For the 12th annual meeting of its Supervisory Board, the CEF organized a virtual session for the first time ever. Members were invited to consider and offer comments on key governance issues for our institution. Meeting materials were mailed to the 22 ministers and governors who are members of the CEF Supervisory Board on July 13, 2012. Their response, either by mail, fax, or email attachment, was requested by July 31. Members were also invited to contact CEF management directly with any issues they wished to discuss.

The Supervisory Board approved the CEF 2011 Annual Report and Financial Statements for 2011. They endorsed the CEF workshops and seminars schedule for 2013, and assented to the reports of the Advisory and Management boards. They also received a status update on the CEF’s transformation into a full-fledged international organization.

Altogether 15 responses from ministers and governors were received. All agreed with four of the proposed conclusions on the agenda. On the remaining item, regarding the CEF’s change in status, one member suggested amendments to the Draft Agreement for the Establishment of the CEF. These suggestions have been sent to the Slovene Ministry of Finance, which is working with the CEF to finalize the text of the Draft Agreement.

Conducting a virtual meeting was a strategic decision, allowing the CEF to focus more resources on the next board session, planned for 2013. At that time, members will be invited to sign the final agreement on establishing the Center of Excellence in Finance as an international institution.
I. PROGRAM

B | Change of Status of the CEF to International Organization
C | Report of the CEF Management Board
D | Report of the CEF Advisory Board
II. List of Supervisory Board members that signed the SB conclusions

- *alphabetical order*

<table>
<thead>
<tr>
<th>First name</th>
<th>Last name</th>
<th>Institution</th>
<th>Title</th>
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<tr>
<td>1. Dimitar</td>
<td>Bogov</td>
<td>National Bank, Macedonia</td>
<td>Governor</td>
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<tr>
<td>2. Ibrahim</td>
<td>Çanakci</td>
<td>Undersecretariat of Treasury, Turkey</td>
<td>Undersecretary</td>
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<tr>
<td>3. Dorin</td>
<td>Drăguţanu</td>
<td>National Bank, Moldova</td>
<td>Governor</td>
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<td>4. Ardian</td>
<td>Fullani</td>
<td>Bank of Albania</td>
<td>Governor</td>
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<tr>
<td>5. Florin</td>
<td>Georgescu</td>
<td>Ministry of Public Finance, Romania</td>
<td>Vice Prime-Minister</td>
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<td>6. Gani</td>
<td>Gërguri</td>
<td>Central Bank, Kosovo</td>
<td>Governor</td>
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<td>7. Bedri</td>
<td>Hamza</td>
<td>Ministry of Finance, Kosovo</td>
<td>Minister</td>
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<td>8. Ivan</td>
<td>Iskrov</td>
<td>National Bank, Bulgaria</td>
<td>Governor</td>
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<td>9. Milorad</td>
<td>Katnić</td>
<td>Ministry of Finance</td>
<td>Minister</td>
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<td>10. Marko</td>
<td>Kranjec</td>
<td>Central Bank, Slovenia</td>
<td>Governor</td>
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<tr>
<td>11. Slavko</td>
<td>Linić</td>
<td>Ministry of Finance, Croatia</td>
<td>Minister</td>
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<td>12. Veaceslav</td>
<td>Negruta</td>
<td>Ministry of Finance, Moldova</td>
<td>Minister</td>
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<td>13. Nikola</td>
<td>Špirić</td>
<td>Ministry of Finance and Treasury, BIH</td>
<td>Minister</td>
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<tr>
<td>14. Janez</td>
<td>Šušteršič</td>
<td>Ministry of Finance, Slovenia</td>
<td>Minister</td>
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<tr>
<td>15. Radoje</td>
<td>Žugić</td>
<td>Central Bank, Montenegro</td>
<td>Governor</td>
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III. AGENDA


The Center of Excellence in Finance (CEF) believes that capacity development is an endogenous progress: that capacity can only be developed when the effort has strong country ownership. While decision-making power and responsibility for developing individual and institutional capacity remain within our member countries, the CEF provides crucial support for this effort by facilitating learning in the area of public financial management (PFM) and central banking.

In 2011, the CEF marked its 10th anniversary. This important milestone was celebrated together with our members at the events organized in Ljubljana in June. CEF membership was increased by a new member, Turkey. CEF intensified efforts to change legal status to that of an international organization which received support by the CEF’s Supervisory Board members. It continued excellent cooperation with the International Monetary Fund (IMF) and its technical assistance advisors for South East Europe. It is hoped that this cooperation will be further strengthened so that CEF members can benefit from close synergies between technical assistance and training. CEF also strengthened Permanent Certification Programs and its strategic partnership with the UK Chartered Institute for Public Finance and Accountancy (CIPFA).

Special attention was in 2011 devoted into understanding capacity development needs across South East Europe in order to develop high-quality and relevant programs. Hence the CEF put a strong emphasis on a participatory approach to training and learning. In developing program CEF works closely with the CEF Coordinators, whose extensive knowledge of their institutions’ needs help the CEF understand priorities for the region and incorporate these into its program.

In 2011, the CEF once again delivered an increased volume of high quality demand-driven capacity development programs. The implementation of programs is presented in the enclosed CEF Annual Report 2011 together with the financial statements.

The CEF Work Plan for the 2012 and 2013 was confirmed at the 11th Supervisory Board meeting in June 2011 and is still valid. The document is available at the following link: http://www.cef-see.org/WP.

A short overview of the implementation plan for 2012 can be found in the CEF Annual Report 2011, pages 31-32. It may be slightly adjusted as a result of the current economic and financial crisis. The Work Plan for 2013 is supplemented by the enclosed Workshops and Seminars Catalog for 2013.

Appendix I: CEF Annual Report 2011
Appendix II: CEF Workshops and Seminars Catalog 2013
B | Change of Status of the CEF to International Organization

Background

The Supervisory Board discussed and endorsed the CEF proposal for the change of status to international organization at its 7th session in 2007 and requested the CEF Management to take the necessary steps. Since its 11th session in 2011, the Supervisory Board members have explored possibilities of gaining their respective authorities’ support in joining the international organization in its establishment.

The CEF started to prepare the basic documents related to the change of status.

In December 2011, the Draft Agreement on Establishment of the Center of Excellence in Finance was disseminated among member countries for potential comments.

The response has been favorable as the vast majority of members that submitted their replies agreed with the proposed text and some had only minor comments. Due to government changeovers in some member countries the submission of comments to the Draft Agreement on Establishment of the Center of Excellence in Finance has been extended. The respective members are encouraged to ensure swift submission of potential comments.

Actions to be taken

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

1. Agreement on Establishment will be revised based on members’ recommendations.

2. The signature of the Agreement of the Establishment is expected in spring 2013.

3. Interested member countries will be invited to ratify the signed Agreement of the Establishment. The Agreement of Establishment will enter into force after at least three countries deposit instruments of ratification.

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

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

4. The Agreement of Establishment will be registered with the United Nations after at least three countries deposit instruments of ratification with the Slovenian Ministry of Foreign Affairs.
5. The Agreement with the Government of Slovenia (Headquarters Agreement) will define the conditions under which Slovenia will host and finance the CEF. It is expected that the conditions will not change.

6. The Rules and Regulations for the CEF as an international organization will be drafted.

7. The first session of the Governing Board will be organized to approve the CEF’s Rules and Regulations.
The CEF Management Board is currently comprised of four public sector officers who are representatives of the Government of the Republic of Slovenia, the founder of the CEF.

Its primary function is to supervise both financial and other activities of the CEF, ensuring that it fulfills the purpose for which it was founded. In addition, the Management Board reports on the CEF’s work to the Supervisory Board.

In 2011, the Management Board held five regular sessions and one correspondence session. As part of its regular activities, it adopted the CEF's Annual Report with Financial Statements for 2010 and Work Plan (with financial plan) for 2012 and 2013. It discussed and approved documents and procedures for the CEF’s change of status to an international organization. It also discussed and approved activities linked to CEF’s 10th Anniversary. Besides it approved the appointment of new staff to support an increasingly complex program and a growing number of projects. Finally it oversaw the CEF’s activities through regular reporting by the Director.

The Management Board sees 2011 as yet another successful year for the CEF and it is happy to note that the institution continues to serve as a reliable partner to its membership. The CEF does not rely solely on standardized capacity building and knowledge sharing instruments but maintains an unwavering drive for innovative approaches and new alliances to benefit the region. Especially in the current economic uncertainty, public finance policy design and implementation are under intense pressure to strike the right balance between stimulus and consolidation. By asking questions and providing possible answers to the challenges, the CEF has retained its edge in promoting excellence in public financial management and central banking.

In the uncertain environment and with a challenge to achieve comprehensive budgetary consolidation, a new Government took office in Slovenia in early 2012. It reviewed the entire span of our spending categories, including Slovenia’s development budget. It wanted to make sure that each budgetary line offers legitimate value for money. In this exercise, delivering results efficiently is of crucial importance.

The CEF, with its highly professional and dedicated staff as well as strong support from donors and partner institutions, is well placed to continue making a difference. Given that the region it serves has a strong external anchor for policy design through its aspiration for EU membership, the CEF is developing closer co-operation with EU institutions, most notably with the European Commission and the European Central Bank. At the same time, the Management Board is looking to enhance further the traditionally fertile relationship with the IMF.

Last year the CEF marked its 10th anniversary which was an opportunity to set the bar even higher for the next decade. The decision to strengthen the institution by transforming it into a full-fledged international organization presents a historic milestone. The Management Board is looking forward to this forthcoming challenge and
will be working with the Slovenian Government and the Ministry of Finance to equip the CEF to continue delivering results.


**Report of the CEF Advisory Board**

The Advisory Board is a representative body of the CEF donor partners and institutions with activities in South Eastern Europe. It advises the Supervisory Board and the Management on guidelines for its capacity building program and prepares periodic assessments of the CEF operations, which it presents to the Supervisory Board. The Advisory Board meets annually.

The 9th annual Advisory Board meeting took place on June 23, 2011 in an atmosphere of appreciation of what has been and optimism for the future. The CEF and representatives of 16 CEF partner institutions took a view that the 10th anniversary was an ideal opportunity to look back to what the CEF has accomplished in the past decade and also to look ahead to where the needs and possibilities for future cooperation lie.

The next Advisory Board meeting will be held in September 2012 in Istanbul. In the previous (2011) Advisory Board meeting it was concluded that the activities should be “demand-driven and flexible, tailored to member country needs to ensure that the limited resources available to the CEF can be most effectively utilized.” Therefore, the 2012 meeting will be organized back to back with the meeting of Coordinators of CEF member institutions in order to exchange views among CEF member institutions representatives and Advisory Board members representing donor partners. We hope that this physical gathering between representatives from the CEF member institutions and the donor partners will stimulate mutual understanding of what is needed and what can be offered and will result in an ambitious draft catalog for 2014.
IV. PROPOSED CONCLUSIONS

CONCLUSION 1:

CONCLUSION 2:
The Supervisory Board endorses the CEF workshops and seminars schedule planned for 2013.

CONCLUSION 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.

CONCLUSION 4:
The Supervisory Board assents to the report of the Management Board.

CONCLUSION 5:
The Supervisory Board assents to the report of the Advisory Board.