Quarterly Report
April–June 2014
CONTENTS

4 CENTER OF EXCELLENCE IN FINANCE
4 Governance
5 Partnerships
6 How Learning Works at the CEF
6 Learning and Regional Cooperation

9 GOVERNANCE

10 HOW LEARNING WORKS AT THE CEF
10 CEF Institutional Capacity Development and Knowledge Sharing Activities

12 LEARNING ACTIVITIES
12 Workshops and Seminars
14 Tailored Trainings
14 Certification Programs

16 REGIONAL COOPERATION
16 Building Capacities for Policy Design and Implementation
16 EU Strategy for the Danube Region
17 Public Expenditure Management Peer Assisted Learning network
17 Policy Conferences and Research
17 Regional IMF Technical Advisors

20 FINANCIAL REPORT
20 Resources
20 Expenses
The Center of Excellence in Finance (CEF) is a leading regional institution promoting capacity development in public financial management and central banking in South East Europe (SEE). We develop tailor-made training for staff working in the public sector, including central banks. We provide also technical assistance and promote research and policy dialogue on issues of public financial management and central banking.

CEF member countries include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia and Turkey. Through our role as secretariat for the World Bank’s PEMPAL program, we are also present in a number of other countries of Eastern Europe and Central Asia.

Online information is available at www.cef-see.org.

Governance

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

The highest governance body is the Supervisory Board, through which member countries oversee CEF operations and influence our program. It meets annually to set guidelines for CEF activities, adopt a work plan for the year ahead, and approve the Annual Report and financial statements for the previous year. Members are ministers of finance and governors of central banks or their nominated representatives.

The Management Board represents the founder, the Government of the Republic of Slovenia. It provides supervision of the CEF’s financial and other activities and reports its activities to the Supervisory Board.

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

The Director organizes and manages CEF operations in accordance with decisions adopted by the Supervisory and Management Boards and works to ensure efficient and effective management of the CEF.

Member countries’ ministries of finance and central banks nominate CEF Coordinators, who serve as lead contacts to ensure that the CEF maintains a strong understanding and responsive approach to the region’s training needs.
Partnerships

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

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

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

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

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

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

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

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

CEF Institutional Capacity Development and Knowledge Sharing

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

Learning and Regional Cooperation

Learning Activities

Workshops and Seminars

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

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

- **Central Banking**

- **People and Process Management**

Tailored Trainings

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

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

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

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

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

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

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

Regional Cooperation

Building Capacities for Policy Design and Implementation

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

EU Strategy for the Danube Region

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

**PEMPAL – Public Expenditure Management Peer Assisted Learning Network**

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

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

**Policy Conferences and Research**

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

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

**Regional IMF Technical Advisors**

The International Monetary Fund’s long-term regional advisor positions are part of a Japanese Government-funded program for strengthening fiscal management for SEE. The program has significantly boosted the resources available in the region for technical assistance and has contributed to a more programmatic approach to delivery. It focuses on achieving medium-term capacity building reform objectives in Public Finance Management and Tax Administration.

The partnership between the IMF and the CEF combines technical assistance and training and has proven to be a resource effective and efficient approach. Advisors benefit from using the CEF’s network of experts and training professionals, facilities, and conference and meeting venues. In turn, findings from advisors’ missions help identify needs for additional training at the CEF. The advisors collaborate closely with the CEF in formulating training programs and contribute as lecturers and coordinators to CEF courses.
CEF Governance

Agreement on Establishing the CEF as an International Organization

On May 30, Dan Manolescu, State Secretary at the Romanian Ministry of Public Finance, signed the Agreement on Establishing the CEF as an international organization. Romania is thus the eighth country to join the Agreement.

On June 12 National Assembly of the Republic of Slovenia adopted the Act Ratifying the Agreement on Establishing the CEF.

The Agreement that is establishing the CEF as an international organization will come into force when additional two countries ratify it, hopefully before 2015. For the new international organization to become operational, it also has to conclude headquarters Agreement with the Government of Slovenia that is hosting the CEF.

The process of the CEF becoming an international organization was officially launched on September 3, 2013 in Bled, Slovenia when five countries – Bulgaria, Croatia, Macedonia, Montenegro and Slovenia – signed the Agreement. Bosnia and Herzegovina signed the Agreement subsequently in Sarajevo, BIH in November 2013 and Moldova in Ljubljana in December 2013. Romania was the eighth country that joined the Agreement. It signed it in May 2014 in Ljubljana.
How Learning Works at the CEF

CEF Institutional Capacity Development and Knowledge Sharing Activities

In the second quarter of 2014, to develop our own capacities and to develop and maintain our role of a knowledge hub, the CEF organized, shared knowledge, or participated in the following events:

CEF Exploring Ways to Enhance Cooperation with Risk Management Platform

CEF attended the Plenary Meeting of the Risk Management Platform which was established in 2007 under the Fiscalis Programme, with the purpose of providing a permanent communication and information exchange among risk management experts from all participating EU Member States. On the occasion, we explored possible ways of future co-operation with the Platform as the overarching theme of the CEF taxation learning program in 2014/15 will continue to revolve around modern, risk-based approaches to tax compliance.

Experts in compliance risk management from EU Member States gathered to discuss better cooperation between Member States and to identify good practices in the area of risk analysis which would allow them to better target and fight tax fraud. An awareness of the challenges for tax administrations in an ever-changing world of globalization and new information technologies has also been discussed. Participating countries shared their examples of new ways of working to improve taxpayer compliance.

Discussing common problems and identifying possible solutions along with exchange of best practices was recognized as a very useful way of strengthening co-operation between risk management experts representing tax administrations in the EU member states.

The Plenary meeting of the Risk Management Platform was held on May 13-14, 2014 in Edinburgh and was hosted in close co-operation with the European Commission by the HM Revenue and Customs.

Learn4dev Network Annual Meeting Organized in Ljubljana

The 2014 annual meeting of the learn4dev network was organized by the CEF together with Swiss Agency for Development and Cooperation (SDC). It took place on June 16-18 at in Ljubljana. More than 20 donor agencies and multilateral organizations gathered at the meeting and discussed new trends in international development cooperation, the way we can respond to associated challenges through learning and knowledge sharing, and the value of the network in this regard.

The global international development cooperation landscape is changing rapidly. We have been witnessing a proliferation of new development actors, and a shift in the inclusiveness agenda. At the same time, there is a joint understanding among development stakeholders, that learning and knowledge sharing must be high on the post-2015 development agenda.

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

At the meeting the participants discussed challenges and opportunities they are facing at their work. Human resource and learning experts expressed the need to work together on the topic of organizational learning. The action plan of the new Expert Group on Organizational Learning was established. The UK’s Department for International Development (DFID) offered to lead the group,
Swedish International Development Cooperation Agency (Sida), Swiss Agency for Development and Cooperation (SDC), European Commission (EC), and CEF expressed interest to join in.

Participants also confirmed the importance of sharing experiences about the use of the learning virtual tools and prepared an action plan to make the inventory of online learning opportunities. Gender expert group prepared a plan for the implementation of the Gender Equality Scorecard, the tool that was developed for gender mainstreaming in trainings.

Participants also highlighted the importance of the active use of network's communication strategy within the network as well as in external communication. The newly prepared communication strategy was presented and discussed and action plan is proposed for its implementation.

Hosts of the next year’s annual meeting will be the EC and DFID. The meeting will take place in June 2015 in Glasgow, Scotland.

**CEF’s Approach to Learning and Knowledge Sharing Was Showcased at the HLM2 in Korea**

The development achievements over the past decades have relied not only on financial resources and technical assistance, but also on innovative practice-based solutions designed and adapted by national institutions. Knowledge sharing is increasingly recognized to play an important role for domestic scale-up of successful solutions and ideas. As such, national institutions are becoming aware of the role knowledge flows can play in contributing to more effective delivery of government and public services across the country.

At the invitation of the World Bank, the CEF joined the 2nd High-Level Meeting on Country-led Knowledge Hubs (HLM2) that took place from June 23–26, 2014 in Seoul, Korea. We presented our case of how we have been continuously developing CEF’s institutional and operational capacity in support of learning and knowledge exchange among our member institutions. In addition, we were invited to speak about our approach to learning and evaluation.

500 participants from 76 countries followed the invitation by the Republic of Korea and the World Bank to share and discuss lessons learned on how to develop systematic capacity of institutions to capture and share development experiences. The sessions at the HLM2 focused on institutional and operational areas that contribute to good knowledge management and sharing practices in institutions. Institutionally, we shared and learned from good practices on (i) developing knowledge and learning culture, (ii) developing an operational governance model for knowledge management and sharing, (iii) developing sustainable financing and business models for knowledge sharing, (iv) fostering partnerships at domestic at international levels and (v) the role of non-state actors for knowledge sharing. Operationally, we shared and discussed lessons and strategies to foster (i) identification, capturing and validation of operational experiences and lessons learned, (ii) packaging development experiences as learning materials, (iii) systematic results-oriented sharing modalities, (iv) measuring and documentation of results from knowledge sharing programs, and (v) the role of technology for systematic scale up of learning and knowledge sharing.

In order to support capacity development of member institutions, the CEF will continue to participate in exchanges and learning offerings in the context of the Knowledge Hubs Community of Practice (CoP) hosted at [www.knowledgehubs.org](http://www.knowledgehubs.org). We invite our member institutions and other interested organizations to join us and many others in this very relevant CoP with an aim to share their good practices and lessons learnt and as a result contribute to development achievements of their countries.
Learning Activities

Workshops and Seminars

The CEF organized ten learning events in the second quarter of 2014 with 194 participants from the following:

- Member countries: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey.
- Non-member countries: Armenia, Georgia, Lithuania, Jordan, Poland, Slovakia and Ukraine.

More detailed information about the workshops is available under the following links:

- Tackling Tax Evasion and Avoidance
- Integration of Structural Reforms into Fiscal Programming (SPB)
- Internal Audit: Working Closely with Management to Maximize the Value
- Retail Payments
- Medium-Term Budgeting
- Planning and Leading Organizational Change
- Program Budgeting, Evaluation and Spending Review
- Introducing International Standards in Internal Audit
- Boosting Tax Auditor’s Interviewing, Negotiating and Investigating Skills
- Wholesale Settlement Systems and Monetary Policy Framework

Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries’ participation is estimated at EUR 77,000 and the participation of other countries at EUR 6,000 (at EUR 200 per participant per day, plus EUR 500 per travel). Participation in distance learning is estimated at nil costs; the same applies for participation from Slovenia (except when courses take place outside of Ljubljana).

<table>
<thead>
<tr>
<th>Country/entity</th>
<th>ALL Participants</th>
<th>Participants Sponsored by Sending Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Days</td>
</tr>
<tr>
<td>Albania</td>
<td>13</td>
<td>32.5</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Croatia</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Kosovo</td>
<td>18</td>
<td>45</td>
</tr>
<tr>
<td>Macedonia</td>
<td>22</td>
<td>55</td>
</tr>
<tr>
<td>Moldova</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Montenegro</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>Romania</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>Serbia</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Slovenia</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>Turkey</td>
<td>24</td>
<td>60</td>
</tr>
<tr>
<td>Total member countries</td>
<td>180</td>
<td>450</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Other countries</td>
<td>14</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>194</td>
<td>485</td>
</tr>
</tbody>
</table>

**Donors**

Donor partners sponsor lecturers (travel expenses and lecturers’ fees) and materials for the courses. These were estimated at EUR 51,250. For this report, a half-day lecturer session is estimated at EUR 500 and travel expenses at EUR 1,500 per lecturer.

<table>
<thead>
<tr>
<th>Donor</th>
<th>No of sessions</th>
<th>Amount in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance, the Netherlands</td>
<td>31.5</td>
<td>24,750</td>
</tr>
<tr>
<td>International Monetary Fund (IMF)</td>
<td>8</td>
<td>4,000</td>
</tr>
<tr>
<td>Dutch Central Bank</td>
<td>17</td>
<td>14,500</td>
</tr>
<tr>
<td>Center of Excellence in Finance (CEF)</td>
<td>11</td>
<td>7,000</td>
</tr>
<tr>
<td>Australia/New Zealand School of Government</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td>Bank of Slovenia</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total sponsored lecturers</strong></td>
<td><strong>69.5</strong></td>
<td><strong>51,250</strong></td>
</tr>
</tbody>
</table>
Tailored Trainings

Study Visit of Young Professionals of the Dutch Ministry of Finance

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

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

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

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

Certification Programs

Public Accountants Certification Training (PACT)

PACT Macedonia

In the second quarter the CEF was negotiating a contract with Macedonian Ministry of Finance for the implementation of the group 2 and 3 of Level 1 students, which focusses on 2 groups of up to 40 students and preparations for Level 2 training, which includes the translation of Level 2 materials and Training of Trainers. The project will be financed by World Bank through SAFE (Strengthening Accountability and the Fiduciary Environment) funding. The date of the opening event is yet to be determined.

The program aims to build on the local training capacity in the public accounting sector by improving the quality of the trainers. By translating the material to local language and training local tutors, the program can be relevant to public entities in building local capacity. The working group responsible for localization of training for accountants as well as internal auditors in public sector, which started the work in autumn 2013 will, throughout this project continue with its mission, to evaluate and enable the environment for running the program independently in the future.
Training of Internal Auditors in the Public Sector (TIAPS)

TIAPS in Slovenia

In the second quarter of 2014 Slovene students have attended the consultations for the module Public Sector Accounting and Financial Reporting and the main examination for this module. In addition they attended the module Governance and Control and submitted their assignments as well as the examination for this module. The results for the first module were published in June, while the results for the second one are in the phase of quality control with Chartered Institute for Public Finance and Accountancy (CIPFA) and are expected in August.

TIAPS in the Region

TIAPS Macedonia

The TIAPS project will complete with a high level media covered closing event, where speakers from beneficiary ministry, representatives of donors and partners will gather to present the outcomes of the project and deliver CIPFA certificates to 45 successful students. The closing is expected in October 2014, and due to that a no-cost extension of the project was granted, to cover the expenses of closing ceremony.

TIAPS Montenegro

The TIAPS in Montenegro successfully completed its first year. The closing event took place on June 6, 2014 in Podgorica.

This training was part of the Montenegrin Government's effort to build and strengthen professional qualifications of public sector internal auditors. The program was implemented by the CEF. The CIPFA ensured its quality and will award international certificates to successful attendees.

This one-year professional qualification program was made possible through joint funding from the German Stability Pact Fund, the Central European Initiative - CEI, Ministry of Foreign Affairs of the Republic of Slovenia, the Montenegrin Ministry of Finance, and the CEF. Representatives of project partners and donors addressed the first generation of 24 successful TIAPS students that received certificates as well as tutors and other guests.

Based on good results of cohort 1 of the certification program in Montenegro, German Government Stability Pact agreed to fund another cohort of Level 1 and the training began in January 2014 for 25 students. They project activities are being delivered as scheduled.

In the second quarter of 2014 the students have participated the in-class training for the modules Governance and Control (G&C) and a part of Public Sector Accounting and Financial Reporting (PSAFR) and have had main examinations for 2 modules the G&C pass rate was 100 % while for the module Internal Audit Fundamentals (IAF) the pass rate was 85%. The students who were not successful at main examination will have a chance for the second attempt in autumn.
Regional Cooperation

Building Capacities for Policy Design and Implementation

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

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

In the second quarter, we successfully completed the first year of SPB project implementation by submitting narrative and financial reports to the European Commission. We also hosted a Result-Oriented Monitoring (ROM) mission send by the European Commission, which confirmed that we are on a good way in delivering the project and matching it to the needs of beneficiaries; it also indicated some areas for further improvement. We also started documenting the value creation of SPB activities through interviewing selected participants after their return to office; the ‘stories’ are included in the CEF newsletter (see SPB Newsfeed). In this quarter, we delivered SPB workshops on the ‘Integration of Structural Reforms in Fiscal Programming’, ‘Medium-term Budgeting’, and ‘Programme Budgeting, Evaluation and Spending Review’. With those workshops, we started to address public finance experts of other budget users, especially budget-intensive line ministries, and involved experts from project beneficiary countries in the lecturing and facilitation of the workshops.

EU Strategy for the Danube Region

Along with the City of Vienna, the CEF is coordinating a priority area of the EU Strategy for the Danube Region (EUSDR) which deals with institutional capacity and cooperation.

In May, the CEF organized the 6th meeting of the Steering Group of the Priority Area A10 in Ljubljana that was attended by a majority of the Danube region countries, National Contact Points of Romania and Slovenia and representative of the European Economic and Social Council.

In cooperation with International Organization for Migration and the Priority Area 9 dealing with people and skills the CEF organized a workshop ‘Migration Management at Local level’ at the sides of the Participation day in Eisenstadt on June 24-25.

At the Annual Forum of the EUSDR in Vienna from June 26 – 27, the CEF organized a workshop at the ‘Building Institutional Capacities in the Danube Region in Practice – Presentation of Integrated Project Approaches and Exchange of Experiences’.

---

1 Further information about the SPB is available on http://www.cef-see.org/bcpdi/spb/.
2 Further information about the EUSDR is available on www.cef-see.org/eusdr.
Public Expenditure Management Peer Assisted Learning network (PEMPAL)

In the second quarter of 2014, the CEF supported the organization of the following PEMPAL events:

- Internal Audit Community of Practice - Working group meeting, Moscow, Russian Federation, May 25-26
- Budget Community of Practice - Workshop, Moscow, Russian Federation, May 26
- Treasury Community of Practice - Plenary meeting - Moscow, Russian Federation, May 26
- Cross-COP Plenary Meeting, Moscow, Russian Federation, May 27-29
- Internal Audit Community of Practice - Study Visit, Budapest, Hungary, June 25-27
- Budget Community of Practice - OECD SBO meeting, June 25-27

Policy Conferences and Research

Roundtable Discussion on Agricultural Insurance

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

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

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

The round table discussion concluded the gathering with a common agreement that sustainable agricultural insurance programs are based on a strong partnership between the public and private sectors.

Regional IMF Technical Advisors

Dirk Jan Kraan, Public Financial Management Advisor

Since May 2010, this position has been funded as part of a Japanese Government sponsored program for strengthening fiscal management for SEE.

Country Activities

Republika Srpska, Bosnia and Herzegovina

In the period March – July 2014 the regional advisor has carried out a technical assistance project to the Republika Srpska in the area of macroeconomic forecasting. For this purpose three missions were made to Banja Luka: one mission of the regional advisor and short-term expert Mr. Bostjan Vase,
Director of the Slovenian Institute of Macroeconomic Analysis and Development, and two follow-up missions of Mr. Vasle. The second mission took place in the reporting period, namely in the first week of April. This second mission was aimed at discussing and implementing recommendations made during the first mission Department.

The main objectives of the mission have been achieved, i.e. (i) the clarification of the distinction between endogenous and exogenous variables, (ii) the explicit inclusion of policy measures in the forecasting assumptions next to a baseline scenario, and (iii) the expansion of the set of forecasted variables, which will make it possible to apply the “expenditure side approach” to the forecast of GDP. It was also agreed that Mr. Vasle would return to the Republika Srpska in July to further discuss database preparation and assumption building. This mission will also be used to check the consistency of the forecasts and to discuss the links between the “production side” and the “expenditure side” approach to GDP.

The mission resulted in a second Aide Memoire, drafted by the regional advisor and Mr. Vasle. This document summarizes also the reactions of the authorities to the recommendations of the first mission and reports the progress made during the second mission. It pays also attention to medium-term fiscal planning in the Republika Srpska. This subject was shortly discussed during the first mission, but at the request of the Ministry of Finance of the Republika Srpska, kept separate from the current project in view of capacity constraints.

**CEF Courses**

The regional advisor contributed to the CEF courses on ‘Integration of Structural Reforms into Fiscal Programming’, ‘Medium-Term Budgeting’ and ‘Program Budgeting, Evaluation and Spending Review’.

The course on ‘Integration of Structural Reforms into Fiscal Programming’ took place from 9 to 11 April. The regional advisor gave a presentation on ‘Structural Reforms and Fiscal Policy’ and participated in various group exercises. The course was attended by 20 participants from 7 countries.

The course on ‘Medium-Term Budgeting’ took place from 7 to 9 May. The regional advisor gave presentations on ‘Key Concepts of Medium-Term Budgeting’ and on ‘Baseline estimates’. Together with a course leader Urška Žrinski he developed a simulation game in which ‘ministries of finance’ had to negotiate a medium-term budgeting framework with ‘representatives’ of line ministries in the country of Balkania. The course was attended by 22 participants from 7 countries.

The course on ‘Program Budgeting, Evaluation and Spending Review’ took place from 26 to 28 May. The regional advisor gave presentations on ‘The Design of a Program Oriented Budget Classification’ and on ‘The Steering of Agencies’. He participated in a group exercises on the budget classification. The course was attended by 22 participants from 8 countries.

**Other Activities**

The regional advisor participated in the annual meeting of the network of Senior Budget Officials of Central, Eastern and South-Eastern European (CESEE) countries in The Hague on 26th and 27th June and made a presentation on budget reforms in CESEE countries. At that occasion he discussed with the Director of the Sector for Budget Execution of the Croatian Ministry of Finance a technical assistance mission on the establishment of a spending review procedure and on measures to improve medium-term budgeting in the Croatian central government. This mission was scheduled for end-July.
Steffen Normann Hansen, Tax Administration Reform Advisor for SEE

This position was created in January 2011 and it is funded by the Japanese Government as part of a program for strengthening fiscal management in SEE.

Steffen Normann Hansen joined us at the CEF in June in the position of IMF Tax Administration Reform Advisor for South East Europe. He initially plans to follow the path laid out by his predecessors in the job, Mr. Norman Gillanders and Mr. Stan Shosbree. Recent years have witnessed major reforms in public sector administration, as governments strive to improve the efficiency and effectiveness of tax administrations. Central to these reforms has been the establishment of sound corporate governance practices, including modern compliance risk management approaches. This is the only way to secure the right revenue paid, and at the same time reduce compliance costs for businesses and achieve customer satisfaction.

Mr. Hansen estimates, “From my experience I know that administrations will have to create the right organization to reach the goals set out in their strategic plans. Therefore they will also need to implement the right change management strategies. Apart from continued focus on the compliance risk management initiatives already in place, my extra emphasis will be on change management strategies.”

Mr. Hansen is a Danish career administrator with a wealth of experience across all tax administration and customs components of revenue administration. Following more than twenty years of employment in various staff and middle management positions, he has since 1994 held top management positions at both regional and central level, including at the Danish Ministry of Taxation as Deputy Permanent Secretary.

Mr. Hansen has led a number of large-scale and complex development and reorganization projects, including merger of customs and tax agencies, streamlining of organization structures, and full implementation of a modern Compliance Risk Management system. He possesses a wealth of experience in cooperating with the European Commission, as well as familiarity with EU rules and regulations in customs and taxation, and with the EU customs and fiscal blueprints. He recently left the Danish Tax and Customs Administration to use the gained expertise in the international tax field.
Resources

The CEF received a donation from the Slovenian Government in amount 312,540 € and by granting free-of-charge premises for CEF activities, which is estimated at EUR 14 per sq.m + VAT per month in total EUR 104,268 € in 6 months.

<table>
<thead>
<tr>
<th>Revenues from Projects</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project PEM PAL</td>
<td>858,118</td>
</tr>
<tr>
<td>TIAPS Slovenia</td>
<td>19,900</td>
</tr>
<tr>
<td>TIAPS Montenegro</td>
<td>4,501</td>
</tr>
<tr>
<td>SPB project</td>
<td>147,623</td>
</tr>
<tr>
<td>Danube Strategy</td>
<td>173</td>
</tr>
<tr>
<td>Donation Bank of Slovenia</td>
<td>15,000</td>
</tr>
<tr>
<td>Other</td>
<td>22,338</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,067,654</strong></td>
</tr>
</tbody>
</table>

Expenses

Total expenses for CEF activities in January–June 2014:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and energy</td>
<td>25,181</td>
</tr>
<tr>
<td>Running expenses and other services</td>
<td>243,013</td>
</tr>
<tr>
<td>Labor</td>
<td>438,664</td>
</tr>
<tr>
<td>Authors, tutors and interpreters</td>
<td>218,198</td>
</tr>
<tr>
<td>Costs of events</td>
<td>671,015</td>
</tr>
<tr>
<td>Amortization</td>
<td>20,121</td>
</tr>
<tr>
<td>Other costs</td>
<td>28,497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,644,687</strong></td>
</tr>
</tbody>
</table>

NOTE: This financial report includes operational cumulative data for the period January–June 2014, as available on August 14, 2014.