia</td>
<td>15,000</td>
<td>-15,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>CBIPA project in Moldova</td>
<td>20,000</td>
<td></td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Study Tour on Banking Supervision (BiH)</td>
<td>11,741</td>
<td></td>
<td>11,741</td>
<td></td>
</tr>
<tr>
<td>Other donations</td>
<td>339</td>
<td></td>
<td></td>
<td>339</td>
</tr>
<tr>
<td>Total</td>
<td>726,610</td>
<td>-38,200</td>
<td>-15,000</td>
<td>673,410</td>
</tr>
</tbody>
</table>

The CEF invoiced EUR 672,520 for PEM PAL project, from which EUR 38,200 relate to expenses in 2010 that were then recorded in accrued revenue.

IMF contributed EUR 7,010 to co-finance participation costs at one workshop.

The Bank of Slovenia donated EUR 15,000 for the visiting expert, the project will start in 2012.

The CBIPA project in Moldova was financed by the last installment of the CEI grant in the amount of EUR 20,000 (see also Assets/C. Short-term deferred costs and accrued Revenue).

Cheomonics International contributed EUR 11,741 to finance study tour from Bosnia on banking supervision and other donors contributed EUR 339.
B.1. Revenues from operations

<table>
<thead>
<tr>
<th>B.1 Revenues from operations</th>
<th>Invoiced</th>
<th>From deferred revenues</th>
<th>To deferred revenues/ provisions</th>
<th>Net revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent programs in Slovenia</td>
<td>47,836</td>
<td>64,252</td>
<td>-25,215</td>
<td>59,547</td>
</tr>
<tr>
<td>TIAPS Kosovo</td>
<td>84,035</td>
<td></td>
<td></td>
<td>84,035</td>
</tr>
<tr>
<td>Strategy for EU Accession Serbia project</td>
<td>49,498</td>
<td>22,500</td>
<td></td>
<td>71,998</td>
</tr>
<tr>
<td>Study Tour for Budget Office of National Assembly, Serbia</td>
<td>15,065</td>
<td></td>
<td></td>
<td>15,065</td>
</tr>
<tr>
<td>ST Uzbekistan to Slovenia</td>
<td>10,091</td>
<td></td>
<td></td>
<td>10,091</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>103,000</td>
<td>-178,070</td>
<td>-75,070</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>206,525</strong></td>
<td><strong>189,752</strong></td>
<td><strong>-230,611</strong></td>
<td><strong>165,666</strong></td>
</tr>
</tbody>
</table>

In 2011, a new generation of students in Slovenia enrolled in the TIAPS program (certificate level)—total invoiced EUR 47,836 and from the 2010/11 generation of students EUR 64,252 was transferred from deferred revenues to finance costs of studies occurred in 2011. From these EUR 27,326 was recorded in deferred revenues to finance the program until the end of the school year in September 2012 (see also Liabilities/E) and EUR 25,215 was transferred to provisions to finance development of accounting and auditing profession in Slovenia (see also Liabilities/C.1.)

The TIAPS project in Kosovo generated EUR 84,035 revenues. Project was successfully completed in 2011.

Strategy for EU integration process in Serbia project generated EUR 71,998 revenues, from which EUR 22,500 from deferred revenues. The project was accomplished in 2011.

Study tour for Budget Office of the National Assembly of Serbia was financed by EWMI in the amount of EUR 15,065, and study tour of Uzbek budget officers by UNDP in the amount of EUR 9,040 and other contributions of EUR 1,051.

From deferred revenues EUR 103,000 was recorded in revenues from operations and transferred to general reserves, EUR 40,000 was transferred to reserves for investment, and EUR 35,070 to fund to finance CEF projects (see also Liabilities/C.1)

C. Financial income represents interest on deposits (EUR 5,277) and exchange rate changes (EUR 528).

D. Other revenue represents the reconciliation result.
Expenses

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

<table>
<thead>
<tr>
<th>E. Costs of goods, materials and services</th>
<th>Costs of materials</th>
<th>Costs of services</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops and other short program</td>
<td>0,770</td>
<td>80,443</td>
<td>81,213</td>
</tr>
<tr>
<td>Conferences, round tables</td>
<td>0,221</td>
<td>43,609</td>
<td>43,831</td>
</tr>
<tr>
<td>Study tours</td>
<td></td>
<td>18,940</td>
<td>18,940</td>
</tr>
<tr>
<td>Strategy for EU integration process Project/Serbia</td>
<td>1,074</td>
<td>73,997</td>
<td>73,997</td>
</tr>
<tr>
<td>Permanent programs in Slovenia</td>
<td>2,422</td>
<td>463,800</td>
<td>466,222</td>
</tr>
<tr>
<td>PEM PAL project</td>
<td></td>
<td>45,704</td>
<td>45,704</td>
</tr>
<tr>
<td>Permanent programs in the region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>63,148</td>
<td>181,074</td>
<td>244,221</td>
</tr>
<tr>
<td>Unallocated costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total costs</td>
<td>67,635</td>
<td>950,169</td>
<td>1,017,804</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>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops and other short program</td>
<td>48,443</td>
<td>31,999</td>
<td>80,443</td>
</tr>
<tr>
<td>Conferences, round tables</td>
<td>36,983</td>
<td>6,626</td>
<td>43,609</td>
</tr>
<tr>
<td>Study tours</td>
<td>11,613</td>
<td>7,327</td>
<td>18,940</td>
</tr>
<tr>
<td>Strategy for EU integration process Project/Serbia</td>
<td>1,159</td>
<td>72,838</td>
<td>73,997</td>
</tr>
<tr>
<td>Permanent programs in Slovenia</td>
<td>3,555</td>
<td>27,866</td>
<td>31,421</td>
</tr>
<tr>
<td>PEM PAL project</td>
<td>339,556</td>
<td>124,244</td>
<td>463,800</td>
</tr>
<tr>
<td>Permanent programs in the region</td>
<td>19,070</td>
<td>26,634</td>
<td>45,704</td>
</tr>
<tr>
<td>Other projects</td>
<td>10,791</td>
<td>0,390</td>
<td>11,181</td>
</tr>
<tr>
<td>Unallocated</td>
<td>163,639</td>
<td>17,435</td>
<td>181,074</td>
</tr>
<tr>
<td>Total services</td>
<td>634,809</td>
<td>315,360</td>
<td>950,169</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 goods and services that are allocated to PEM PAL relate to the following events

<table>
<thead>
<tr>
<th>PEM PAL costs of events</th>
<th>Total in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plenary meeting in Zagreb, Croatia</td>
<td>134,209</td>
</tr>
<tr>
<td>Treasury COP in Ljubljana, Slovenia</td>
<td>23,415</td>
</tr>
<tr>
<td>Internal Audit COP workshop in Chisinau, Moldova</td>
<td>8,503</td>
</tr>
<tr>
<td>Budget COP meeting in Minsk, Belarus</td>
<td>51,926</td>
</tr>
<tr>
<td>Cross COP meeting in Bern, Switzerland</td>
<td>64,732</td>
</tr>
<tr>
<td>Treasury COP meeting in Astana, Kazakhstan</td>
<td>46,439</td>
</tr>
<tr>
<td>Study visit Moldova to Croatia</td>
<td>10,506</td>
</tr>
<tr>
<td>Study visit Uzbekistan to Slovenia</td>
<td>25,456</td>
</tr>
<tr>
<td>Internal Audit COP meeting in Ohrid, Macedonia</td>
<td>68,110</td>
</tr>
<tr>
<td>Virtual Library</td>
<td>22,119</td>
</tr>
<tr>
<td><strong>Total in 2011</strong></td>
<td><strong>455,415</strong></td>
</tr>
</tbody>
</table>

The PEM PAL project expanded its activities and broadened its work, which was funded by the World Bank administered Multi-Donor Trust Fund, with major contributors SECO and Government of the Russian Federation. In addition to the events, the Multi-Donor Trust Fund financed the Steering Committee with the amount of EUR 216,200 (inclusive of development and maintenance of web page, Virtual Library and Success Stories projects). In addition, EUR 9,281 of expenses for Virtual Library has not yet been reported to the World Bank and is not included in the above amounts.

**F. Labor costs:** The CEF paid salaries and other labor-related costs to 19 employees according to the Slovenian Law on Civil Servants and Law on Levels of Salaries for Civil Servants (EUR 655,717). 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</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent programs in Slovenia</td>
<td>31,941</td>
<td>24,450</td>
<td>56,391</td>
</tr>
<tr>
<td>Permanent programs in the region (Macedonia, Moldova, Kosovo)</td>
<td>43,067</td>
<td>14,088</td>
<td>57,155</td>
</tr>
<tr>
<td>PEM PAL project</td>
<td>455,415</td>
<td>124,428</td>
<td>579,843</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>530,423</strong></td>
<td><strong>162,966</strong></td>
<td><strong>693,389</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 51,112 are recorded by the method of linear depreciation and amortization.

<table>
<thead>
<tr>
<th>Depreciation and amortization rates</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and computer equipment</td>
<td>33.33% to 50.00%</td>
</tr>
<tr>
<td>Investment in premises</td>
<td>3.00%</td>
</tr>
<tr>
<td>Other equipment</td>
<td>20.00% to 33.33%</td>
</tr>
</tbody>
</table>

**I.2. Other costs** relate to administrative taxes (4,377 EUR), students’ work (6,525 EUR), and other (217 EUR).

**J. Financial expenses** represent negative exchange rate changes on deposits in USD and invoices paid with Master Card in currencies other than EUR.

**K. Other expenses** represent differences from rounded amounts paid in cash.
Independent Auditor's Report

To the Founders and the Supervisory Board of the Regionalna ustanova - Center za razvoj financ, Ljubljana

We have audited the accompanying financial statements of Regionalna ustanova - Center za razvoj financ, Ljubljana, which comprise the balance sheet as at 31 December 2011, 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 Regionalna ustanova - Center za razvoj financ, Ljubljana, as at 31 December 2011, 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 2011 Regionalna ustanova - Center za razvoj financ, 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 Eržen Potisek, M.Sc.Ec.
Certified Auditor

Katarina Sitar Šuštar, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 30 March 2012

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

The Independent Auditor’s Report hereof is a translation of the original Independent Auditor’s Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only.
CEF STAFF AND AFFILIATED EXPERTS

MANAGEMENT AND ADMINISTRATION

Mira Dobovišek, Director
mira.dobovisek@cef-see.org
+386 1 369 6190

Jana Repanšek, Deputy Director
jana.repansek@cef-see.org
+386 1 369 6303

Kristina Bogdan, Administrative Assistant
kristina.bogdan@cef-see.org
+386 1 369 6190

COMMUNICATIONS

Paul McClure, Communications Specialist
(Visiting Fellow)
paul.mcclure@cef-see.org
+386 1 369 6338

IT SUPPORT

Gregor Šekoranja, IT Support
gregor.sekoranja@cef-see.org
+386 1 369 6335

Aleksander Nadj, IT Assistant
aleksander.nadj@cef-see.org
+386 1 369 6335

PROGRAM MANAGEMENT

Senka Maver, Senior Program Manager
senka.maver@cef-see.org
+386 1 369 6871

Aleksandra Tekijaški, Program Manager
aleksandra.tekijaski@cef-see.org
+386 1 369 6237

Urška Zrinski, Program Manager
urska.zrinski@cef-see.org
+386 1 369 6336

PROGRAMS AND PROJECTS

Robert Bauchmüller, Project Manager
robert.bauchmuller@cef-see.org
+386 1 369 6332

Bojana Crnadak, Project Coordinator
bojana.crnadak@cef-see.org
+386 1 369 6333

Ana Frangež, Project Manager
ana.frangez@cef-see.org
+386 1 369 6304

Ivana Gašparac, Project Assistant
ivana.gasparac@cef-see.org
+386 1 369 6136
IMF TECHNICAL ASSISTANCE

Brian Olden, IMF Regional PFM Advisor, South East Europe
bolden@imf.org
+386 1 369 6186

Norman Gillanders, IMF Tax Administration Reform Advisor, South East Europe
NGillanders@imf.org
+386 1 369 6288

PEM PAL SECRETARIAT

Deanna Aubrey, PEM PAL PFM Advisor
daubrey@worldbank.org
+386 1 369 6193

Agnes Janković, Project Assistant
agnes.jankovic@cef-see.org
+386 1 369 6334

Živa Lautar, Project Coordinator
ziva.lautar@cef-see.org
+386 1 369 6136

Irena Lukač, Project Manager
irena.lukac@cef-see.org
+386 1 369 6251

Polona Sirnik, Project Assistant
polona.sirnik@cef-see.org
+386 1 369 6195

Maja Tomšič, Project Coordinator
maja.tomsic@cef-see.org
+386 1 369 6194

Nataša Verbnik, Project Coordinator
natasa.verbnik@cef-see.org
+386 1 369 6195

Tina Žagar, Project Manager
tina.zagar@cef-see.org
+386 1 369 6337

Tina Živanič, Project Assistant
tina.zivanic@cef-see.org
+386 1 369 6339

Mia Pavešić-Škerlep, Interpreter
mia.pavesic-skerlep@cef-see.org
+386 1 369 6196

Tina Živanič, Project Assistant
tina.zivanic@cef-see.org
+386 1 369 6339
ASSOCIATE FELLOWS AND VISITING EXPERT

Mojmir Mrak

Mr. Mrak is a professor at the Faculty of Economics, University of Ljubljana, Slovenia. He has more than 10 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. In addition, he was responsible for early credit arrangements of Slovenia with the EBRD and the IBRD. Since 1997, he has been chief advisor of the Slovenian Government on financial aspects of the country’s EU accession process. Between 2005 and 2009, he was a member of the Knowledge for Growth high-level expert group formed by Commissioner Janez Potočnik.

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) program. 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 coordinator of the Political Economy of South East Europe program at the European Studies Centre, St Antony’s College, Oxford. He is also 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 advisor 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 he subsequently served as a Director of the Central Bank of Ireland until December 2011.

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.

Paul McClure

Paul McClure is a Senior Communications Officer at the International Bank for Reconstruction and Development (World Bank). He joined the CEF in April 2012 on a joint appointment with the Bank of Slovenia to help scale up our support on written communications.

With five years of experience teaching writing at the university level, Mr McClure has worked more than 15 years in print and web publishing, both in private industry and international organizations. At the World Bank he conceived and edited A Guide to the World Bank, which is now in its third edition. He subsequently edited the annual report for the International Finance Corporation, the World Bank Group’s private sector arm. Most recently, he has been helping raise editorial standards for the World Bank’s online publishing.

Mr McClure taught written communications at the CEF in 2008 and 2010. He will now tailor this training to the needs of individual agencies across the region. He will contribute to other courses and provide expertise to the CEF and the Bank of Slovenia.
CEF STAFF AND AFFILIATED EXPERTS

CEF STAFF CAPACITY DEVELOPMENT AND KNOWLEDGE SHARING

Training on Training: Design, Implementation, and Evaluation of Training for the CEF Staff

To assist the CEF workshop coordinators in introducing and implementing a participatory approach to learning and training, the training on training was organized and attended by the CEF staff for most of 2011. Based on the CEF’s needs, the training was designed in cooperation with the external expert Beverly Trayner. Training was designed as an experiential, reflective and joint inquiry on training design, implementation, and evaluation. It was delivered in four phases, including online preparation (using the online content management system Moodle), face-to-face meeting, online follow-up, and an implementation phase.

Through an intensive seven months of training, the CEF staff involved in the training program got familiarized with recent trends in the area of learning and training and a variety of learning methods and tools. They critically reviewed the existing monitoring and evaluation model of the CEF’s training and provided inputs on how to improve it. Most importantly, they strengthened their teamwork by creating a learning partnership where our experience and knowledge are constantly shared and rethought.

Our approach to this workshop was to view the participants as potential learning partners. While they could benefit from input about design, implementation and evaluation of training, their main source for ongoing professional development is each other. We carried out a range of activities to try and get a sense of what practice looked like for each participant and what were their main challenges. The whole group was invited to bring their own experience to bear on some members’ specific challenges, helping to think through the issues and offer possible solutions.

In addition to looking for ways to create a social learning space that would continue even after the training, my approach was to involve participants in joint leadership of each day and its activities. Everyone rose to the challenge, and we had some very meaningful and inspiring conversations. I was impressed by the different skills and experience brought to the table by participants, and I hope that this space for the learning partnership continues to be cultivated in ways that support and extend the CEF coordinators who engage in it.

Beverly Trayner
Social Learning Strategist
CEF Staff Retreat

On August 30-31, 2011, the CEF staff headed off for their second-ever retreat to develop their own capacity and to prepare for future tasks. The first day focused on planning for the next season and beyond and on identifying areas for the staff’s personal capacity development. The second day focused on team building through various sport and social activities.

Workshop on Learning Objectives

As a part of the CEF’s intra-institutional capacity development and knowledge sharing, CEF staff members (Urška Zrinski, CEF Program Manager, and Tina Žagar, CEF Project Manager) developed and on November 14, 2011, delivered a Workshop on Learning Objectives for other CEF staff.

Participants at the workshop discussed what learning objectives are; why they are important in the process of designing, implementing, and evaluating training; what the key components of learning objectives are; and how to create useful learning objectives.
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 cooperation in the field of competence development and training.

CEF became a member of the Train4Dev network in 2008. It is active in two Train4Dev expert groups. In 2008 it joined the Public Financial Management (PFM) expert group. This group focuses on identifying courses in the field of PFM and Public Expenditure Financial Accountability (PEFA) offered by Train4Dev member organizations with the aim of enhancing 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) expert group, which focuses on the creation, storage, and dissemination of knowledge resources in an organization.

CEF delegate Jana Repanšek participated at the 9th Train4Dev Annual Meeting in Brussels in spring 2011. The meeting was co-organized by the Belgian Development Agency (BTC) and the Luxembourg Agency for Development Cooperation (LuxDev). Train4Dev members reiterated the need for well-prepared staff to enhance the outcome of development cooperation.

In November 2011, Jana Repanšek participated at the Joint Learning Journey on Capacity Development workshop organized by Gesellschaft für Internationale Zusammenarbeit (GIZ) and Train4Dev at the Academy for International Cooperation (AIZ) in Bad Honnef, Germany.

At the workshop she gave a presentation that focused on the CEF’s approach to capacity development. She also explained how the CEF has developed and evolved its understanding of capacity development from its establishment 10 years ago to today.

The capacity development practitioners from 10 institutions in Bad Honnef started a six-month capacity development joint learning. They will further develop capacity development processes and strengthen common understanding of this field. The Learning Package on Capacity Development (LenCD) will be used as the crucial resource to feed the capacity development joint learning journey processes and will be operationalized within the journey. The CEF will partner with BTC and LuxDEV.
CEF at Fourth High Level Forum on Aid Effectiveness

The CEF attended the Fourth High Level Forum on Aid Effectiveness in Busan, Korea, from November 29 to December 1, 2011. Delegates from across the globe met to review global processes for improving the impact of aid and making it more effective. Agreement was reached on the Busan Partnership for Effective Development Cooperation. This document establishes a framework for development cooperation that embraces traditional donors, South-South cooperators, the so-called BRIC countries (Brazil, Russia, India and China), civil society organizations, and private funders. The document states that the use and strengthening of developing partners’ PFM systems remains central to building effective institutions.

In Busan, CEF delegate Urška Zrinski attended discussions on how donors can assist partner countries in strengthening and using PFM systems. The CEF also attended events organized by Train4Dev, of which the CEF is a member. These included debates on joint learning programs, a session on capacity development and knowledge exchange, and the promotion of the work of Train4Dev. It also covered the importance of training, learning, and knowledge sharing in improving the quality and effectiveness of development cooperation.
CEF Shared Experience with Institute of Finance Basil Fuleihan, Lebanon

The CEF participated at the international conference on Rethinking Training in the Public Sector that was organized by the Institute of Finance Basil Fuleihan (IOF), the training and communication agency of the Ministry of Finance of Lebanon, held in Beirut in November 2011. The conference was organized back-to-back with celebrations commemorating the 15th anniversary of the Lebanese Institute.

The event provided a platform to discuss issues of training and capacity development in the public sector in the context of PFM reforms and increased advocacy for transparency and accountability. The conference was attended by training and capacity development experts and practitioners from countries of the Middle East and North Africa and representatives of regional and international organizations.

The CEF representative Urška Zrinski gave a presentation on “Thinking Strategically: How Can Training Support PFM Reform?” The presentation focused on the role of training institutes in supporting PFM capacity development and the importance of developing these institutes’ in-house capacity. It focused on a regional approach to supporting PFM reforms by providing examples of the CEF’s work.

EUROsociAL II

EUROsociAL II is a technical cooperation program of the European Commission that aims to strengthen the institutional capacity for public administration in Latin American countries through awareness-raising activities and the sharing of experiences between administrators in the European Union and Latin America. The general objective is to strengthen social cohesion in Latin American countries by promoting reforms and better management of public policies. The program acts on the social policies that are considered to be the main drivers of social cohesion.

The CEF takes part in EUROsociAL II under the thematic line of public finance. The public finance group’s main objective, as defined at the July 2011 kick-off meeting in Madrid, is to support greater efficiency, effectiveness, and quality of PFM, which is considered essential for better quality in social spending.

In the EUROsociAL II autumn 2011 meeting in Montevideo, Uruguay, the public finance group identified two main topics on the basis of Latin American countries’ requests for cooperation:
(i) improving equity through fiscal policy
(ii) improving efficiency and effectiveness in PFM

The CEF’s future role in the program would be to organize study visits by Latin American practitioners to countries in Europe with a good track record in implementing PFM reform or that are at an early stage of PFM reform but have an ambitious agenda.
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.

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

The classrooms are fully equipped with up-to-date technical facilities for presentations and computer-based instruction, and video-conferencing. Some courses of longer duration or larger size are held in outsourced facilities at other locations.
The boundaries, color, denominations and any other information shown on maps in this Annual Report do not imply any judgment on the legal status of any territory, or any endorsement or the acceptance of such boundaries.