Quarterly Report

April – June 2013
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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 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 PEM PAL program, we are also present in a number of other countries of Eastern Europe and Central Asia.

More information is available at online 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.
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.

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

Some CEF Bilateral Partners (as of end 2012):
- Magyar Nemzeti Bank
- Ministry of Finance, Netherlands
- Ministry of Finance, Sweden
- Ministry of Foreign Affairs, Germany
- Ministry of Housing, Spatial Planning and the Environment, Netherlands
- National Bank of Belgium
- De Nederlandsche Bank (DNB)
- Office of Management and Executive Budget, Barcelona City Council, Spain
- SAS, Ireland (Business Analytics and Business Intelligence Software)
- Slovak Aid/Ministry of Finance, Slovakia
- U.S. Agency for International Development

CEF Multilateral Partners:
- Central European Initiative (CEI)
- European Central Bank
- European Commission
- European Court of Auditors
- International Monetary Fund
- Organization for Economic Cooperation and Development (OECD)
- United Nations Development Programme (UNDP)
- World Bank

Knowledge Institutions:
- Chartered Institute of Public Finance and Accountability
- 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)
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.

PEM PAL - Public Expenditure Management Peer-Assisted Learning Network

PEM PAL—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, Internal Audit, and Treasury. Each prepares 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 PEM PAL 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.

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.
How Learning works at CEF

CEF Institutional Capacity Development and Knowledge Sharing Activities

In order to develop our own capacities to develop and maintain our role of a knowledge hub, the CEF staff participated and shared our knowledge at the following events in second quarter of the 2013:

CEF at ReSPA 7th Annual Conference

The CEF has been a regular guest at the annual conferences of the Regional School of Public Administration (ReSPA), a long-standing partner in building capacities of public administration institutions in the region. The topic of the conference that took place on April 18–19, 2013 at ReSPA in Danilovgrad, Montenegro, was effective policy-making and ensuring desired changes through successful implementation of policies.

High-level government officials, members of parliaments and civil societies of the Western Balkans, EU institutions, the World Bank, OECD and academia discussed the processes and challenges of public administration reforms in the Western Balkan countries. The participants exchanged experiences and presented best practices in policy-making, such as problem identification and policy adoption and implementation. They reviewed also approaches to policy evaluation and monitoring.

CEF at the Learn4dev Annual Meeting

With the aim to reflect back on the ten-year history of the learn4dev network and set frames for its future, members and representatives from interested organizations came together in Bonn, Germany for the network’s 2013 Annual Meeting.

The meeting focused on new learning trends and processes. From the presentation of the newly compiled history of the network, the participants learned about the evolution from Train4Dev (the former name of the network) to learn4dev. Learning expert Jenny Pearson picked up on this in her presentation, asking “You have changed the name, have you yet changed the practice?”

The meeting provoked many productive discussions and inspiring working groups. Special attention was devoted to drafting recommendations for the network’s future. The meeting was co-hosted by the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and the European Commission.

The 2014 Annual Meeting will be co-hosted by the CEF and the Swiss Development Cooperation (SDC). It will take place in Ljubljana, Slovenia.
CEF Joins Discussions at OECD SBO Meeting

The CEF attended the 9th annual meeting of the OECD Senior Budget Officials (SBO) from Central, Eastern and South-Eastern European countries, held on June 27-28 in Riga. This year’s meeting was co-organized with the Ministry of Finance of Latvia.

Budget directors and their deputies from 17 countries discussed their national fiscal consolidation efforts to restore public finances. Officials shared their experience in moving from cash- to accrual-based budgeting and introducing performance information into the budget process with an aim to improve expenditure control. New initiatives to increase budget transparency were also presented.

Dirk Jan Kraan, Regional IMF Public Financial Management Advisor for South East Europe, based at the CEF, led a session on good practices in implementing a medium-term expenditure framework (MTEF). Mr. Kraan highlighted recent trends in using MTEFs, expenditure ceilings and baseline forecasts, and introduced ways of implementing the framework to achieve a sustainable fiscal discipline.

Learning Activities

Workshops and Seminars

The CEF organized seven workshops with 126 participants, from the next CEF member countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Serbia, Slovenia, and Turkey. There were also participants from Hungary, Jordan, Latvia, and Poland.

More detailed reports are available under these links:

The Essentials of EU VAT System
April 23 to April 25, 2013

Retail Payments
April 10 to April 12, 2013

Auditor’s Role in Addressing Fraud and Corruption
April 22 to April 24, 2013

Project Cycle Management
May 20 to May 24, 2013

Wholesale Settlement Systems and Monetary Policy Framework
June 11 to June 13, 2013

Audit of IPA Projects
June 18 to June 21, 2013

Accrual Accounting
June 27 to June 28, 2013

Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries’ participation is estimated at EUR 103,100 and the participation of other countries at EUR 11,600 (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>Participants</th>
<th>Days</th>
<th>Estimated Costs in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>14</td>
<td>44.0</td>
<td>15,800</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>12</td>
<td>42.5</td>
<td>14,500</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7</td>
<td>21.5</td>
<td>7,800</td>
</tr>
<tr>
<td>Croatia</td>
<td>5</td>
<td>13.0</td>
<td>5,100</td>
</tr>
<tr>
<td>Kosovo</td>
<td>31</td>
<td>96.5</td>
<td>34,800</td>
</tr>
<tr>
<td>Macedonia</td>
<td>5</td>
<td>18.0</td>
<td>5,200</td>
</tr>
<tr>
<td>Moldova</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>2</td>
<td>6.5</td>
<td>2,300</td>
</tr>
<tr>
<td>Romania</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Serbia</td>
<td>3</td>
<td>12.0</td>
<td>3,900</td>
</tr>
<tr>
<td>Slovenia</td>
<td>23</td>
<td>64.0</td>
<td>0</td>
</tr>
<tr>
<td>Turkey</td>
<td>12</td>
<td>43.0</td>
<td>13,700</td>
</tr>
<tr>
<td><strong>Total - Member Countries</strong></td>
<td><strong>114</strong></td>
<td><strong>361.0</strong></td>
<td><strong>103,100</strong></td>
</tr>
<tr>
<td>Other Countries</td>
<td>12</td>
<td>28.0</td>
<td>11,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>126</strong></td>
<td><strong>389.0</strong></td>
<td><strong>114,700</strong></td>
</tr>
</tbody>
</table>

**Donors**

Donor partners sponsor lecturers (travel expenses and lecturers’ fees) and materials for the courses. These were estimated at EUR 27,250. 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 of the Netherlands</td>
<td>10.5</td>
<td>11,250</td>
</tr>
<tr>
<td>De Nederlandsche Bank</td>
<td>10.0</td>
<td>12,500</td>
</tr>
<tr>
<td>EUROSTAT</td>
<td>0.5</td>
<td>3,250</td>
</tr>
<tr>
<td>Statistical Office, Slovenia</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total - Sponsored Lecturers</strong></td>
<td><strong>21.5</strong></td>
<td><strong>27,250</strong></td>
</tr>
</tbody>
</table>

**Tailored Trainings**

CEF hosted delegation of the National Institute of Financial Management (NIFM) as a part of their one-week study visit in Slovenia. During their stay, the visitors explored the Slovenian and EU economic structure and learned from experts dealing with public financial management, governance and other relevant topics. Mira Dobovišek, Director of the CEF, introduced our approach to learning and regional cooperation. Other experts of the CEF talked about the budget system in Slovenia and the European concept of public financial management and its implementation. The sessions generated lively discussions among the participants. NIFM is an Indian government institution focused on building capacities of Indian public officials in public financial management. The delegation included 40 employees of various ministries and other public institutions across India.
Certification Programs

Training of Internal Auditors in the Public Sector (TIAPS)

TIAPS in Slovenia

On May 24, 2013, CEF opened a call for applications of interested candidates for the TIAPS Slovenia training 2013-2014. The deadline for applications was set for September 6, 2013.

CEF has facilitated 6 defenses of the final assignments for TIAPS for obtaining the Slovenian diploma and internal auditors' titles.

TIAPS in the Region

TIAPS Macedonia

CEF continued with implementation of two cohorts of TIAPS project in Macedonia, funded by the USAID and the Slovenian International Development Cooperation and Humanitarian Assistance.

In cooperation with CIPFA, CEF has held a training of trainers for the third international module. “Governance and Control” took place on April 22–24, 2013, at the premises of the Faculty of Economy, Ss. Cyril and Methodius University, Skopje, Macedonia. The training included presentation and training of 5 local trainers on the module content and preparing them for examinations' marking. The material, both English and its translation in Macedonian, were discussed so the tutors were prepared to present all necessary information at training of the students.

In-classroom training on IM2 “Public Sector Accounting and Financial Reporting (PSAFR)” for cohort 1 took place in the period between April 2 and May 11, 2013. The examination was taken on May 11, 2013 and 14 of a total of 28 exam attendees passed (50% pass rate).

In-classroom training on IM3 “Governance and Control (G & C)” took place between May 13 and June 26, 2013. The students had to submit written assignments by June 26, 2013.

Three Slovenian tutors visited Skopje with tasks to monitor the process of training courses for cohorts 1 and 2 and, where necessary, provide additional explanations to tutors and trainees. The tutors reported that the training course proceeded well under the supervision of professional tutors and was relevant for the selected students.

Within cohort 2, in-classroom training on IM1 “International Audit Fundamentals” was completed on April 27, 2013. The examination was taken in late April by 30 students, out of whom 24 (80%) passed it successfully.

In-classroom training on IM2 “Public Sector Accounting and Financial Reporting (PSAFR)” lasted from May 13 to June 22, 2013. The examination was taken on June 22, 2013.

The mirroring supervision procedure as for training of cohort 1 was undertaken for cohort 2, so that two Slovenian tutors-supervisors have visited the filed during the reporting period. Both tutors reported back that the training courses were running in line with all the requirements.

TIAPS Montenegro

In order to provide higher level of support to exams' marking process in Montenegro, CIPFA and CEF organized a thematic ToT on marking, in the period May 27-29. The training scope was to provide additional exercises and guidelines for examinations' marking to CIPFA standards. CEF and CIPFA drafted conclusions from this event that were shared with local tutors.

In April, students continued with in classroom training and tutorials on PSAFR that was concluded on April 26.
On May 9, a number of 36 students sat the PSAFR exam, and 10 of them passed the exam (28%). Repeated exams on Internal Audit Fundamentals and the National module were set for June 13. The results for the international module will be available in the next reporting period, whilst one attendee of the National module exam has passed it.

The localization working group met on June 15, and completed the SWOT analysis that would be the basis for concluding remarks on a Report on the current capacities and needs for training of internal auditors in Montenegro. The Ministry of Finance has also provided to working group information on the existing capacities and plans to localize the program. Working group members will take into consideration all the relevant inputs and provide independent recommendations.

**Regional Cooperation**

**Building Capacities for Policy Design and Implementation (BCPDI)**

Under its Building Capacities for Policy Design and Implementation (BCPDI) program, the CEF launched Strategic Planning and Budgeting (SBP), a training and networking project for beneficiaries in South East Europe. The CEF will deliver the SBP project in a two-year period through March 2015.

The project aims to strengthen the quality and consistency of strategic documents, macroeconomic and fiscal frameworks, and policy coordination linked to fiscal impact assessment of structural reforms. The beneficiaries are Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia and Turkey. The SBP targets officials involved in strategic planning and budgeting processes at ministries of finance, budget-intensive line ministries, and, to some degree, central planning authorities, central banks, and macroeconomic research institutes.

In the second quarter the CEF also made visibility tours in Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Serbia, and Turkey to meet with around hundred beneficiaries and relevant stakeholders. We visited institutions involved in SPB processes: ministries of finance, intensive budget users and central coordinating authorities, and local EU and IMF staff who contribute to public financial management reforms. The visits evoked much enthusiasm and interest in the SBP.

We informed beneficiaries about the SBP training and networking events to be delivered with EU funding (see the agenda). We discussed also participation options for institutions, and identified capacity needs that cannot be addressed via multi-beneficiary efforts but possibly through other capacity development activities in individual countries or follow-up projects. Meetings also provided an opportunity to discuss domestic and international capacity development efforts that are complementary to SBP.

The first three SPB training events were delivered in the second quarter:

- **Building Fiscal Institutions to Meet Post-Crisis Challenges**
  (SPB training activity 01a) Ljubljana, Slovenia, May 13 - 17, 2013
- **Medium-Term Budgeting**
  (SPB training activity 02) Ljubljana, Slovenia, May 29 - 31, 2013
- **Program Budgeting, Evaluation and Spending Review**
  (SPB training activity 03) Ljubljana, Slovenia, June 17 - 19, 2013

The SPB project is a part of the BCPDI program. For more details on BCPDI, please visit [www.cef-see.org/bcpdi](http://www.cef-see.org/bcpdi).
EU Strategy for the Danube Region (EUSDR)

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

In the second quarter the CEF invited capacity development experts from the UNDP Bratislava Regional Center to Ljubljana to share their knowledge and experience with around 20 representatives of public administrations, specialized training institutions and other stakeholder organizations from the Danube region that comprise the EU Strategy for the Danube Region Priority Area 10 working group on institutional capacity.

The working group that met for the second time at the CEF on March 21–22, 2013 focused on capacity development and needs assessment approaches. The UNDP experts, Albert Soer and Bob Bernardo, talked about trends in capacity development and needs assessment methodologies, and reflected on the latest innovative tools. Representatives of the public administration training institutions and other members of the working group described how their institutions assess capacity needs and what challenges they face in this process. A part of the meeting was dedicated to projects that the members of the working group on institutional capacity are developing or already implementing within the scope of the EUSDR.

The CEF hosted a joint meeting of all EUSDR Priority Area Coordinators and the European Territorial Cooperation (ETC) Danube Programme Task Force. The meeting, organized jointly with the DG Regio and Interact, was held on May 21, 2013 in Ljubljana. The aim of the meeting was to integrate the goals of the EUSDR and the priorities of the Danube Transnational Programme. The new Danube Transnational Programme will cover the same regions as the macro-regional EUSDR. Thus the priority area coordinators as key stakeholders participated actively in the consultation process to determine the objectives of the new program.

In addition CEF participated at the meeting of EUSDR National Contact Points, Priority Area Coordinators, coordinators of Partnership Agreements and their equivalent for the IPA and ENI Programmes in the Danube Region. The aim was to reflect how the European Structural and Investment (ESI) Funds can support the implementation of the strategy, and how the EUSDR can support the ESI Funds, adding a cooperation perspective. Meeting participants focused on infrastructure investments, competitiveness, innovation and social affairs, and ways to include EUSDR in the operational programs of 2014–2020. The meeting was held in Stuttgart on June 21, 2013.

For more details about EUSDR, please visit: www.cef-see.org/eusdr.

Public Expenditure Management Peer-Assisted Learning (PEM PAL) network

In the last quarter CEF supported organization of the Internal Audit, Budget and Treasury Communities of Practice meetings as well organization of the two BCoP study visits.

B CoP: Study Visit on IT Systems for Budget Planning

Budget Community of Practice (BCoP) held a Study Visit to Georgian Ministry of Finance to examine the Georgian IT System for budget planning in Tbilisi, Georgia from April 15-18, 2013. Six PEM PAL member country representatives had an opportunity to see live demonstrations of the Georgian IT System and engage in lively discussions with their Georgian colleagues about concrete technical details of their work. The Georgian experience in PFM reforms and more specifically in developing an in-house IT system for budget planning and connecting it to all other public finance related IT systems was very useful to the participants of the Study Visit, who identified numerous lessons learned, which will be presented to the wider PEM PAL BCoP membership during its next plenary meeting.

B CoP: Study Visit on Per Capita Budgeting in Education: Learning from the UK Experience

On April 23-25, 2013, BCoP organized a peer-learning study visit to the UK government to discuss reforms and approaches to funding public education. Representatives from six PEM PAL member countries participated and identified numerous lessons learned at this visit. Visits were facilitated with representatives from HM Treasury, the Department for Education, the Department for Business, Innovation and Skills, and the Office for Budget Responsibility.
Education financing reforms are a current priority for many of the participating countries as their governments are moving or considering moving to a per pupil financing approach.

The UK government was chosen as a host of this visit as it is currently going through a significant reform process in education financing. It has managed to effectively implement significant consolidation of government expenditure while ensuring strategies are introduced to improve the consistency, access, and quality of education along with reforms to reduce the complexity and disparity caused by the previous education funding system.

**B CoP: OECD Budget Practices and Procedures Survey Workshop**

Representatives from ten member countries of the BCoP attended a peer review workshop in Riga, Latvia on June 26, 2013, to facilitate participation in the OECD Budget Practices and Procedures Survey. The cooperation between PEM PAL and OECD will expand the OECD Budget Database to additional countries in Eastern Europe and Central Asia. The workshop enabled countries to share their experiences, issues and questions in completing the survey before the survey data entry process is finalized at the end of July 2013.

**IA CoP: Working Group on Quality Assurance and Plenary Meeting**

The Internal Audit Community of Practice (IA CoP) workshop on Quality Assurance brought together 36 participants: 29 practitioners from 13 PEM PAL countries and experts from the World Bank, OECD SIGMA, Dutch Academy of Finance, and GIZ. The workshop was followed by 23rd plenary meeting of IA CoP. In total there were 60 participants from 18 PEM PAL countries, among them 9 resource members and facilitator. The meetings were held in Tbilisi, Georgia from April 19 to 24, 2013.

**T CoP: Workshop on Internal Control and the Role of a Modern Treasury**

The Treasury Community of Practice (T CoP) workshop on Internal Control and the Role of a Modern Treasury brought together 82 participants: 76 practitioners from 18 PEM PAL countries and experts from the World Bank, OECD SIGMA, Department of Finance in Ireland, Department of Public Expenditure and Reform in Ireland, and the Ministry of Finance in Netherlands.

**Policy Conferences**

The CEF and the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) organized the International Conference on Structural Challenges of the Slovenian Economy to discuss structural reform priorities in times of economic crisis. The conference addressed fiscal policy challenges, ongoing fiscal consolidation efforts, and the state of financial and labor markets. A special focus was given to the role of well-organized tax administrations, transforming tax administrations to adapt to current challenges, and to the importance of corporate governance in fostering changes.

The conference convened management practitioners and experts from ministries, international institutions, professional associations, embassies, and faculties. The speakers included, among others, Gerd Schwartz and Norman Gillanders from the IMF; Boštjan Vasle, Maja Bednaš, Alenka Kajzer and Marjan Hafner from the IMAD, and Niamh Hardiman from the University College Dublin.

The conference took place on June 19, 2013 at Hotel Slon in Ljubljana, Slovenia.
Regional IMF Technical Advisors

Dirk Jan Kraan, Public Financial Management Advisor

Since May 2010, the regional advisor’s position has been funded as part of a Japanese Government sponsored program for strengthening fiscal management for SEE.

Country Activities

Croatia

In April the regional advisor made a one-day mission to Croatia. The purpose of the mission was to be informed about progress with recent reforms and to explore the needs for technical assistance. Croatia has successfully implemented major reforms in public financial management over the past decade, partly in the context of the EU accession process. Among other things, it has implemented an effective medium-term budgeting process, brought the many executive agencies under the umbrella of line ministries, introduced a program classification in the budget, largely removed arrears, and it has implemented an effective procedure of cash and debt management.

The regional advisor drew the attention of the authorities to the fact that current practices of budget preparation imply that there is not yet a fully effective regime of top-down budgeting in place. Comparing the ceilings, set in the spring budget framework with the actual budget submitted to Parliament in autumn, there are significant slippages during budget preparation. This implies that in fact the ceilings are negotiable and not binding. Furthermore, there are no agreed baseline estimates as the basis for preparation of the medium-term framework and the budget. These problems were recognized by the authorities. The regional advisor also observed that the system of cash management is quite simplistic. While it serves its purpose, it is not really geared to the objective of having the right amount of cash available at the right time. Part of the problem is that cash management is exclusively based on historical cash patterns, and that budget institutions are not required to submit cash plans for the current budget year. Moderate savings could be made by improved cash planning.

Montenegro

The regional advisor took part in a two-week HQ-led mission to Montenegro in April. The aim of the mission was to provide advice on the draft Law on Budget and Fiscal Responsibility, in particular the fiscal rule included in the Law, as well debt management and fiscal reporting.

The draft Law seeks to introduce a large number of improvements in public financial management and in particular the introduction of a medium-term budgetary framework, and provisions concerning fiscal responsibility. The framework provisions of the draft Law largely follow up on the FAD reports of September 2010 and March 2011. The provisions on fiscal responsibility include: fiscal rules, reporting on the application of these rules and the role of the Supreme Audit Institution with respect to the monitoring of the application of fiscal rules.

Key findings and recommendations of the mission’s report are that Montenegro should consider adopting a procedural fiscal rule. For this purpose, the law should include: (1) principles of fiscal policy making; (2) a requirement for the government to set a target for one or more fiscal indicators; (3) the content of the fiscal strategy document in which those targets are set; and (4) the arrangements for reporting performance against those targets. Implementation of a medium-term framework places new demands on forecasting, including expenditure forecasting in the form of baseline estimates.

In the area of debt management, the Government is facing challenging financing conditions, and, as a consequence, more sophisticated borrowing techniques are being considered. The authorities should carefully consider the risks associated with refinancing, buy-backs, and swaps when conducting international borrowing. The T-bill issuance should be further developed through regular issuance of T-bills. Furthermore, the HQ mission found that the Debt Department should be reorganized, a new financial administration system be implemented and additional training conducted for the staff to effectively conduct its duties.

In the area of fiscal reporting, further steps to improve timeliness, comprehensiveness and user friendliness of fiscal reports should be taken, whereas in order to assure high quality data, a well-functioning and integrative IT system is needed.
**CEF Courses**

In the reporting period, the regional advisor focused for a large part of his time on CEF courses. In close cooperation with the program manager for courses in the area of public financial management, the program of the courses on medium-term budgeting and program budgeting, evaluation and spending review was redesigned and new experts were attracted to lecture. New group exercises for both courses were developed. The regional advisor lectured in the course on Medium-Term Budgeting about basic concepts of medium-term budgeting and on expenditure forecasting and baseline estimates. The advisor also lectured in the course on Program Budgeting, Evaluation and Spending Review on the design of a program-oriented budget classification and on steering of arm's length agencies.

In May the regional advisor participated in the FAD-led CEF course on Building Fiscal Institutions to Meet Post-Crisis Challenges. His lectures included topics on fiscal reporting, macroeconomic and fiscal forecasting, development of baseline estimates, and the role of parliament in the budget approval process.

**Other Activities**

On 28 June the regional advisor made a presentation at the annual meeting of the network of Senior Budget Officials of Central, Eastern and South-Eastern European (CESEE) countries in Riga on medium-term budgeting.

**Norman Gillanders, Tax Administration Reform Advisor**

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**

**Croatia**

The IMF advisor made four visits to Croatia to work with the tax administration on aspects of tax compliance. In June, he also participated in an IMF headquarters-led mission to Croatia which focused on governance and management of tax administration reforms.

**Moldova and Albania**

Mr. Gillanders also visited Moldova and Albania to work on annual tax compliance plans with managers of the tax administrations of these countries.

**Other Activities**

He also attended a meeting in Slovenia as an observer at the EU’s Fiscalis risk management platform hosted by the Slovenian tax administration. He participated in the discussions and workshops. This was a useful exercise as the IMF’s core advice on compliance management is closely aligned with the OECD/EU compliance risk management model.
Resources
The CEF received a donation from the Slovenian Government in the amount of EUR 450,179 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>457,725</td>
</tr>
<tr>
<td>Donation Bank of Slovenia</td>
<td>15,000</td>
</tr>
<tr>
<td>TIAPS MAC</td>
<td>97,338</td>
</tr>
<tr>
<td>FIASR</td>
<td>38,461</td>
</tr>
<tr>
<td>TIAPS MNE</td>
<td>-1,927</td>
</tr>
<tr>
<td>Other</td>
<td>2,293</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>608,889</strong></td>
</tr>
</tbody>
</table>

Expenses
Total expenses for CEF activities in January-June 2013:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and energy</td>
<td>31,874</td>
</tr>
<tr>
<td>Running expenses and other services</td>
<td>104,001</td>
</tr>
<tr>
<td>Labor</td>
<td>397,013</td>
</tr>
<tr>
<td>Authors, tutors and interpreters</td>
<td>228,836</td>
</tr>
<tr>
<td>Costs of events</td>
<td>486,434</td>
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<tr>
<td>Amortization</td>
<td>21,030</td>
</tr>
<tr>
<td>Other costs</td>
<td>7,375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,276,562</strong></td>
</tr>
</tbody>
</table>

NOTE: This financial report includes operational cumulative data for the period January – June 2013, as available on August 2, 2013.