Quarterly Report
January–March 2014
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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 support capacity development in public financial management and central banking topics for individuals and institutions. We do this by designing high-quality, practical, and learning-centered specialization programs and training events; by promoting networks of professionals; and by stimulating regional cooperation. We partner with multilateral and bilateral agencies, knowledge institutions, and peer organizations, and we tap the expertise of a broad range of individual experts.

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.

Governance structure of CEF International

The CEF aims to change legal status to international organization by 2015. In the governance structure of CEF International, the Supervisory and Management Boards will merge into the Governing Board. Members of the Governing Board will be ministers of finance, central bank governors or heads of other relevant institutions or their nominated representatives from our member countries, representatives of international organizations that will ratify the Agreement,
and up to three representatives of the Advisory Board. The Director will act as an ex officio member without voting powers.

The roles of the Advisory Board and Coordinators will not change in the governance structure of CEF International. The Director, appointed by the Governing Board for a term of five years, will manage the secretariat and will be responsible for a proper, regular and efficient functioning of the CEF.

**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**
- Government of Slovenia
- Bank of Slovenia

**Selection of CEF bilateral partners:**
- 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
- Budget preparation and execution
- Treasury, accounting, and financial reporting
- Internal and external accountability mechanisms
- General Public Financial Management

**Central Banking**

**Soft Skills to Support Reform**

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 Co-operation 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.
Adetef and the CEF Signed the Partnership Agreement

In the context of the international symposium *Cooperation for State Building and State Reforming* held in Paris, a partnership agreement on public financial management was signed between Adetef and the CEF.

The three-year partnership aims at promoting best practices in the field of public financial management, through the development of shared activities and projects, exchanges of experts, training of civil servants and technical assistance programs.

It provides for the following activities:

- exchanging information and materials on public financial management issues;
- making joint proposals and participating in technical assistance projects funded on a multilateral base;
- organizing of joint educational and learning events, including training programs, seminars, workshops and conferences, and study visits;
- mobilizing Adetef’s expertise to the CEF’s initiatives for regional capacity development and capacity building;
- participating together in international programs and other events.

The agreement was signed by Agnès Arcier, Chairwoman, Chief Executive Officer of Adetef, and Mira Dobovišek, Director of the CEF.

Adetef is the French agency for international technical cooperation of the Ministries in charge of Economy and Finance, Sustainable Development and State Reform. The agency aims at helping France’s partner countries to set up reforms.
How Learning Works at the CEF

CEF Institutional Capacity Development and Knowledge Sharing Activities

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

Strengthening Knowledge of Slovenian Fiscal System

On February 14, 2014 the CEF organized a lecture Slovenian Fiscal System that was delivered by Mitja Čok, Full Professor at Faculty of Economics, and Irena Roštan, Secretary at the Ministry of Finance of the Republic of Slovenia.

The lecture gave a complete overview of national and local budgeting as well as social and pension funds. In addition, the main types of taxes were presented and explained in the context of EU and OECD countries.

The aim of the lecture was to introduce public finances and familiarize participants with the specifics of the Slovenian tax system. The lecture, that was initially designed to further develop capacities of CEF employees, was also opened to interested employees of the Ministry of Finance, Bank of Slovenia, Institute of Macroeconomic Analysis and Development, and other institutions to refresh our knowledge and acquire a wider perspective of public finances.

Learn4dev network

The CEF attended meeting of the learn4dev Core Group where it reported about the progress in preparations for the learn4dev Annual Meeting 2014 and exchanged experiences and ideas with the organizers of the previous meeting. We are organizing the annual meeting together with Swiss Agency for Development and Cooperation (SDC). It will take place in Ljubljana, Slovenia on June 16-18.

Members of the core group also exchanged information about what’s happening in the field of development cooperation, were informed about the current activities of the Expert Groups, discussed options for improving learning and knowledge sharing among learn4dev members, and reflected on the major benefits of the network. The meeting took place in Brussels on February 6-7, 2014.

On March 27-28, 2014 CEF hosted the learn4dev core group meeting in Ljubljana. We hosted our colleagues from the Agence Française de Développement (French Agency for Development - AFD), the European Commission, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the Swiss Agency for Development and Cooperation (SDC). Participants agreed that the meeting was very constructive and it resulted in important progress regarding open questions about the network.

Members of the core group discussed further development of the network from the point of view of organizations involved in the network; they also discussed learn4dev Communication Strategy and Action Plan and reached a decision on membership policy for Capacity4dev – the tool of the internal communication of the network. Joint learning event proposal on Becoming a Reflective Practitioner in International Development Cooperation prepared by the CEF and International Training Centre (ITC ILO) was presented and discussed at the meeting. Members were also updated about the current activities of the Expert Groups and got insight into the work of the Public Finance Management (PFM) Expert Group. Some sessions were also attended by the Ministry of Foreign Affairs of the Republic of Slovenia (International Development Cooperation and Humanitarian Assistance) staff.

This was the last face-to-face meeting of the Core Group before the learn4dev Annual Meeting 2014. With the help of facilitator Beverly Wenger-Trayner we achieved important progress in the development of the annual meeting agenda.
Learning Activities

Workshops and Seminars

The CEF organized eleven learning events in the first quarter of 2014 with 229 participants from the following countries: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey.

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

- Improving the Quality and Cost-Effectiveness of Public Business Processes
- Strengthening Supreme Audit Institutions
- Strengthening Management Skills
- Training of Trainers
- The Management of Large Taxpayers together with an Irish Case Study
- IPA Funds in EU Multiannual Financial Framework 2014-2020
- Project Cycle Management
- Market Value-Based Taxation of Real Property: Lessons from International Experience
- Performance Auditing
- Introduction to Public Financial Management
- Macroeconomic Policy Analysis

Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries' participation is estimated at EUR 125,200 and the participation of other countries at EUR 16,400 (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>18</td>
<td>52.0</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>46</td>
<td>192.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1</td>
<td>4.5</td>
</tr>
<tr>
<td>Croatia</td>
<td>12</td>
<td>40.5</td>
</tr>
<tr>
<td>Kosovo</td>
<td>18</td>
<td>58.0</td>
</tr>
<tr>
<td>Macedonia</td>
<td>21</td>
<td>65.0</td>
</tr>
<tr>
<td>Moldova</td>
<td>6</td>
<td>16.0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>17</td>
<td>32.0</td>
</tr>
<tr>
<td>Romania</td>
<td>9</td>
<td>32.0</td>
</tr>
<tr>
<td>Serbia</td>
<td>14</td>
<td>39.5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>41</td>
<td>144.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>13</td>
<td>37.0</td>
</tr>
<tr>
<td><strong>Total member countries</strong></td>
<td>216</td>
<td>712.5</td>
</tr>
<tr>
<td><strong>Other countries</strong></td>
<td>13</td>
<td>49.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>229</td>
<td>762.0</td>
</tr>
</tbody>
</table>
**Donors**

Donor partners sponsor lecturers (travel expenses and lecturers’ fees) and materials for the courses. These were estimated at EUR 29,500. 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>Court of Audit, Slovenia</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</td>
<td>4.5</td>
<td>5,250</td>
</tr>
<tr>
<td>European Court of Audit</td>
<td>3.0</td>
<td>1,500</td>
</tr>
<tr>
<td>IMF</td>
<td>3.5</td>
<td>3,250</td>
</tr>
<tr>
<td>Irish Revenue</td>
<td>2.0</td>
<td>2,500</td>
</tr>
<tr>
<td>Lincoln Institute</td>
<td>9.0</td>
<td>16,500</td>
</tr>
<tr>
<td>Tax Administration, Slovenia (DURS)</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total sponsored lecturers</strong></td>
<td><strong>23.0</strong></td>
<td><strong>29,500</strong></td>
</tr>
</tbody>
</table>

**Tailored Trainings**

**Exploring Opportunities to Strengthen Capacities of Georgian Internal Auditors**

CEF hosted a delegation from Georgia as part of their study visit to Slovenia, which provided valuable insights and lessons learnt on the development and implementation of the internal audit function in Slovenia.

On the occasion, CEF Director Mira Dobovišek gave a short overview of the CEF’s scope of activities and presented CEF’s professional qualification training program for public sector internal auditors, TIAPS. This program strengthens professional qualifications in internal audit processes in line with international audit standards and best practice. The visit generated lively discussions among the participants who agreed that continuous training of staff is vital in supporting reforms and successfully implementing the internal audit function.

The study visit was organized by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in cooperation with the Budget Supervision Office of the Ministry of Finance of Slovenia on January 19-22, 2014.
Certification Programs

Public Accountants Certification Training (PACT)

PACT Macedonia

The CEF is 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, but it is envisaged in spring 2014.

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 in Slovenia

The Slovene students have completed the consultation for international module Internal Audit Fundamentals (IM1) and 22 of them attended the exam on March 6, 2014. The results are not yet published.

In mid-March, the students started with the consultation for international module Public Sector Accounting and Financial Reporting (IM2), and will complete it with the examination in late April.

Apart from consultations and examinations, the students who have previously completed all examinations are preparing their final assignments and defending them in front of the Examination Board. Between January and March, the Examination Board listened to 3 public defenses of the final assignments.

TIAPS in the Region

TIAPS Macedonia

Due to the complexity of exam Public Sector Accounting and Financial Reporting (IM2), where students have showed poor results, CEF and CIFPA decided to offer the students in Macedonia (op.p and Montenegro simultaneously) an option for the third attempt for examination on this module.

There were 15 students who attempted the exam and 8 of them were successful. The results were published in mid-March.

The 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 CIFPA certificates to 45 successful students. The date for the closing is expected in May/June 2014, and due to that CEF might be searching for a no-cost extension of the project, to cover the closing ceremony as well.
**TIAPS Montenegro**

The CEF and the Ministry of Finance of Montenegro announced the launch of TIAPS for the second generation of students from the Montenegrin public sector. The opening ceremony took place on January 29, 2014 in Podgorica.

The TIAPS training course is part of the Montenegrin government’s efforts to build and strengthen professional qualifications for up to 40 public sector internal auditors. The program is implemented by the CEF in cooperation with the CIPFA, who will ensure the high quality of the training and issue international certificates to successful attendees.

Simultaneously with the opening of new cohort, CEF is finalizing the training activities on Cohort 1 of Level 1 training in Montenegro, where a group of 40 students is completing their training obligations. Simultaneously with Macedonian students, in late February 2014 Montenegrin students were given an opportunity to sit the IM2 exam for the third time, and 11 of them took this opportunity. 9 of them successfully passed the exam.

It is expected that the Cohort 1 of Level 1 project will be completed once the localization group presents the final outcomes of their work and progress is made towards localization of the training in Montenegro. At the closing ceremony in spring 2014 24 successful students will be awarded CIPFA certificate.
Regional Cooperation

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 March 2015. 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 March 2014, the CEF successfully completed the first delivery year of the SPB project. So far, the project implementation follows the envisaged course. The CEF successfully initiated the project by recruiting members of the Project Steering Committee, finalizing the Inception Report, informing beneficiary and stakeholder institutions about the project, and assuring their commitment to take part in the project, e.g. by sending participants. By the end of the first year, all beneficiaries showed commitment to the project.

Delivered activities raised awareness among top-level officials of institutions coordinating medium-term macro-fiscal frameworks about the need and opportunities to improve those frameworks. Post-event surveys show that delivered activities helped strengthening public administration officials’ capacities in preparing those frameworks, promoted sharing of experience and good practices, and provided opportunities to strengthen networks with other officials. Efforts are underway to further extend the documentation of the results of the project, and to sustain its impact in future.

The delivery of training and networking activities started in May 2013, with a seminar on Building Fiscal Institutions to Meet Post-Crisis Challenges for high-level representatives from institutions coordinating Strategic Planning and Budgeting (SPB) processes in beneficiary countries. Those institutions (mainly ministries of finance) have been the focus of activities in the first year – in the second year, the focus will shift towards the institutions contributing to SPB processes. Core training and networking activities delivered in the reporting period covered the topics fiscal institutions; medium-term budgeting; program budgeting, evaluation and spending review; capital budgeting; macro-economic policy analysis; as well as training of trainers. Two SPB activities were delivered in the first quarter of 2014.

In January 2014, the CEF organized a five-day Macroeconomic Policy Analysis workshop that took place at the Regional School of Public Administration (ReSPA) in Danilovgrad, Montenegro; its content and experts were provided by the Joint Vienna Institute (JVI). The cooperation with ReSPA and the JVI in delivering this workshop was very successful; all partners expressed interest in advancing such joint efforts. The objective of the workshop was to strengthen participants’ expertise in assessing country’s macroeconomic situation and evaluating economic policies, and thus strengthen their skills in contributing to drafting various European Commission surveillance reports, for example the Economic and Fiscal Programme or the Pre-Accession Economic Programme.

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1 Further information about the BCPDI is available on www.cef-see.org/bcpdi.
In February 2014, the CEF designed and delivered a training of trainers, which was delivered at ReSPA. This workshop provided an opportunity to identify future change agents at both finance and line ministries in SEE who could be involved in sharing technical knowledge on strategic planning and budgeting with their colleagues at the finance and line ministries, as well as international forums. Budget officials from regional ministries of finance discussed the significance of learning, and prepared and practiced giving a powerful lecture. They taught their colleagues either about a concept related to the medium term expenditure framework or the regulations on policy evaluation and spending review, in a way that made the lecture both engaging and useful in practice. To develop habits of reflective and dynamic content-facilitators, they also analyzed their experiences and reflected on what they had learned.

**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\(^2\)) which deals with institutional capacity and cooperation.

In February, the CEF participated at a coordination meeting of all ministries involved in the setting up of macro regional strategies and implementation of the EUSDR. At the meeting, organized by the Slovenian Ministry of Foreign Affairs that acts as a National Contact Point (NCP), planned macro regional strategies were presented and open issues debated.

Priority Area Coordinators (PACs) and NCPs of the EUSDR convened in Vienna from March 11 - 12, 2014 for the fourth time since the inception of the strategy. This year the emphasis of the discussions was on future governance of the strategy.

European Council recognized the advantages and value added of the EUSDR and macro regional strategies in general, yet it has also become clear that roles of most visible strategy stakeholders - the PACs, NCPs, steering groups, ministers and the high-level group need to be redefined and adapted to improve the impact and effectiveness of the strategy implementation.

In coordination with the steering group, the CEF preselected three project ideas addressing the issues of institutional capacity and cooperation. Three projects were selected and submitted for the second call of the Technical Assistance Facility for the Danube Region Projects supporting project ideas through the provision of consultancy services.

For more information about the EU Strategy for the Danube Region and the role of the CEF as Priority Area Coordinator for institutional capacity and cooperation please visit [www.danube-capacitycooperation.eu](http://www.danube-capacitycooperation.eu).

**Public Expenditure Management Peer Assisted Learning network**

In the first quarter of 2014, the CEF supported the organization of the following PEMPAL\(^3\) events:

- Budget Community of Practice - Study Visit, Vienna, Austria, January 30-31.
- Treasury Community of Practice – Plenary Meeting, Tbilisi, Georgia, February 10-12.
- Budget Community of Practice – Plenary Meeting, Antalya, Turkey, March 3-6.
- Internal Audit Community of Practice – Small Group Meeting, Budva, Montenegro, March 3-5.

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\(^2\) Further information about the EUSDR is available on [www.cef-see.org/eusdr](http://www.cef-see.org/eusdr).

\(^3\) Further information about PEMPAL is available on [www.pempal.org](http://www.pempal.org).
**Policy Conferences and Research**

**IMF Book Presented at the CEF**

On March 4, we hosted the presentation of the book Public Financial Management and its Emerging Architecture, published by the International Monetary Fund (IMF) in 2013. The first two decades of the twenty-first century have witnessed an influx of innovations and reforms in public financial management. The current wave of reforms is markedly different from those in the past, owing to the sheer number of innovations, their widespread adoption, and the sense that they add up to a fundamental change in the way governments manage public money. The book takes stock of the most important innovations that have emerged over the past two decades, including fiscal responsibility legislation, fiscal rules, medium-term budget frameworks, fiscal councils, fiscal risk management techniques, performance budgeting, and accrual reporting and accounting. The volume poses critical questions about innovations; the issues and challenges that have appeared along the way, including those associated with the global economic crisis; and how the ground can be prepared for the next generation of public financial management reforms.

The book was presented by one of the editors Mr. Marco Cangiano, Assistant Director in the IMF Fiscal Affairs Department (FAD) and contributors to the book Mr. Eivind Tandberg and Mr. Pokar Khemani, both former IMF FAD staff members. The presentations prompted interventions by Mr. Mitja Gaspari, former Slovenian Minister of Finance and Mr. Boštjan Vasle, Director of Institute of Macroeconomic Analysis and Development (IMAD) that discussed some of the innovations presented in the book and state of affairs in this regard in Slovenia. Ms. Jana Repanšek, CEF Deputy Director facilitated a broader discussion with the audience that followed.

**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**

**Bulgaria**

The regional advisor paid a visit to Bulgaria in mid-January in order to collect information about recent reforms and reform plans for future years. The advisor met with the directors and their staff of the Economic and Financial Policy Directorate, the Treasury Directorate, the Government Debt and Financial Markets Directorate and with the Budget Directorate.

As regards the Directorate of Economic and Financial Policy (DEFP), the advisor found that there is no separation between the unit responsible for macroeconomic forecasting and the unit responsible for revenue assumptions. This means that there is no publicly available information about possible differences between the forecasts and the macroeconomic assumptions of the budget. In the opinion of the Director, this arrangement led to savings and less duplications, and the DEFP, to which the responsibility had been transferred, is now better able to combine a bottom-up with a top-down approach. The advisor also noted that a recent IMF Article IV report mentions that fiscal policy is effective and that the deficit and the public debt are under control, but that on the other hand Bulgaria needs urgently to address structural reforms. The Director indicated that structural reforms are needed in the areas of pension, healthcare, judiciary and education.
As regards the Budget Directorate, the regional advisor was informed that the main features of the Public Finance Law, amended in 2013 and partly in 2014 are: focus on targets for consolidated general government; various kinds of additional fiscal rules for expenditures and debt; procedures for medium-term expenditure framework; procedures for program budgeting. The Budget Director indicated that progress with performance indicators is not very fast, and the advisor noted that line ministries have to play the lead role in this respect. A new Law on Fiscal Council is not yet in force. According to it, the Council will be tasked with the assessment of macroeconomic forecasts and the compliance with fiscal rules. Overall the fiscal performance of Bulgaria is very good: the deficit was 0.8 % of GDP on ESA basis (0.5% on cash basis) and the public debt was 18.5% of GDP on ESA basis in 2012. The Budget Director indicated that ministries generally stay within their ceilings, and when necessary, ministerial ceilings are adjusted, even during the budget year, in order to ensure that the overall ceiling is maintained or to compensate for revenue setbacks. The annual budget law has per ministry an economic classification as well as a program classification. However, the economic groups are not divided over the programs. Parliament approves appropriations in both classifications next to each other. In practice, only the economic classification is binding because the Government is free to move resources between programs within a ministry (but not between economic groups).

Republika Srpska, Bosnia and Herzegovina
The regional PFM advisor visited Banja Luka in March together with short-term expert Mr. Boštjan Vasle, Director of the Slovene Institute of Macroeconomic Analysis and Development. The main objective of the three-day mission was to learn about current practices in the Republika Srpska in the areas of macroeconomic forecasting and medium-term fiscal planning and to develop recommendations to be used as the basis for a subsequent mission aimed at implementation.

In recent years, the Republika Srpska has made efforts regarding macroeconomic analysis and forecasting. At the moment six people from the Macroeconomic Analysis and Policy Department provide the Ministry of Finance with a basic set of assumptions and forecasts to be used in the budgetary process. The key recommendations in this area included the need to: (i) clarify endogenous and exogenous variables by imposing a clear distinction between assumptions of the forecasts and forecasted figures, and by ensuring that all exogenous variables are marked as such; (ii) explain the policy orientation and the measures assumed in the baseline forecast by ensuring that all economic policy measures are presented at the beginning of the forecasting process, by clarifying detected risks attached to policy measures assumed in the baseline forecast, and by ensuring a clear distinction between the baseline (no policy change) scenario and the policy change scenario; (iii) expand the set of forecasted variables by starting the GDP forecasting process by the “expenditure side” approach to GDP formation, by providing a forecast of all GDP components by the “expenditure side” in line with ESA 95 at the level published by the RS Institute of Statistics, and by imposing mechanisms for a consistency check of the forecast; and (iv) improve the reporting process by publishing the detailed forecast in a separate document and presenting it to the Minister of Finance, other ministers, to the Government, and to the general public.

As to the medium-term fiscal planning, the following recommendations were made: (i) develop baseline estimates at the line item level; this could be done by starting the annual budget cycle by considering the t+1 estimates of the previous budget as the baseline and allowing only limited changes in these baselines (mainly adjustment for inflation, wage development and changes in numbers of eligible users of entitlement benefits); (ii) avoid slippage in the ceiling during budget preparation; (iii) limit the number of ceilings to the number of ministries; this would imply that the budgets of direct budget users would be brought under the ceilings of ministries; this would make it easier for ministers to maintain budgetary discipline by greater flexibility of shifting resources under their ceiling; and (iv) limit the number of line items to less than 1000; this could be realized by full implementation of a program classification and limiting the number of economic line items per program to less than 10.
CEF Courses

In the CEF course aimed at training the trainers, that took place in Danilovgrad, Montenegro during 25-28 February, the regional advisor gave a presentation on how to transfer knowledge about medium-term expenditure frameworks, evaluation and spending review. At the beginning of March, the advisor also took part in the meeting of the Budget Community of Practice of the PEMPAL network in Antalya, Turkey, and made a presentation on spending review in the Netherlands.

Norman Gillanders, 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.

Country Activities

Albania

In January, Mr. Gillanders participated in a headquarters-led IMF mission as part of the Fund’s long-term support for tax administration reform in the General Directorate for Taxation (GDT). Mr. Gillanders returned to Albania from 10-21 March working with the GDT’s risk unit on improving risk analysis. A further visit on this theme was planned for April.

Moldova

A headquarters-led mission to Moldova took place between late January and 18 February. Mr. Gillanders participated in this work which reviewed governance and structural issues but also looked at improving risk analysis in the main State Tax Inspectorate (STI) as well as reviewing progress on the STI’s implementation of the EU/OECD tax compliance risk model.

Other Activities

IOTA Workshop

At the workshop in Budapest in late February, the advisor talked about the IMF’s work in the field of performance measurement and management. He also participated in the lively and open discussion groups dealing with these important topics.

CEF Cooperation

In early March, the regional advisor delivered part of a training seminar in the CEF on applying the EU/OECD model in practice, focusing mainly on large taxpayers. Mr. Stan Shrosbree, IMF resident tax advisor in Belgrade and Mr. Eugene Creighton, a senior manager with the Irish Revenue Commissioners also delivered lectures and led discussions. Mr. Creighton’s seminar on encouraging tax compliance through good tax design used the Irish property tax as an example and facilitated an excellent discussion.
The CEF received a donation from the Slovenian Government by granting free-of-charge premises for CEF activities, which is estimated at EUR 14 per sq.m + VAT per month in total EUR 52,134 in 3 months.

### Revenues from Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>In EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project PEM PAL</td>
<td>25,587</td>
</tr>
<tr>
<td>TIAPS Slovenia</td>
<td>10,650</td>
</tr>
<tr>
<td>Other</td>
<td>903</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,140</strong></td>
</tr>
</tbody>
</table>

### Expenses

Total expenses for CEF activities in January-March 2014:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>In EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and energy</td>
<td>14,109</td>
</tr>
<tr>
<td>Running expenses and other services</td>
<td>51,219</td>
</tr>
<tr>
<td>Labor</td>
<td>217,488</td>
</tr>
<tr>
<td>Authors, tutors and interpreters</td>
<td>98,476</td>
</tr>
<tr>
<td>Costs of events</td>
<td>214,608</td>
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<tr>
<td>Amortization</td>
<td>10,177</td>
</tr>
<tr>
<td>Other costs</td>
<td>11,592</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>617,668</strong></td>
</tr>
</tbody>
</table>

**NOTE:** This financial report includes operational cumulative data for the period January – March 2014, as available on April 30, 2014.