The 14th CEF Supervisory Board Meeting was held in Washington DC on the margins of the International Monetary Fund (IMF) and World Bank 2014 Annual Meetings on October 10, 2014 starting at 12:45 PM and finishing at 1:30 PM. It was organized back-to-back to the “High-Level Policy Dialogue on Strengthening the Role of Good Governance through Increased Fiscal Transparency and Revenue Administration Reform in South East Europe” that the CEF jointly organized with the IMF Fiscal Affairs Department.

The Supervisory Board Meeting was chaired by Dušan Mramor, Minister of Finance of the Republic of Slovenia. It was attended by six Supervisory Board members or their representatives form four CEF member countries.

Additional votes of the Supervisory Board members were collected via correspondence. Altogether 17 ministers and governors or their representatives, from 10 CEF member countries Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Slovenia and Turkey voted on the conclusions of the 14th Supervisory Board Meeting. All agreed with all seven proposed conclusions of the Meeting.
I. Program of the Meeting

12:45 PM – 12:55 PM  
Jana Repanšek, CEF Deputy Director

12:55 PM – 1:10 PM  
B | Change of Status of the CEF to International Organization: Progress Report and Next Steps  
Mira Dobovišek, CEF Director

1:10 PM – 1:20 PM  
C | Report of the CEF Management Board for 2013  
Mira Dobovišek, CEF Director

1:20 PM – 1:30 PM  
D | Report of the CEF Advisory Board for 2013  
Jana Repanšek, CEF Deputy Director

1:30 PM  
Signature of the Conclusions

The Supervisory Board Meeting was chaired by Dušan Mramor, Minister of Finance of the Republic of Slovenia.
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>1. Elisabeta</td>
<td>Gjoni</td>
<td>Bank of Albania</td>
<td>First Deputy Governor</td>
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<tr>
<td>2. Kemal</td>
<td>Kozarić</td>
<td>Central Bank, Bosnia and Herzegovina</td>
<td>Governor</td>
</tr>
<tr>
<td>3. Ivan</td>
<td>Iskrov</td>
<td>National Bank, Bulgaria</td>
<td>Governor</td>
</tr>
<tr>
<td>4. Dimitar</td>
<td>Bogov</td>
<td>National Bank, Macedonia</td>
<td>Governor</td>
</tr>
<tr>
<td>5. Dorin</td>
<td>Drăguțanu</td>
<td>National Bank, Moldova</td>
<td>Governor</td>
</tr>
<tr>
<td>6. Nikola</td>
<td>Fabris</td>
<td>Central Bank, Montenegro</td>
<td>Vice Governor</td>
</tr>
<tr>
<td>7. Mugur</td>
<td>Isarescu</td>
<td>National Bank, Romania</td>
<td>Governor</td>
</tr>
<tr>
<td>8. Boštjan</td>
<td>Jazbec</td>
<td>Central Bank, Slovenia</td>
<td>Governor</td>
</tr>
<tr>
<td>9. Shkëlqim</td>
<td>Cani</td>
<td>Ministry of Finance, Albania</td>
<td>Minister</td>
</tr>
<tr>
<td>10. Nikola</td>
<td>Špirić</td>
<td>Ministry of Finance and Treasury, Bosnia and Herzegovina</td>
<td>Minister</td>
</tr>
<tr>
<td>11. Vladislav</td>
<td>Goranov</td>
<td>Ministry of Finance, Bulgaria</td>
<td>Minister</td>
</tr>
<tr>
<td>12. Boris</td>
<td>Lalovac</td>
<td>Ministry of Finance, Croatia</td>
<td>Minister</td>
</tr>
<tr>
<td>13. Anatol</td>
<td>Arapu</td>
<td>Ministry of Finance, Moldova</td>
<td>Minister</td>
</tr>
<tr>
<td>14. Nikola</td>
<td>Vukićević</td>
<td>Ministry of Finance, Montenegro</td>
<td>Deputy Minister of Budget</td>
</tr>
<tr>
<td>15. Dan</td>
<td>Manolescu</td>
<td>Ministry of Public Finance, Romania</td>
<td>State Secretary</td>
</tr>
<tr>
<td>16. Dušan</td>
<td>Mramor</td>
<td>Ministry of Finance, Slovenia</td>
<td>Minister</td>
</tr>
<tr>
<td>17. Hakan</td>
<td>Tokac</td>
<td>Undersecretariat of Treasury, Turkey</td>
<td>Director General</td>
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III. Report of the Meeting

The 14th CEF Supervisory Board Meeting started with a welcome address by Dušan Mramor, Minister of Finance of the Republic of Slovenia, who chaired the meeting.


Presenter: Jana Repanšek, CEF Deputy Director

In 2013 the CEF successfully delivered activities in the following four areas:

1. **Short programs and conferences:** The CEF in 2013 delivered 30 workshops and seminars in the area of public financial management and central banking. They were attended by 496 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. 75 experts from 37 partner organizations cooperated in development and delivery of workshops and seminars.

   In 2013 the CEF and the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) organized an International Conference on Structural Challenges of the Slovenian Economy. The CEF also organized High-Level Dialogue on Tax Administration and Tax Compliance. In addition the CEF in cooperation with other institutions organized round tables on topics of Experiences in Liberalization of Motor Third-Party Liability (MTPL) Insurance; Safer Financial System; and Insurance Fraud Detection and Prevention. CEF also hosted presentation of the Book on Fiscal Rules.

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. The program in Slovenia is self-financed.

   In addition, the CEF has been introducing certification programs in other member countries on a project basis. In this regard, the CEF responded to the need for further capacity development of the Macedonian public officials in the field of accounting. In 2013 in the framework of Public Accountants Certification Training (PACT) the CEF finalized the translation of the first 25 International Public Sector Accounting Standards (IPSAS) and handed them over to the Macedonian Ministry of Finance. In addition, the PACT tutors revised the terminology used in the training modules to prepare materials for the next iteration of the program. The CEF also worked together with the Macedonian Ministry of Finance on preparation for continuation of the program. The training was made possible through funding from the Slovenian Development Cooperation and the Central European Initiative.

   In 2013 the CEF and the Montenegrin Ministry of Finance continued to implement the program of Training of Internal Auditors in the Public Sector (TIAPS). This professional qualification
Program was made possible through joint funding from the German Stability Pact Fund, the Central European Initiative, and Slovenian Development Cooperation. In the third quarter of 2013, the CEF prepared an agreement for continued funding of the project in Montenegro by the German Government Stability Pact. The new project started in early 2014.

Program for internal auditors in the public sector in Macedonia was launched in December 2012 by the CEF and its partners to focus on financial and performance auditing in Macedonia’s public sector. Joint efforts of the CEF and CIPFA resulted in successful completion of trainings of trainers (ToT) on several international modules. During the year students continued with in-classroom training and tutorials on various program modules. The trainings were implemented by local tutors, who were backed by Slovenian training expert-observers. Following reports prepared by Slovenian training experts the CEF together with CIPFA fine-tuned the training program, to improve and strengthen it for the next iteration of training and localization of the program. The US Donors Challenge Fund through the USAID and Slovenian Development Cooperation financially supported the program.

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. For a second time, in 2013 the World Bank and its donor partners selected the CEF to serve as Secretariat for Public Expenditure Management Peer Assisted Learning (PEMPAL). The new contract, which lasts through 2015, extends collaboration between the World Bank and the CEF that dates back to 2008. The CEF has been offering administrative and professional support in implementation of the project’s activities.

In this regard, the CEF in 2013 organized 16 meetings of a various size. This included plenary and working group meetings for PEMPAL’s three communities of practice, study visits for practitioners, and meetings of PEMPAL’s Steering Committee and leadership groups. As secretariat, the CEF also organized thematic video conferences, drafted quarterly and annual performance reports and took care of the network’s communications, promotion activities and online presence.

4. Development of new projects: In 2013, under its Building Capacities for Policy Design and Implementation (BCPDI) program, the CEF implemented a project on Fiscal Impact Assessment of Structural Reforms (FIASR), in close cooperation with the Ministry of Finance in Montenegro and with support of the World Bank’s SAFE Trust Fund. Based on the outcomes of the project, the CEF published a book “Fiscal Impact Assessments of Structural Reforms: Case Studies on South East Europe”.

The capacity development needs that the FIASR case studies identify are being addressed with a series of CEF learning events entitled “Strategic Planning and Budgeting” that started in spring 2013. The project will last for two years through March 2015. In September 2013, the CEF organized a High-Level Policy Dialogue on Strategic Planning and Budgeting in South East Europe in Bled, Slovenia. The SPB is an EU-funded project, designed to serve the needs of beneficiary institutions in SEE countries.
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 two meetings of the working group on institutional capacity in Ljubljana. In addition within the scope of the working group on financing, the CEF organized two events in 2013. In May, the CEF organized a meeting of the Steering Group.

Within its own planned capacity development, the CEF in 2013 took part in the ReSPA 7th Annual Conference, learn4dev Network Annual Meeting and Expert Groups Meeting, OECD Senior Budget Officials (SBO) Meeting, Meeting of EU Member States’ Director Generals of Tax Administrations, 2013 CAPE Conference: Budgeting in the Real World, and ECB High-Level Conference: International Central Bank Cooperation Before, During and After the Crisis.

Similarly as in the past years, the CEF in 2013 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 2013 the CEF acquired a donation in the amount of EUR 750,000 for basic activities and EUR 173,194 to support implementation of two particular projects (which means altogether EUR 923,194, 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, USAID, CEI – Central European Initiative, Bank of Slovenia), together with other sources of financing, amounted to EUR 1,577,506.

CEF Work Plan for 2015 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 2015—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 addition IMF Statistics Department is interested to place the Statistics Technical Advisor to the CEF offices.

The proposed financial plan envisages a growing demand for capacity development through learning and regional cooperation in South East Europe. The grant from the Slovenian budget estimated in the amount of € 600,000 will be used to finance the running costs associated with the program delivery and the costs related to developing new projects. The running costs include labor and operating expenses and expenses for the Workshops and Seminars program (workshop expenses and lecturers’ travel expenses and fees, when applicable). They do not include costs of experts that are financed through projects. In case that the CEF will not be successful in engaging additional resources to close the financing gap, the program will be reduced accordingly.

Based on the needs of beneficiaries in the SEE region the CEF also prepared proposals for two projects for five year period: Further supporting capacity development in strategic planning and budgeting in SEE and Supporting capacity development of tax administrations in SEE.

The specific objective of the first project proposal that follows up on Building Capacities for Policy Design and Implementation (BCPDI) activities is to strengthen beneficiary’s capacity to design and
implement medium-term macro-fiscal frameworks; to help beneficiary institutions exchange good practice; and to increase regional cooperation. The follow up project shall be delivered over five years starting in 2016 (or earlier), through 45 cross-country participatory training and networking activities that will be implemented through a mixture of networking activities, e-learning, face-to-face learning, as well as blended learning activities. Participants will be invited to share country experience, and to engage in joint exercises and simulations. The agenda of the project shall continue and upgrade past BCPDI activities. Funding of €3.5 million is proposed for a five year period starting in 2016 (or earlier; €700,000 annually).

The overall objective of the second project proposal on supporting capacity development of tax administrations in SEE is to contribute to strengthening of capacities of SEE countries’ tax administrations to deal with challenges they face in their attempts to achieving effective and efficient application of modern risk management approaches. The Project is designed for officials representing revenue authorities of the CEF member countries. The Project will be delivered in five years through 35 cross-country participatory and experience-based training and networking activities. These will use the latest thinking and best practices that are also promoted by the international organizations including the EC, IMF, Organisation for Economic Cooperation and Development (OECD), and others, and will be supplemented by SEE regional practitioners' insights into what is required to maintain and consolidate taxpayer compliance. Funding of €2.5 million is proposed for a five year period starting in 2016 (or earlier; €500,000 annually).

**Appendix I:** CEF Annual Report 2013 (with financial statements)
**Appendix II:** CEF Work Plan for 2015
**Appendix III:** 2015 Calendar
**Appendix IV:** Project Proposal: Further Supporting Capacity Development in Strategic Planning and Budgeting in South East Europe
**Appendix V:** Project Proposal: Supporting Capacity Development of Tax Administration in South East Europe

**CONCLUSIONS:**
1. The Supervisory Board approves the CEF 2013 Annual Report and Financial Statements and fully endorses the proposed activities in CEF Work Plan for 2015.

2. The Supervisory Board fully endorses proposals of projects ‘Further Supporting Capacity Development in Strategic Planning and Budgeting in South East Europe’ and ‘Supporting Capacity Development of Tax Administration in South East Europe’ and appeals to the donors to financially support the projects.
Change of Status of the CEF to International Organization: Progress Report and Next Steps

Presenter: Mira Dobovišek, CEF Director

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. Romania joined the Agreement by signing of its State Secretary at Ministry of Public Finance at the CEF premises on May 30, 2014. Other countries may be able to join when ready at a later stage.

Two signatories already ratified the Agreement and deposited their instruments of ratification to the Slovene Ministry of Foreign Affairs, the depositary of the Agreement. Republic of Slovenia deposited instrument of ratification on July 21, 2014. Republic of Bulgaria deposited instrument of ratification on August 19, 2014. It is probable that the Republic of Moldova, which is in the final stages of the ratification process, will be the third country to deposit instrument of ratification. All other interested member countries have also been invited to ratify the signed Agreement.

The Agreement with the Government of Slovenia (Headquarters Agreement) defines the conditions under which Slovenia will host and finance the CEF. The Agreement has been drafted and sent to comments to all signatories of the Agreement on Establishing the CEF.

The Rules and Regulations for the CEF as an international organization are in the process of drafting.

Next Steps

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

1. The Agreement on Establishing the CEF will enter into force on the thirtieth day after the date of deposit of the third instrument of ratification with the depositary. As two countries already deposited their instruments of ratification and it is probable that the third ratification will take place soon it is expected that this will take place shortly. The new legal entity will inherit all
rights, obligations and property belonging of the existing entity, except for self-financed project Training of internal auditor in public sector in Slovenia. Potential effective turn over could take place as per January 1, 2015, which would result in reduced pressure, lower costs of audit and one time reporting.

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 final version of the Headquarters Agreement to be ratified in the Parliament of the Republic of Slovenia.

4. Draft Rules and Regulations for the CEF as an international organization will be finalized.

5. The first session of the Governing Board, held as regular or correspondence session will be organized in 90 days after the effective change of status to approve the CEF’s Rules and Regulations.

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<th>CONCLUSIONS:</th>
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<tr>
<td>3. 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.</td>
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<td>4. The Supervisory Board supports January 1, 2015 as the date of effective change of status provided that the third ratification is deposited by December 2014.</td>
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<td>5. The first session of the Governing Board, held as regular or correspondence session is planned to take place until March 31, 2015.</td>
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In the past year the CEF continued to grow as an institution thereby strengthening the delivery of its mandate in a reliable fashion.

A key development of 2013 was the signing ceremony of the Agreement on Establishing the Center of Excellence in Finance as an international organization. This is the first big step towards its transformation to a full-fledged international organization. The Management Board strongly believes that this change will further strengthen the institution and its work.

The Management Board supports the diversification of CEF partnerships and is pleased that the CEF fortified its partner cooperation with the European Commission in the past year as we are convinced that this will bring further benefits to the SEE region. As part of the Strategic Planning and Budgeting project that is financed by the European Union, the CEF organized a High-level Policy Dialogue on Strategic Planning and Budgeting with ministers, governors and other high-level officials from across SEE and international experts and thus importantly contributed to strengthening of the regional dialogue. The CEF that remains committed to continuous investigation into needs across the region designed the high-level dialogue with a goal to obtain a first-hand input from the dialogue participants about the issues that need to be – in their view – addressed in the Strategic Planning and Budgeting project. This information will feed into the CEF designing and implementing the next phases of the project.

In more than 10 years of its existence, the CEF has with its gradual expansion of programs and activities, which have responded to the region’s capacity building needs in public financial management and central banking, grown into a recognized and trusted institution. The Management Board believes that the CEF continues to fulfil the purpose for which it was founded and the Government of Slovenia as its key principal remains committed to its mandate in the future.

CONCLUSION 6:
The Supervisory Board assents to the report of the Management Board for 2013.
Report of the CEF Advisory Board for 2013

Presenter: Jana Repanšek, CEF Deputy Director

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

The 11th annual Advisory Board meeting was held on September 2, 2013, in Bohinjska Bistrica, Slovenia. It was organized back to back to the signing ceremony of the Agreement on Establishing the Center of Excellence of Finance as an international organization and High Level Policy Dialogue on Strategic Planning and budgeting in South East Europe (Bled, September 3, 2013).

Representatives of 16 partner institutions joined the meeting, including institutions from the new donor countries that have not yet actively collaborated with the CEF but are active in the region of South East Europe. They discussed how to contribute to the CEF program, and strengthen cooperation in a coordinated manner and for the benefit of CEF members. The Advisory Board also examined the impact of the international status of the CEF on its operations and governance in particular.

The Advisory Board concluded that with changing its legal status, the CEF should stay a demand-driven, flexible and lean institution, including the Advisory Board that should maintain its role and functions. The CEF should further enhance institutional synergies and cooperation with its partners. It is essential for the CEF to work with emerging donors and support them in establishing and delivering technical assistance. The CEF is an important information source concerning the capacity development needs in public financial management and donor activities and should continue to build on synergies between training and technical assistance.

The 12th Advisory Board meeting was held on September 26, 2014 in Ljubljana. At the meeting, the Advisory Board was joined by the CEF Coordinators responsible for capacity development and strategic management of human capital within CEF member institutions.

CONCLUSION 7:
The Supervisory Board assents to the report of the Advisory Board for 2013.
Conclusions:


1. The Supervisory Board approves the CEF 2013 Annual Report and Financial Statements and fully endorses the proposed activities in CEF Work Plan for 2015.

2. The Supervisory Board fully endorses proposals of projects ‘Further Supporting Capacity Development in Strategic Planning and Budgeting in South East Europe’ and ‘Supporting Capacity Development of Tax Administration in South East Europe’ and appeals to the donors to financially support the projects.

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

3. 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.

4. The Supervisory Board supports January 1, 2015 as the date of effective change of status provided that the third ratification is deposited by December 2014.

5. The first session of the Governing Board, held as regular or correspondence session is planned to take place until March 31, 2015.

C | Report of the CEF Management Board for 2013


D | Report of the CEF Advisory Board for 2013

7. The Supervisory Board assents to the report of the Advisory Board for 2013.