The 13th CEF Supervisory Board meeting was held in correspondence. The meeting materials were sent to the 22 ministers and governors (in case of Turkey to the Undersecretary of Treasury), members of the CEF Supervisory Board via e-mail and post on March 20th, 2014. Their response either by mail, fax, or email attachment was requested until March 31.

Altogether 19 responses from ministers and governors were received. One of the responses was dated on a day after the final deadline of the correspondence session, while others arrived on time. All agreed with all five proposed conclusions of the Supervisory Board session.
I. AGENDA


B | Change of Status of the CEF to International Organization: Progress Report and Next Steps

C | Report of the CEF Management Board for 2012

D | Report of the CEF Advisory Board for 2012

E | Nomination of the CEF Director for the Period 2014 to 2018
### II. List of Supervisory Board members that signed the SB conclusions

<table>
<thead>
<tr>
<th>First name</th>
<th>Last name</th>
<th>Institution</th>
<th>Title</th>
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<tbody>
<tr>
<td>Ardian</td>
<td>Fullani</td>
<td>Bank of Albania</td>
<td>Governor</td>
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<tr>
<td>Ivan</td>
<td>Iskrov</td>
<td>National Bank, Bulgaria</td>
<td>Governor</td>
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<tr>
<td>Bedri</td>
<td>Hamza</td>
<td>Central Bank, Kosovo</td>
<td>Governor</td>
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<tr>
<td>Dimitar</td>
<td>Bogov</td>
<td>National Bank Macedonia</td>
<td>Governor</td>
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<tr>
<td>Dorin</td>
<td>Drăguțanu</td>
<td>National Bank, Moldova</td>
<td>Governor</td>
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<tr>
<td>Milojica</td>
<td>Dakić</td>
<td>Central Bank, Montenegro</td>
<td>Governor</td>
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<tr>
<td>Mugur</td>
<td>Isaescu</td>
<td>National Bank, Romania</td>
<td>Governor</td>
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<tr>
<td>Jorgovanka</td>
<td>Tabaković</td>
<td>National Bank, Serbia</td>
<td>Governor</td>
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<td>Boštjan</td>
<td>Jazbec</td>
<td>Central Bank, Slovenia</td>
<td>Governor</td>
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<tr>
<td>Shkëlqim</td>
<td>Cani</td>
<td>Ministry of Finance, Albania</td>
<td>Minister</td>
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<tr>
<td>Nikola</td>
<td>Špirić</td>
<td>Ministry of Finance and Treasury, BIH</td>
<td>Minister</td>
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<tr>
<td>Petar</td>
<td>Chobanov</td>
<td>Ministry of Finance, Bulgaria</td>
<td>Minister</td>
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<td>Slavko</td>
<td>Linić</td>
<td>Ministry of Finance, Croatia</td>
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<td>Zoran</td>
<td>Stavreski</td>
<td>Ministry of Finance, Macedonia</td>
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<td>Anatol</td>
<td>Arapu</td>
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<td>Radoje</td>
<td>Žugić</td>
<td>Ministry of Finance, Montenegro</td>
<td>Minister</td>
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<tr>
<td>Ioana Maria</td>
<td>Petrescu</td>
<td>Ministry of Public Finance, Romania</td>
<td>Minister</td>
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<tr>
<td>Uroš</td>
<td>Čufer</td>
<td>Ministry of Finance, Slovenia</td>
<td>Minister</td>
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<tr>
<td>Ibrahim Halil</td>
<td>Canakci</td>
<td>Undersecretariat of Treasury, Turkey</td>
<td>Undersecretary</td>
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III. AGENDA ITEMS


The CEF capacity development program was broadened again. In 2012 the CEF successfully delivered activities in the following four areas:

1. **Short programs and conferences:** The CEF in 2012 delivered 31 workshops and seminars in the area of public finance and central banking. They were attended by 506 participants from CEF member states and other East and Southeast European (SEE) countries. The majority of workshops and seminars were from the area of budgeting, taxation, accounting and auditing, central banking and people and process management. 71 experts from 30 partner organizations cooperated in development and delivery of workshops and seminars.

Due to financial constraints the CEF in 2012 did not deliver a bigger conference. The CEF did however organize a number of events of a smaller size: It presented International Monetary Fund's (IMF) publication "Fiscal Monitor" and the book entitled "Reforming Severance Pay – An International Perspective".

2. **Permanent certification programs for auditors and accountants in the public sector in Slovenia and the SEE region:** Six generations of internal auditors and four generations of accountants concluded with their studies in Slovenia. In cooperation with the Chartered Institute of Finance and Public Accountancy (CIPFA) it delivered 123 certificates and 45 diplomas to successful students in the program for auditors and 146 certificates and 131 diplomas to successful students in the program for accountants. Together with the Budget Supervision Office, the CEF organized consultations for heads of budget users in seven Slovenian cities.

In addition, the CEF has been introducing these permanent programs in other member countries on a project basis. In this regard, the CEF in spring 2012 introduced a renewed program for accountants in the public sector of Macedonia. 40 students enrolled into this program.

Program for internal auditors in the public sector begun in Montenegro and Macedonia, equally on a donor sponsored project basis. Project activities in Montenegro began in spring 2012. They included identification and training of trainers and enrollment of 40 chosen students that also started with their studies. In addition, a group of experts started to work on program localization. Based on good results of the project, an application was submitted for the continuation of the program for the second group of students. In Macedonia, almost 80 students enrolled in the certification (first) level of the "Training of Internal Auditors in the Public Sector."

The CEF has been supporting training of accountants and internal auditors in the public sector in countries that expressed their interest for the projects. The CEF will cooperate with a number of donors that are active in the region to support implementation of these projects in the future. The implementation of these projects will depend on particular circumstances and available funding.
3. **The CEF in 2008 assumed the Secretariat role for the World Bank’s PEM PAL (Public Expenditure Management – Peer Assisted Learning) project.** It has been offering administrative and professional support in implementation of the project's activities.

In this regard, the CEF in 2012 organized 16 meetings of a various size (PEM PAL Steering Committee meetings; Treasury, Budget and Internal Audit communities of practice meetings; leadership group meetings of all three communities of practice and study visits).

In the second part of 2012 the CEF put a significant attention and resources in the preparation and submission of formal offer to acquire a new two-year contract for the PEM PAL Secretariat. The contract was signed on March 5, 2013.

4. **Development of new projects:** The CEF in 2012 finalized development of the "Building Capacities for Policy Design and Implementation" program and submitted to the European Commission for financing the "Strategic Planning and Budgeting" project that is a part of this program. Funds to implement the project have been assured within the Multi-beneficiary IPA of the European Union.

The CEF has been, together with the City of Vienna, the EU Strategy for the Danube Region Priority Area 10 coordinator. In this role, the CEF in 2013 organized and hosted Steering Group meeting, and set up meetings of two working groups (working group on financing and working group on institutional capacity development) and two workshops (the first one on the topic of project facilitation and the second one jointly with the city of Vienna that focused on modern regional governance).

Within its own planned capacity development, the CEF in 2012 took part in the international workshop entitled “Sharing Knowledge and Transition Experience for Development: The View of New European Donors.” Using this occasion, the CEF invited new EU members to cooperate in delivery of projects in South East Europe. CEF representatives also attended the 10th annual meeting of the Train4Dev/learn4dev network in Torino, organized by ITC ILO (International Labour Organization) and ADA (Austrian Development Agency).

Similarly as in the past years, the CEF in 2012 hosted two regional IMF advisors for public financial management and tax administration in SEE. While participating countries very much appreciate regional advisors' technical assistance through the CEF, coordinated work of both advisors also delivers positive synergies for the CEF program.

The Government of the Republic of Slovenia supports CEF’s functioning and program by assuring premises in Ljubljana and through a regular annual donation. In 2012 the CEF acquired a donation in the amount of EUR 680,000 for basic activities and EUR 50,000 to support a particular project implementation (which means altogether EUR 730,000, without amortization and depreciation). Both, the evaluated in-kind donation of premises and the financial donation, are reported within the Slovenia’s Development Cooperation. Contributions from other donors (World Bank, European Commission, German Stability Pact Funding, CEI – Central European Initiative, Banka Slovenije), together with other sources of financing, amounted to EUR 1,378,766.
CEF Work Plan for 2014 was prepared based on the CEF member countries’ needs and in cooperation with partner institutions. These needs were expressed at a number of working meetings, study tours and during workshops and seminars in the last couple of years.

In addition, the CEF will in 2014—as it has in the past—offer support to the IMF regional advisors based in Ljubljana. The two regional IMF advisors will continue to offer technical assistance in the area of public financial management and tax administration reforms.

In accordance with the proposed CEF Work Plan for 2014 it was initially envisaged that the Republic of Slovenia's donation to the CEF will be at the same level than in 2013. However, the funding was later adjusted to EUR 600,000, due to extreme severe limitations in financing from the Republic of Slovenia's budget of 2014. It is envisaged that the financing gap will be covered by resources from other donors.

Appendix I: CEF Annual Report 2012 (with financial statements)
Appendix II: CEF Work Plan for 2014
Appendix III: 2014 Learning Activities Catalog

CONCLUSION 1:
The Supervisory Board approves the CEF 2012 Annual Report and Financial Statements and fully endorses the proposed activities in CEF Work Plan for 2014.

19 out of 22 members of the CEF Supervisory Board returned the signed conclusions. All voted in favor of the Conclusion 1.
B | Change of Status of the CEF to International Organization: Progress Report and Next Steps

The Supervisory Board discussed and endorsed the proposal for the CEF’s change of status to international organization at its 11th session that took place on June 24, 2011 in Ljubljana. It requested the CEF Management to take the necessary steps.

The CEF started to prepare the basic documents related to the change of status and in December 2011 the Draft Agreement on Establishment of the Center of Excellence in Finance (the Agreement) was disseminated among member countries for potential comments.

In December 2012 member countries were invited to a drafting session. While a number of CEF Member Countries have indicated their agreement to the version originally put forward by the Slovenian authorities, the original proposal was amended to address the member countries’ comments, most notably on the issue of "Privileges and Immunities".

The text of the Agreement was finalized by spring 2013 and in April 2013 it was sent to all member countries with an invitation to sign it. The final version of the Agreement was signed by ministers of the five CEF member countries (Bulgaria, Croatia, Macedonia, Montenegro, and Slovenia) at the signing ceremony on September 3, 2013 in Bled, Slovenia. Bosnia and Herzegovina signed the Agreement subsequently with the exchange of letters on November 27, 2013. Moldova joined the Agreement by signing of its Ambassador at the CEF premises on December 11, 2013. Other countries may be able to join when ready at a later stage.

Next Steps
The following activities are needed as a precondition for the CEF to start its operations as an international institution:

1. Interested member countries have already been invited to ratify the signed Agreement. It will enter into force after at least three countries deposit instruments of ratification.

After the Agreement enters into force, other current CEF members and other countries (especially countries from Caucasus and Central Asia) will have the opportunity to accede to the agreement at any time in the future.

According to the Articles of the Agreement, current CEF members that will not accede to the Agreement will be provided with the same scope of services, under the same conditions as currently, but will not have the possibility to decide on the CEF strategy, program and financial accounts.

2. The Agreement will be registered with the United Nations after at least three countries deposit instruments of ratification with the Slovenian Ministry of Foreign Affairs.

3. The Agreement with the Government of Slovenia (Headquarters Agreement) will define the conditions under which Slovenia will host and finance the CEF.
4. The Rules and Regulations for the CEF as an international organization will be drafted.

5. The first session of the Governing Board will be organized to approve the CEF’s Rules and Regulations.

CONCLUSION 2:
The Supervisory Board takes note of the progress in changing the status of the CEF and looks forward to a timely conclusion of the process that is needed for the CEF to become an international organization.

19 out of 22 members of the CEF Supervisory Board returned the signed conclusions. All voted in favor of the Conclusion 2.
The CEF Management Board is currently comprised of three public sector officers who are representatives of the Government of the Republic of Slovenia, the founder of the CEF. Its primary function is to supervise both financial and other activities of the CEF, ensuring that it fulfills the purpose for which it was founded. In addition, the Management Board reports on the CEF’s work to the Supervisory Board.

In 2012, the Management Board held four regular sessions and one correspondence session. As part of its regular activities, it discussed the CEF’s Annual Report with Financial Statements for 2011. It discussed and approved documents and procedures for the CEF’s change of status to an international organization. It approved the appointment of new staff to support an increasingly complex program and a growing number of projects. Finally it oversaw the CEF’s activities through regular reporting by the Director.

The Management Board is pleased to note that the CEF continued to perform its work successfully in the past year. It coped very well with the challenges of economic uncertainty and as a result entered 2013 with confidence that it can continue to serve its mandate in a reliable fashion. Government of Slovenia donated fewer resources to the CEF due to budgetary restrictions. In spite of this the CEF program was not strongly affected due to other acquired resources. In more than 12 years of existence, the CEF has retained its edge in promoting excellence in public financial management and central banking. The institution remains committed to continuous investigation into needs across the region and beyond. Understanding these remains essential to developing high-quality capacity development programs. In 2012, notably, the CEF successfully facilitated a major needs assessment effort that looked into how countries in the Western Balkans and Turkey assess the fiscal impact of structural reforms.

With strong support from donors and partner institutions, as well as highly professional and dedicated staff, the CEF has encouraging prospects for its work in the future. The CEF developed yet closer cooperation with the European Commission in the past year. This will bring additional benefits to the region, as the European Union provides a strong external anchor for policy design to the CEF member countries that are yet to become EU members. The Management Board also strongly supports further strengthening of the already fertile relationship with the IMF.

The CEF is approaching a historic milestone with its transformation to a full-fledged international organization. The Management Board worked closely in the past year with the Slovenian Government and the Ministry of Finance to facilitate this change of status as it strongly believes that the change of status will further strengthen the institution and its work.

CONCLUSION 3:
The Supervisory Board assents to the report of the Management Board for 2012.

19 out of 22 members of the CEF Supervisory Board returned the signed conclusions. All voted in favor of the Conclusion 3.
D | Report of the CEF Advisory Board for 2012

The Advisory Board represents the CEF’s donor partners. It advises the Supervisory Board and management on guidelines for the CEF learning and regional cooperation program and prepares periodic assessments of CEF’s operations that it presents to the Supervisory Board. The Advisory Board meets annually. The new chair of the Advisory Board is Mr Jan Willem van den Wall Bake of the Dutch Ministry of Finance.

The 10th annual Advisory Board meeting was held on September 28, 2012, in Istanbul, Turkey. As recommended at the 2011 Advisory Board meeting, a joint session with the CEF Coordinators was convened to ensure exchange of information, experiences, and ideas among member countries’ institutions, partner institutions, and the CEF.

The CEF Coordinators shared their insights on the capacity development needs at their institutions and how these could be addressed taking into consideration the current economic crisis.

Representatives of 11 partner institutions presented the ways they are partnering with the CEF to support capacity development in the region and offered guidance to the CEF on expanding funding options as well as shaping and building alliances.

The 11th Advisory Board meeting in 2013 took place on September 2, 2013 in Bohinjska Bistrica, on the sides of the official signing of the Agreement Establishing the CEF as international organization.

CONCLUSION 4:
The Supervisory Board assents to the report of the Advisory Board for 2012.

19 out of 22 members of the CEF Supervisory Board returned the signed conclusions. All voted in favor of the Conclusion 4.
E | Nomination of the CEF Director for the Period 2014 to 2018

The CEF Management Board (based on its decision from September 19, 2013 and in accordance with Article 25 of the Slovenia's Employment Relationship Act) published a public tender for the position of CEF director for a new four-year term. Ms Mira Dobovišek, current director of the CEF, was selected among candidates that responded as the most suited candidate for the position.

Based on the received applications, review of submitted documentation, and the conducted interview, the CEF Management Board members concluded that the incumbent in the position is the most suited candidate to lead the CEF in the next four years. This will assure the continuation of CEF's successful work thus far. The CEF has in the 12 years of existence developed into a leading capacity development institute in public financial management and central banking in South East Europe and beyond. In addition, the CEF has managed to attract many partner institutions that importantly contribute to CEF's program and financially support a number of projects. The CEF has therefore managed to develop broadly recognized program that responds to member countries needs with a goal to address these countries' transition challenges. The CEF is an internationally recognized institution.

The CEF Management Board proposes that the Supervisory Board approves its decision to appoint Ms Mira Dobovišek as director of the CEF for the next four years or until the CEF's transformation into an international organization. The four year term will start when approved by the CEF Supervisory Board. Based on this approval the Chair of the CEF Management Board will sign an employment agreement with the incumbent for a fixed term for four years.

CONCLUSION 5:
The Supervisory Board approves the decision of the CEF Management Board to appoint Mira Dobovišek as director of the CEF for the next four-year term

19 out of 22 members of the CEF Supervisory Board returned the signed conclusions. All voted in favor of the Conclusion 5.