



## Quarterly Report

April-June 2015





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# CENTER OF EXCELLENCE IN FINANCE

**The Center of Excellence in Finance (CEF)** is a leading regional knowledge hub located in Ljubljana, Slovenia. We were established in 2001 under the Stability Pact for South East Europe by the Slovenian Government at the initiative of the Slovenian Ministry of Finance and in close cooperation with other ministries of finance of former Yugoslav countries and Albania. In 2014 the CEF became an international organization. This will enable us to further improve the quality of our programs and projects.

**Our mission** is to 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.

We support capacity development in: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey. The active role of **our constituency** through the CEF's governance structure is essential to assure that our program is demand driven and that it fully responds to the needs of the region.

Online information is available at [www.cef-see.org](http://www.cef-see.org).

## Governance

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

**Governing Board** is a decision making body of CEF International. Members of the Governing Board are ministers of finance, central bank governors or heads of other relevant institutions or their nominated representatives that ratified the Agreement on Establishing CEF, and up to three representatives of the Advisory Board. The Governing Board meets at least annually. It supervises the activities of the CEF International and approves the annual work program and annual budget. The Director, appointed by the Governing Board for a term of five years acts as an ex officio member without voting powers.

**The Advisory Board** is a representative body of our donor partners. It assists in designing and in coordinating the delivery of activities of the CEF. Up to three representatives of the Advisory Board are members of the Governing Board. The Advisory Board meets annually.

**The Secretariat** is composed of Director, Staff and Experts. **Director** is appointed by Governing Board for the term of five years. The Director ensures proper, regular and efficient functioning of the CEF. It reports to the Governing Board and submits to the Governing Board a draft annual work program, budget proposal and report on their implementation.

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

## Partnerships

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

**Slovenia: A Unique Partnership**

- Ministry of Finance
- Bank of Slovenia

**Selection of CEF bilateral partners:**

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

**CEF multilateral partners:**

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

**Knowledge institutions:**

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

**Peer organizations:**

- International Training Centre of the International Labour Organization
- Regional School of Public Administration (ReSPA)
- Joint Vienna Institute (JVI)

## How Learning Works at the CEF

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

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

## CEF Institutional Capacity Development and Knowledge Sharing

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

## Learning and Regional Cooperation

### Learning Activities

#### Workshops and Seminars

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

#### ***Public Financial Management***

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

#### ***Central Banking***

#### ***People and Process Management***

### Tailored Trainings

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

## Certification Programs

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

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

Level	PACT	TIAPS
1 – CIPFA Certificate Stage	Accountant in the Public Sector	State Internal Auditor
2 – CIPFA Diploma Stage	Verified Accountant in the Public Sector	Verified State Internal Auditor

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](http://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.

# QUARTERLY REPORT

## Governance

### Attracting Talents to an International Environment

We presented the CEF and the staff profiles, skills and talents we are looking for to the students of the Faculty of Economics, University of Ljubljana at the career day "Delo MeNE išče."

Faculty of Economics, University of Ljubljana, annually organizes the career day where its students get to know the employment opportunities and ways of recruiting in Slovenian and international firms. Ana Frangež, CEF Project Manager presented our organization – where and what we do. She also presented the CEF staff profiles and skills and talents required to become part of the CEF team. In addition she shared some of her thoughts and feelings from the time of searching for a first job, as well as some do's and don'ts when it goes for looking for work and some examples of good practice in this area.

### Parliamentary State Secretary at the German Federal Ministry of Finance Visits CEF

Mr. Steffen Kampeter, Parliamentary State Secretary at the German Federal Ministry of Finance accompanied by H. E. Dr Anna Elisabeth Prinz, German Ambassador to Slovenia met with deputy director of the CEF, Ms. Jana Repanšek and colleagues. Mr. Kampeter, who is at the same time a member of the Bundestag, Germany's parliament, is supporting the minister of finance in ensuring a constant exchange of information between the executive and the legislative branch of German government.

Mr. Kampeter was briefed on the CEF role and activities. The CEF also presented the impact of the project on training and certification of internal auditors in public sector (TIAPS) in Montenegro that has been jointly funded by the German Stability Pact Fund, the Montenegrin Ministry of Finance and the CEF. The third cohort of TIAPS was kicked-off today in Podgorica.

# How Learning Works at the CEF

## CEF Institutional Capacity Development and Knowledge Sharing Activities

In the second quarter of 2015, to develop our own capacities and to develop and maintain our role of a knowledge hub, the CEF organized, shared knowledge, or participated in the following events:

### CEF at the Frontiers in Leading Change Seminar

The CEF took part in the Frontiers in Leading Change seminar co-hosted and co-organized by WBG's LLI (Leadership, Learning, Innovation) and the GIZ's AIZ (Academy for International Cooperation). The aim of a two-day event, taking place on May 27-28, 2015, was to foster joint learning and exchange between country leaders, development practitioners and partners in the field of leading change and systems transformation in international development.

An audience of about 70 participants, including prominent speakers and leading authors on the subject matter, engaged in an open and interactive dialogue on a diverse set of change stories, illustrated the impact of leadership interventions, and held practical panel discussions on experiences with culture change interventions in development organizations.

On the second day, participants dived deeper into the leadership tools and approaches, learned from mutual experience, and contributed to work streams to take the work forward. Thus, several groups for further collaborations after the event were also created.

### Importance of Economic Governance in the EU Accession Process

The recent crisis in Europe has urged the EU to take further steps in ensuring macro-economic and financial stability, and to improve its economic governance. These adjustments are further reflected on the requirements of the accession process, which countries are facing on their way to join the European Union.

With the change of reporting lines and increased stress on economic factors and economic convergence already before the entering, national central banks (NCBs) are much more involved than they were in the past. With the new form of accession strategy documents they need to cooperate closer with other institutions. Enjoying a highly credible and independent status in the countries, NCBs are playing an important role in communicating the process situation and needed reforms, while the level of individual involvement is varying across the countries, leaving the NCBs to determine their preparedness in cooperation.

Thus, it seemed to be most suited time for the two-day conference (May 27-28) on "Economic Governance in Europe and EU Accession Process: What is the Role of Central Banks" that the CEF has attended. It was organized in Belgrade by the National Bank of Serbia, jointly with the GIZ. The conference had for its goal sharing experience and strengthening the cooperation among the NCBs of acceding countries (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, and Turkey) together with two from EU member states (Croatia and Slovenia), and ECB and the European Commission.

The participants were acquainted with the current status of Serbia's accession, along with the extensive insight in the reformed EU economic governance with its implications, and

consequently changed roles of the ECB, the NCBs, and cooperation with the European Commission. On the second day, there was an interesting panel discussion among governors and vice governors from respective countries, who reported on their progress and challenges they are facing.

As noted at the conference by several speakers, accession process itself represents an additional fiscal burden to acceding countries, which is only partially leveled by the Instrument for Pre-Accession Assistance. Apart from that, the process adds pressure to national institutions, including central banks. Workload is normally increased. This derives for example from additional and more extensive reporting and communicating lines, representing the central bank at various boards and committees. The central banks have to expand their external governance.

Among other discussed topics was visibility of NCBs in producing of reports and representation of their countries, better coverage of negotiations, ensured by a given formal mandate, while still keeping their independent status, giving objective proposals on undertaken economic policies and needed structural reforms. Much stress was put on structural reforms needed for better resilience to risks and external shocks. Also, they discussed using of EU technical assistance mechanism, developing institutional capacity and coordination with the EU in terms of the need for institutional restructuring to develop more efficient internal governance.

### **CEF with Donor Organizations on Sustainable Development**

CEF together with other donor agencies and multilateral organizations participated at the 2015 learn4dev network annual meeting. Participants looked ahead to the post-2015 world of development and discussed the new challenges it poses and explored how we can use organizational learning and the learn4dev network to adapt to the new development agenda.

Sanjay Pradhan, key note speaker talked about the World Bank knowledge hub and evolving attitudes to learning and Duncan Green, intervened on how international donors will have to and should be adapting to the post-2015 world of development. It was concluded that the new world of development will require new types of cooperation among partners and people, capabilities to find new approaches for promoting change will have to be developed in addition to the culture of innovation, risk taking etc. In this context Jana Repanšek, CEF Deputy Director led the discussion on our organizational challenge on how to empower staff to safely walk on the edge and innovate.

Meeting was co-organized by Department for International Development (DFID) and the European Commission on June 15-17, 2015 in DFID premises in East Kilbride, Scotland. CEF that co-organized the 2014 annual meeting presented a review of the realized commitments since the last years annual meeting held in Ljubljana.

In the following year organizations will cooperate in the framework of established learn4dev expert groups. New proposals for cooperation were put forward. CEF will cooperate on the project on managing results of learning and visualization techniques, the initiatives of World Bank Institute and International Training Centre of International Labour Organization (ITC ILO). CEF initiative for cooperation on the topic of physical design of a learning environment attracted Swiss Agency for Development and Cooperation (SDC), French Agency for Development (AFD) and EC – Europeaid.

The new Core Group of the network was elected at the meeting. It will be composed out of 2016 annual meeting organizers: FAO and AFD (France) and this year`s organizers EC and DfID that will

hold the role of Chair with Clive Martlew. Additionally BTC that covers communications will remain part of the core group.

More information on the meeting and the learn4dev network is available on the learn4dev website.

# Learning Activities

## Workshops and Seminars

The CEF organized 14 learning events in the second quarter of 2015 with 291 participants from the following:

- CEF constituency: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey.
- Other countries: Armenia, Azerbaijan, Georgia, Jordan, Latvia, Mongolia, Poland, Ukraine

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

- [Developing an Effective Taxpayer Audit Program](#)
- [Planning and Leading Organizational Change](#)
- [Cost Accounting](#)
- [Modern Approaches to Tax Compliance](#)
- [Writing Strategic Documents for IMAD](#)
- [Writing Strategic Documents](#)
- [Recent Developments and Issues in Medium-Term Budgeting](#)
- [Budget Submissions of Line Ministries](#)
- [Information Technology Audit](#)
- [Wholesale Payments and Securities Settlement Systems, Oversight, and Monetary Policy Framework](#)
- [Strengthening Fiscal Institutions](#)
- [Combating Value Added Tax \(VAT\) Fraud](#)
- E-learning course on Budget Execution
- [Statistical Sampling for Auditors](#)

### Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries' participation is estimated at EUR 80,500 and the participation of other countries at EUR 17,300 (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).

Country/entity	ALL Participants		Participants Sponsored by Sending Institution		
	Number	Days	Number	Days	Estimated costs in EUR
Albania	28	92	12	29	11,8000
Bosnia and Herzegovina	15	41	4	11.5	4,300
Bulgaria	11	18.5	3	7.5	3,000
Croatia	23	60.5	10	23.5	9,700
Kosovo	13	34.5	7	16.5	6,800
Macedonia	20	53.5	6	15.5	6,100
Moldova	24	83	2	5	2,000
Montenegro	17	45.5	5	13	5,100
Romania	10	25.5	4	10.5	4,100
Serbia	13	37.5	3	8.5	3,200
Slovenia	41	116.5	39	110.5	0

Turkey	28	74	24	62	24,400
<b>Total member countries</b>	<b>243</b>	<b>692</b>	<b>119</b>	<b>313</b>	<b>80,500</b>
Other countries	48	124.5	17	44	17,300
<b>Total</b>	<b>291</b>	<b>816.5</b>	<b>136</b>	<b>357</b>	<b>97,800</b>

## Donors

Donor partners sponsor lecturers (travel expenses and lecturers' fees) and materials for the courses. These were estimated at EUR 86,250. For this report, a half-day lecturer session is estimated at EUR 500 and travel expenses at EUR 1,500 per lecturer.

Donor	No of sessions	Amount in EUR
Bank of Slovenia	1	500
Center of Excellence in Finance, Slovenia	30	22,500
Central Audit Service, Netherlands	10	5,000
Council for Budget Responsibility, Slovakia	0.5	1,750
Dutch Central Bank, Netherlands	10	9,500
International Monetary Fund	10	5,000
Ministry of Finance, Netherlands	46	33,500
The World Bank	12	6,000
USAID Business Enabling Project (USAID BEP), Serbia	5	2,500
<b>Total sponsored lecturers</b>	<b>124.5</b>	<b>86,250</b>

## Certification Programs

### Public Accountants Certification Training (PACT)

#### *PACT Macedonia*

#### **Training of Trainers for the Public Accountants Certification Program in Macedonia**

In cooperation with Chartered Institute of Public Finance and Accountancy (CIPFA) we successfully delivered training of trainers for the Public Accountants Certification Training (PACT) program in Macedonia.

In line with CIPFA standards, CEF headhunts to ensure the hiring of high-quality local tutors. Well educated local tutors are especially important, since the goal is sustainability and independent running of the program following the project's completion. Up to three local trainers per module will be trained.

Training of trainers was delivered in two parts - one focused on methodologic approach such as learning methods, teaching skills, motivation and organization of in class training and powerful presentations, while the second part was focused on module substance. A team of 12 tutors was trained and are now ready to take over their commitments for in class training beginning in September.

Overall the PACT aims to train up to 40 students on certificate level in 2014-2015 and up to 40 students on diploma level – the project was extended till June 2016. Macedonian authorities will also be supplied with the training materials in local language. A task force for complete institutionalization and localization of the certification program was established.

This professional certification program is made possible through joint funding from the World Bank SAFE Trust Fund and the Central European Initiative (CEI). Ministry of Finance of the Republic of Macedonia and the Center of Excellence in Finance (CEF) offer to the program in-kind support.

### Training of Internal Auditors in the Public Sector (TIAPS)

#### **TIAPS in the Region**

#### *TIAPS Macedonia*

#### ***The USA and Slovenia Continue to Support Training for Internal Auditors in Macedonia***

On May 26, 2015 the director of the CEF, Ms. Mira Dobovišek, hosted Mr. Joshua Harris, Political and Economic Counselor at the U.S. Embassy, Ljubljana and Ms. Irena Mramor, Minister Plenipotentiary at the Slovenian Ministry of Foreign Affairs as they signed the USAID Grant Agreement within the U.S. Donors Challenge Fund that will continue their combined support for the Training of Internal Auditors in the Public Sector (TIAPS) program in Macedonia, implemented by CEF.

The decision to extend financing was based on the very favorable results achieved by the previous generations of students that studied at the program. Ms. Dobovišek noted: “Macedonian



students are one of the very best in the region, more than three quarters of those enrolled in training so far have successfully completed the certification program.”

Mr. Harris expressed satisfaction on the good results of the program and effective use of the donor resources and expressed interest for future cooperation with the CEF also in other projects. Ms. Mramor emphasized that Slovenian MFA is very satisfied with the results of the project in Macedonia and pointed out that cooperation with CEF, which is one of the most important implementing partners of Slovenian development cooperation, has again proven for efficient and fruitful.

The funds will enable Macedonian officials to learn international internal audit standards and best practices according to the curricula developed by the British Chartered Institute of Public Finance and Accountancy. The students will be assisted by local tutors, trained during the previous iterations of the TIAPS program in Macedonia. Slovenian tutors and supervisors will provide the tutors with additional training and guidance. All related learning materials will be translated from English to Macedonian.

### ***TIAPS Montenegro***

On January 14, 2015 the German Embassy in Slovenia and the CEF signed the third grant agreement for funding

The training for the third generation of Internal Auditors in the Public Sector was launched with the opening ceremony on April 9, 2015 with the support of project partners: the German Government, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the CEF.

Ms. Ana Krsmanović, Director General of the DG for Central Harmonization at the Ministry of Finance, Montenegro shared testimony on the added value of TIAPS in Montenegro.

# Regional Cooperation

## Building Capacities for Policy Design and Implementation

Building Capacities for Policy Design and Implementation (BCPDI) is a program the CEF launched at the initiative of beneficiaries in South East Europe (SEE). Under the BCPDI, the CEF is currently implementing the Strategic Planning and Budgeting (SPB) project, which started in spring 2013 and will last through September 2015. The SPB is an EU-funded project, designed to serve the needs of beneficiary institutions in 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 help achieve the goals of the SEE 2020 strategy as established by the beneficiaries.

In the second quarter, the CEF has delivered the following learning events:

- Workshop on Recent Developments and Issues in Medium-Term Budgeting (delivered at the CEF on May 18-20, 2015)
- Seminar on Strengthening Fiscal Institutions (delivered at the CEF on June 15-18, 2015)
- E-learning on Budget Execution (delivered via the CEF online learning platform on June 15 - July 5, 2015)

SPB team members have been travelling to Albania and Montenegro, i.e. to get input for upcoming activities, assure activities are in line with beneficiaries' needs, recruit participants for SPB activities, and get input to CEF efforts to assure the project's impact is sustained and extended through future action.

The SPB Project Steering Committee has been reviewing and approved the Narrative Report of the Project for the second implementation year.

The following Value Creation Stories have been collected:

- [SPB learning activities promoting more strategic professional development: Dimitar Točkov, Ministry of Finance, Serbia](#)

## EU Strategy for the Danube Region

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

The CEF contributed to the 4th Danube Financing Dialogue taking place in April in Zagreb. In May, the CEF also attended the meeting with the European Commission, the Danube Transnational Programme and PACs related to guidance and evaluation criteria for applicants and evaluators of Danube Transnational Programme. In June, the CEF organized the 8th meeting of the Steering Group of the priority area for institutional capacities and cooperation. In June the CEF also attended the Danube a floating conference, bringing together the EUSDR national coordinators, the PACs and staff of the newly established Danube Strategy Point.

More on the EUSDR and Priority Area 10 activities is available at [www.cef-see.org/regional-cooperation/eusdr](http://www.cef-see.org/regional-cooperation/eusdr)

## Public Expenditure Management Peer Assisted Learning network (PEMPAL)

In the second quarter of 2015, the CEF supported the organization of the following PEMPAL events:

### **Budget Community of Practice:**

- BCOP Meetings and OECD SBO Meeting, Warsaw, Poland, May 20-22

### **Treasury Community of Practice:**

- Plenary Meeting, Tirana, Albania, May 20-23

### **Internal Audit Community of Practice:**

- Study Visit, The Hague, The Netherlands, May 11-13
- Thematic Meetings, Bishkek, Kyrgyzstan, June 8-12

## Regional IMF Technical Advisors

### Duncan Last, Public Financial Management Advisor

This position has been funded since May 2010 as part of a Japanese Government sponsored program for strengthening fiscal management for SEE. From mid-June, the position is now funded under a grant agreement from the European Union targeting fiscal reforms in 6 SEE countries – Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia.

#### Country Activities

##### Albania

During May and June, based on the advisor's preliminary analysis of the PFM Strategy communicated during the March 2013 visit, a series of VCs were held with each of the six component managers and key staff, following which the advisor prepared and shared an initial proposal aimed at prioritizing and improving the sequencing of the envisaged reform actions over the coming 3 years. The intention was to provide a discussion document for a follow up visit by the advisor in July to complete the prioritization and sequencing exercise.

During June an FAD mission led by Tim Irwin completed a Fiscal Transparency Evaluation (FTE) based on IMF's new Fiscal Transparency Code formally issued in June 2014 – the first FTE in the region, for Romania, is now publicly available on the websites of the authorities and the IMF. The FTE assessed Albania's fiscal reporting, fiscal and budgetary forecasting, and fiscal risk analysis and management practices against 36 principles defined in the new Code. The draft FTE report, now with the authorities for review, is expected to be published by the end of 2015.

##### Bosnia and Herzegovina

The regional advisor visited Bosnia and Herzegovina during April 6-9 and met with ministers and senior staff of Ministries of Finance in Republika Srpska (RS), Federation of Bosnia and Herzegovina (FBiH), and State Institutions (BiH-State), as well as Canton Sarajevo to discuss recent developments, follow up on recommendations from recent FAD technical assistance – headquarters as well as regional – and identify areas of follow up assistance to be included in the new EU-funded regional project.

The RS authorities confirmed that the 2014 short term expert support (Boštjan Vasle – Director of IMAD, Slovenia) in macroeconomic forecasting had been particularly useful and that the techniques that he helped develop are currently being used in preparing GDP forecast. They requested a follow up visit by the same expert to build capacity, particularly among the new staff, and to further strengthen their forecasting techniques. They also asked for comments on the draft Fiscal Accountability Law which they plan to adopt this year. They noted that progress had been made in piloting program budgeting under an EU-funded project due to finish at the end of 2015, with completion of the coverage of ministries expected by 2016. Other areas where further developments were anticipated included strengthening their fiscal risk management and improving their revenue forecasting,

The FBiH authorities reported progress in implementing the 2013 Law on Budgets, notably the completion of all the implementing regulations and the introduction of fiscal responsibility statements for federal government ministries. They also expressed their appreciation for the fiscal reporting TA provided from the regional FAD project, but stressed the need for further support in this area going forward, both at entity level as well as the consolidation at State level. Other areas where further efforts were identified included the operationalization of the Fiscal Coordination Body, the implementation of fiscal rules, the improvement of cash flow planning,

and improving the credibility of the MTBF, notably through the development of more realistic projections. They also raised the need for a BiH-wide approach to monitoring budget performance.

The State level authorities acknowledged the need for further efforts in fiscal reporting, both in preparing the national consolidation of fiscal data and in developing national accounting and reporting standards. They suggested that FAD would be best placed to undertake this work, having been the main external partner involved in developing the system up to now. Regarding the budget planning system, the authorities suggested that an FAD review mission this year would be timely, as it would help develop the framework for the next phase of reforms under the ERP and the EU convergence program. This mission would look at strengthening medium-term planning linked to the budget and anchored in fiscal rules, improving investment planning, fully embedding the program budgeting approach, and developing the support tools to enhance performance monitoring, including the introduction of a spending review process.

During May 2015 the regional advisor provided desk-based comments on the RS' draft Fiscal Accountability Law. The comments focused on the coverage of debt, the balanced budget rule formula, the timing of sending documents to the Fiscal Council, the role envisaged for other institutions such as Budget Inspection, the circumstances under which deviations from the rules are allowed, the appointment and dismissal framework as well as the specific responsibilities of the members of the Fiscal Council, and the enforcement provisions.

### **Macedonia**

The regional advisor worked with the IMF's European Department team on the preparation of a Selected Issues Paper on the adoption of fiscal rules in Macedonia. A draft constitutional amendment introducing fiscal rules is currently under consideration in Parliament and, once adopted, a supporting fiscal responsibility law will be submitted. The fiscal rules are expected to come into force in 2017. The regional advisor's contribution focuses on the PFM implementation issues to be considered when introducing fiscal rules, and shares some regional experiences in this regard.

### **Serbia**

In June the newly established fiscal risk unit shared their first state-owned enterprise quarterly reports with the regional advisor. These reports use the new monitoring indicators established with assistance from FAD during and following the February 2015 mission. However, so far the reports are not publicly available.

The SECO-funded FAD TA support project for Serbia was signed in May 2015 and the recruitment and placement of a resident macro and budget advisor will be completed this summer. This support will be closely coordinated with FAD's regional support provided under the EU-funded project signed in June.

The second of two short term expert visits by Frans van Schaik was completed in April. The report included a gap analysis of Serbia's 2013 financial accounts against IPSAS cash accounting standards, provided drafting suggestions for the proposed public sector accounting and reporting standards council, and identified key issues to be address regarding the road map towards accrual accounting in the government sector envisaged in the 2015-17 PFM reform program. The report's findings and recommendations should result in improvements in the Republic of Serbia's annual accounts and financial statements for 2014.

## **Slovenia**

At the authorities' request, an FAD headquarters mission led by Brian Olden and including the regional advisor visited Slovenia between April 30 and May 13 to provide guidance on establishing a spending review process. The authorities see the spending review as an essential tool for (a) reviewing the performance of programs and ensuring efficient use of resources, and (b) for identifying the savings needed for post-EDP consolidation as well as for creating the necessary fiscal space for new policies. The spending review is expected to be an annual exercise, with a focus on a limited number of policy areas each year.

This year the spending reviews focused on Health, Education, and Social Welfare. The mission benchmarked Slovenia against peer countries within the EU, both in general budgetary spending terms and in sector specific indicators. This benchmarking provided an insight into where spending reviews could focus their efforts to find savings.

The FAD mission worked with staff from the Budget Directorate, IMAD and relevant line ministries to establish a framework for spending reviews, and to provide practical guidance to the mixed teams charged with carrying out the reviews. The practical guidance included specific examples of potential saving measures and the fiscal impact they would have over time. Since the health sector spending review was already under way with assistance from the WHO's Health Observatory, the primary focus was on the education and social benefits teams. By the end of the mission the social benefits team was well established and making progress, while the education team lagged behind due to a very recent change in Minister. The spending review team approach, which provides a collaborative framework for the Budget Directorate to engage constructively with their counterparts in line ministries, will require high level support going forward if tangible results are to be obtained. The reports from these spending reviews are expected in July and should feed into the expenditure ceilings for 2016-18 and the detailed preparation of the budget.

The spending review process is expected to be included in this year's revision of the Public Finance Act. The revision of the Act will be required once the Fiscal Rules Act is adopted by Parliament.

## **CEF Learning Events**

The regional advisor collaborated with CEF and FAD on the delivery of two workshop events during the reporting period, both funded through the EU-funded CEF-managed Strategic Planning and Budgeting project. The first event held during May 18-20 looked at recent developments and issues in medium-term budgeting. It attracted 29 participants from 9 countries, with a mix of mid-level and more junior staff mainly from Macro and Budget Departments of Ministries of Finance, as well as a few finance staff from line ministries. In addition to recent developments in medium-term budgeting, the workshop presented a range of related issues including fiscal rules, fiscal councils, strategic planning and public investment, and EU convergence. In addition to the regional advisor, the presenters included Karl Bergstrand from the Ministry of Finance in Sweden, Ludovit Odor from the Fiscal Council in Slovakia, Madja Sedej from a USAID project in Serbia, and Andreja Jerina from the Ministry of Foreign Affairs in Slovenia. The workshop also included a quick survey of country practices in medium-term budgeting and group work on establishing a medium-term budget framework and on programming EU funds. The feedback from the workshop showed that it was a successful event which participants found both useful and relevant to their work.

The second workshop held during June 15-18 was on strengthening fiscal institutions, the third workshop on this topic held at the CEF since 2011. Fiscal institutions questionnaires modeled on recent work by FAD on G-20 countries and completed by participants provided an update to the results shown in the 2013 survey published in an IMF working paper – it showed progress in most areas, with significant improvements in some. The presenters for this workshop included Brian

Olden and Marta Ruiz Arranz from FAD, Sami Yläoutinen from the Ministry of Finance in Finland, Georges Tournemire from the European Commission, Stane Vencelj from the Ministry of Finance in Slovenia, and Elton Stafa from a USAID project in Albania (Elton was included as part of the CEF's policy of using promising trainers from its training of trainers program). The workshop included group work based on a fictitious case study country, with participants opting between rules based fiscal frameworks, fiscal councils, increasing fiscal transparency, and strengthening budget execution – all among the topics covered in the workshop. The feedback from the workshop participants showed their appreciation for the range of topics covered as well as the quality and experience of presenters.

## **Steffen Normann Hansen, Tax Administration Reform Advisor for SEE**

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

### **Country Activities**

#### **Albania**

During April 19-23, 2015, Mr. Hansen carried out a mission to the General Directorate for Taxation (GDT), primarily to assist in i) finalizing the organizational structure in headquarters, ii) establishing the Central VAT Refund Department, iii) planning the activities of the Strategic Plan, and iv) to discuss change management activities.

During May 27 – June 3, 2015, Mr. Hansen carried out a mission to the GDT to take stock of the implementation of the risk-based VAT refund approach and to participate in a Compliance Committee meeting where a number of important decisions were decided to further implement the CRM approach.

During June 16-30, 2015, Mr. Hansen participated in a headquarters-led mission to the GDT and the General Customs Administration (GDC). The purpose of the mission was to assist further improving the revenue collection by the two administrations.

#### **Moldova**

During May 16-26, 2015 Mr. Hansen participated in a headquarters-led mission to the Main State Tax Inspectorate in Moldova (MSTI). The purpose of the mission was to update the tax administration reform strategy and take stock of progress made in key reform areas.

### **Other Activities**

During May 12-15, 2015 Mr. Hansen was part of the faculty at the CEF workshop on Modern Approaches to Tax Compliance. In all, 19 participants attended the workshop from Armenia, Bulgaria, Croatia, Georgia, Kosovo, Macedonia, Moldova, Romania, Serbia, Slovenia, and Ukraine.



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