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 PEMPAL program, we are also present in a number of other countries of Eastern Europe and Central Asia. Online information is available at www.cef-see.org.

Governance

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

The highest governance body is the Supervisory Board, through which member countries oversee CEF operations and influence our program. It meets annually to set guidelines for CEF activities, adopt a work plan for the year ahead, and approve the Annual Report and financial statements for the previous year. Members are ministers of finance and governors of central banks or their nominated representatives.

The Management Board represents the founder, the Government of the Republic of Slovenia. It provides supervision of the CEF’s financial and other activities and reports its activities to the Supervisory Board.

The Advisory Board represents the CEF’s donor partners. It advises the Supervisory Board and CEF Management on the guidelines for its training program and prepares periodic assessments of CEF operations, which it presents to the Supervisory Board. The Advisory Board meets annually.

The Director organizes and manages CEF operations in accordance with decisions adopted by the Supervisory and Management Boards and works to ensure efficient and effective management of the CEF.

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

<table>
<thead>
<tr>
<th>Level</th>
<th>PACT</th>
<th>TIAPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - CIPFA Certificate Stage</td>
<td>Accountant in the Public Sector</td>
<td>State Internal Auditor</td>
</tr>
<tr>
<td>2 - CIPFA Diploma Stage</td>
<td>Verified Accountant in the Public Sector</td>
<td>Verified State Internal Auditor</td>
</tr>
</tbody>
</table>

These programs operate as distance learning and focus on international standards and best European practice in accounting and auditing, emphasizing practical application of standards to the special circumstances of the public sector. Although materials are designed for self-study, participants can upgrade their knowledge at regular meetings with tutors on more demanding topics. Students can also consult with tutors and other students through an internet forum.

After each of the modules, participants sit for a written exam or complete a workplace assignment. Students in the Slovenia’s TIAPS program are also required to complete a written final assignment after passing exams for the first level of qualification.

Both qualifications (certificate and diploma levels) are internationally recognized and are awarded by the United Kingdom Chartered Institute of Public Finance and Accountancy (UK CIPFA). Each participating country may also award a local certification.

Regional Cooperation

Building Capacities for Policy Design and Implementation

BCPDI is a program proposal prepared by the CEF at the initiative of beneficiaries in South East Europe, with input from the European Commission and the involvement of international financial institutions. The aim is to build beneficiary countries’ capacities for medium-term macroeconomic and fiscal policy analysis, design, and implementation and to foster stronger internal and external policy coordination for the medium term. The program entails three delivery components: training activities, communities of practice, and technical assistance. Under the first of these, the CEF has prepared two projects: the Fiscal Impact Assessment of Structural Reforms (FIASR), and Strategic Planning and Budgeting (SPB). For more details, see www.cef-see.org/bcpdi.
EU Strategy for the Danube Region

The EU Strategy for the Danube Region (EUSDR) is a macro-regional strategy adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. It aims to boost development by seeking synergies and coordination among policies and initiatives across the Danube region. The CEF is a coordinator for Priority Area 10 along with the City of Vienna: we are tasked with stepping up institutional capacity and cooperation. The focus is on challenges of institutional capacity and the public service, better coordination of funding, and collaboration among cities and citizens in the region. To date, it is one of the most active priority areas within the strategy.

PEMPAL – Public Expenditure Management Peer Assisted Learning Network

PEMPAL – the Public Expenditure Management Peer Assisted Learning Network – is a multilateral effort to develop capacity and share reform experiences among countries in Europe and Central Asia. Professionals from these countries can benchmark their systems against each other and pursue opportunities for peer learning. The network is supported financially and in-kind by a number of development organizations, including the World Bank, State Secretariat for Economic Affairs (SECO), the Ministry of Finance of the Russian Federation, OECD Sigma (Organization for Economic Co-operation and Development Support for Improvement in Governance and Management), and others. The CEF serves as its Secretariat.

The network operates in three Communities of Practice (COPs): Budget (BCOP), Internal Audit (IACOP), and Treasury (TCOP). Each drafts an action plan within a budget, allocated by the Steering Committee for the respective fiscal year. In addition, a plenary meeting brings together all three PEMPAL COPs to discuss common public financial management challenges.

Policy Conferences and Research

The CEF promotes effective policy dialogue by bringing together policy-makers, practitioners, academics, and other experts for discussions that balance theory and practice. Many policy events involve research efforts of longer duration and generate knowledge that is published on the CEF web site, in journals, or in book format.

Since 2006, the CEF has, in cooperation with partner institutions, addressed a number of policy topics: taxation, pension systems, tertiary education, turbulence in global financial markets, and European health systems. In 2009 and 2010 the CEF’s focus was on medium-term policy design and implementation, and in 2011 the CEF, in partnership with the World Bank and the IMF, organized a conference on international trends in public sector accounting. In 2013, the CEF held a high-level dialogue to address taxation issues.

Regional IMF Technical Advisors

The International Monetary Fund’s long-term regional advisor positions are part of a Japanese Government-funded program for strengthening fiscal management for SEE. The program has significantly boosted the resources available in the region for technical assistance and has contributed to a more programmatic approach to delivery. It focuses on achieving medium-term capacity building reform objectives in Public Finance Management and Tax Administration.
The partnership between the IMF and the CEF combines technical assistance and training and has proven to be a resource effective and efficient approach. Advisors benefit from using the CEF’s network of experts and training professionals, facilities, and conference and meeting venues. In turn, findings from advisors’ missions help identify needs for additional training at the CEF. The advisors collaborate closely with the CEF in formulating training programs and contribute as lecturers and coordinators to CEF courses.
**Governance**

**Annual Meeting of the CEF Supervisory Board**

The 14th CEF Supervisory Board Meeting was held in Washington DC on the margins of the International Monetary Fund (IMF) and World Bank 2014 Annual Meetings on October 10, 2014.

At the 14th meeting, the Supervisory Board:

- Endorsed the proposed activities in CEF 2015 Work Plan.
- Endorsed proposals of projects ‘Further Supporting Capacity Development in Strategic Planning and Budgeting in South East Europe’ and ‘Supporting Capacity Development of Tax Administration in South East Europe’ and appealed to donors to financially support the projects.
- Took note of progress in changing the legal status of the CEF and supported a timely conclusion of the process.
- Assented to the report of the Management Board for 2013.
- Assented to the report of the Advisory Board for 2013.

**Signing of the CEF Headquarters Agreement**

With successful conclusion of negotiations concerning the Headquarters Agreement between the Government of the Republic of Slovenia and the CEF, the Agreement was signed by Minister of Finance dr. Dušan Mramor and the CEF Director, Ms. Mira Dobovišek. The Agreement with the Government of Slovenia defines the conditions under which Slovenia will host and finance the CEF as an international organization.

With three countries (Slovenia, Bulgaria and Macedonia) ratifying the Agreement on Establishing the CEF as an international organization the Agreement will enter into force just before the end of year. The effective turnover of legal status will take place as per January 1, 2015. The Rules and Regulations for the CEF as an international organization will regulate its functioning. The first session of the Governing Board where the CEF’s Rules and Regulations will be approved is planned for March 31, 2015.

The first official step towards becoming an international organization took place on September 3, 2013 when the Agreement was signed by ministers of the five CEF member countries (Bulgaria, Croatia, Macedonia, Montenegro, and Slovenia) at the signing ceremony in Bled, Slovenia. Bosnia and Herzegovina, Moldova and Romania signed the Agreement subsequently. The signatory countries are now in the process of ratification of the Agreement. Countries that have not yet signed the Agreement can become founding members only if they sign it before the end of 2014.
How Learning Works at the CEF

CEF Institutional Capacity Development and Knowledge Sharing Activities

In the fourth quarter of 2014, 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 Attended OECD SBO Performance and Results Network Meeting

The OECD Working Party of Senior Budget Officials (SBO) constitutes five regional and six associated thematic networks. We have been strongly involved in the SBO network for Central, Eastern and South-Eastern European Countries. This year, we attended the annual meeting of the SBO Performance and Results network, which aims at improving the effectiveness and efficiency of resource allocation and management in the public sector by assisting member countries to design and implement performance- and results-based budgeting and management reforms.

South East European countries have invested efforts in implementing important elements to strengthen the link between budgets and achieved results, for example, by introducing program classification and evaluation, and by carrying out spending reviews. We have been supporting such efforts through delivering coursework on Program Budgeting, Evaluation and Spending Reviews, which we recently intensified under our Strategic Planning and Budgeting project. We have been in particular extending the coursework towards line ministries, addressing also their role in the process.

Robert Bauchmüller, CEF Program Manager went to Paris to share the CEF’s experience in this regard, and to learn from the experience of OECD countries, joining presentations and discussions on their recent progress in implementing performance budgeting, which surfaced the many challenges such approach can entail and good practice in addressing some of them. The meeting emphasized the importance of involving line ministries when implementing (elements of) performance budgeting. Line ministries are better informed about the output and outcomes of their policies, but may need guidance in linking performance information to their budget submissions; ministries of finance typically play an important role in this regard. Strengthening their partnership is an essential precondition to strengthen the use of results of program evaluation and spending reviews in feeding line ministries’ budget submissions. Similarly, a strengthened partnership with the parliament is needed, assuring policymakers are best guided and informed in reviewing performance information integrated in the budget documents. Experience shared by OECD countries indicated that there is no standard answer on how to assure such partnership, but that the country specific governance structure and stakeholders’ perception of the process are essential aspects to look at.

The 10th meeting of the network welcomed more than a hundred participants from OECD countries and international experts. It hence provided an excellent opportunity to network, establishing new contacts that may be helpful in further strengthening the CEF’s coursework in that area, and in assuring all relevant stakeholders are included. More information about the 10th meeting of the OECD SBO Performance and Results network (including most of the presentations made) can be found here.
**Meeting of Experts for Enhanced Donor Cooperation**

Tina Žagar, CEF Project Manager attended learn4dev Expert Group Leaders Meeting where chairs of expert groups exchanged information on current learning offerings and relevant resources available among learn4dev members. To further develop learn4dev as a joint learning partnership opportunities for cross expert group work through enhanced donor co-operation were also explored.

Together with the UK Department for International Development (DFID) we are co-chairing the Public Finance Management (PFM) expert group. At the meeting we shared information on PFM expert group latest activities as well as on its future initiatives. The group promotes training courses and publications in the field of PFM, offered by learn4dev's member organizations. Following a positive experience from last year, the CEF will also in 2015 together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) organize a joint learning journey on Strengthening Supreme Audit Institutions.

To promote the network’s mission of knowledge sharing and learning for development, we also presented on the occasion the members our recently launched Blog on Learning and Knowledge Sharing - CEF = Knowledge Hub. learn4dev members were invited to join our effort and as guest bloggers contribute they reflections on topics related to learning and knowledge management in key areas of international development.

The meeting took place on December 4, 2014 in Brussels, Belgium.

**The CEF Director Joined the IMF FAD 50th Anniversary Celebrations**

Mira Dobovišek, CEF Director, attended the International Monetary Fund Fiscal Affairs Department’s (FAD) 50th Anniversary Conference "Fiscal Affairs, Past and Future" in Washington, DC. The CEF has been working closely with the IMF’s FAD since its establishment. IMF FAD regional technical assistance advisors for South East Europe use the CEF as their hub.

IMF technical assistance missions in the region pinpoint learning and knowledge sharing needs for public finance officials. The CEF capitalizes on this input and designs learning and regional cooperation activities that take into consideration country specifics and build on the existing knowledge and experience in the region.

The FAD conference brought together fiscal policy experts, senior policy makers and IMF staff to discuss both the evolution of fiscal policy over the past half century and the challenges likely to lie ahead.


**With CARNet on Latest Trends and Technologies in Distance Learning**

We visited the Croatian Academic and Research Network (CARNet) to exchange knowledge and experience on the latest trends and technologies in distance learning. We have been stepping our efforts to transform and complement our face-to-face learning
program with distance learning activities, such as e-learning, webinars, and other learning solutions supported through the use of information technologies (IT).

As learning becomes more personalized and decentralized, we recognize a need to use the latest technologies in learning to provide learning solutions that match the needs of knowledge seekers. Sharing experience with peer institutions provides a valuable opportunity and a relevant insight into how other institutions deal with challenges and how they adapt to incorporate latest technologies. During our visit, CARNet learning experts shared their expertise and experiences in design and use of IT learning solutions, such as e-learning, MOOCs, webinars, video streaming, and multimedia.

Both CEF and CARNet are member institutions of Global Development Learning Network (GDLN) and the newly formed Global Development Learning Network Affiliates in Europe and Central Asia (GDLN ECA). GDLN is a network of knowledge-sharing institutions in the development field.

The study visit took place on December 5, 2014 in Zagreb, Croatia.

Exploring Opportunities for Future Co-operation between CEF and IOTA

At the invitation of the Intra-European Organisation of Tax Administrations (IOTA), we recently attended the workshop on »Strategies to Transform Ageing IT Systems«. As we continuously pay particular attention to how we can engage with similar institutions, the event was an excellent opportunity to explore the possibilities of future working co-operation between the CEF and IOTA.

Both IOTA and CEF serve tax administrations in South East Europe (SEE) where we have full overlap in the geographic coverage. In addition, sharing of best practices and exchange of solutions developed and implemented by different countries in practical tax administration issues is at the heart of training events of both organizations. The idea behind here is to offer tax officials easily accessible profiles of countries’ tax systems, and the policies adopted to improve those systems, that could inspire reforms at home. Similarities in our work guide us to align our efforts in finding future opportunities to address capacity development needs of tax administrations across SEE.

The workshop took place on December 12-14, 2014 in Budapest, Hungary. The overall objective of the event was to highlight different strategies implemented by IOTA member administrations to identify and manage the risks related to their ageing IT systems.
Learning Activities

Workshops and Seminars

The CEF organized ten learning events in the third quarter of 2014 with 173 participants from the following:

- Member countries: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey.
- Non-member countries: Armenia, Czech Republic, Georgia, Hungary, Latvia, Lithuania, Poland, Slovakia, Ukraine

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

- Employing Compliance Risk Management in Tax Administrations
- Budget Submissions of Line Ministries
- Is Your Hairdresser Fraudulous? Workshop on Risk-based Tax Auditing
- Macroeconomic Forecasting
- Writing Strategic Documents
- Writing Strategic Documents for employees of Bank of Slovenia
- Fraud Prevention, Detection, and Investigation
- Environmental Auditing
- Policy Coordination in Promoting Financial Stability
- Managing Spending and Keeping the Budget on Track

Participation

Participants were financed by their sponsoring institutions, either by an employer or a donor. Member countries’ participation is estimated at EUR 77,000 and the participation of other countries at EUR 6,000 (at EUR 200 per participant per day, plus EUR 500 per travel). Participation in distance learning is estimated at nil costs; the same applies for participation from Slovenia (except when courses take place outside of Ljubljana).

<table>
<thead>
<tr>
<th>Country/entity</th>
<th>ALL Participants</th>
<th>Participants Sponsored by Sending Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Days</td>
</tr>
<tr>
<td>Albania</td>
<td>16</td>
<td>44</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>15</td>
<td>47</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Croatia</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Kosovo</td>
<td>22</td>
<td>61.5</td>
</tr>
<tr>
<td>Macedonia</td>
<td>24</td>
<td>67.25</td>
</tr>
<tr>
<td>Moldova</td>
<td>9</td>
<td>23.5</td>
</tr>
<tr>
<td>Montenegro</td>
<td>17</td>
<td>53.25</td>
</tr>
<tr>
<td>Romania</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Serbia</td>
<td>7</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>No of members</td>
<td>Percentage</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------</td>
<td>------------</td>
</tr>
<tr>
<td>Slovenia</td>
<td>22</td>
<td>62</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td>Total member countries</td>
<td>152</td>
<td>444</td>
</tr>
<tr>
<td>Other countries</td>
<td>22</td>
<td>58.5</td>
</tr>
<tr>
<td>Total</td>
<td>174</td>
<td>502.5</td>
</tr>
</tbody>
</table>

**Donors**

Donor partners sponsor lecturers (travel expenses and lecturers’ fees) and materials for the courses. These were estimated at EUR 51,250. 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>Center of Excellence in Finance, Slovenia</td>
<td>5</td>
<td>4,000</td>
</tr>
<tr>
<td>Ministry of Finance, Netherlands</td>
<td>15</td>
<td>12,000</td>
</tr>
<tr>
<td>National Bank of Belgium, Belgium</td>
<td>6</td>
<td>4,500</td>
</tr>
<tr>
<td>European Court of Auditors, Luxembourg</td>
<td>0.5</td>
<td>250</td>
</tr>
<tr>
<td>European Insurance and Occupational Pensions Authority, Germany</td>
<td>5</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Total sponsored lecturers</strong></td>
<td><strong>31.5</strong></td>
<td><strong>23,250</strong></td>
</tr>
</tbody>
</table>
Certification Programs

Public Accountants Certification Training (PACT)

PACT Macedonia

In the fourth quarter activities at the Public Accountants Certification Training (PACT) in Macedonia took place according to foreseen schedule. The project started in autumn with the opening event that took place on September 18, 2014 in Skopje. The program aims to train up to 40 students on certificate level in 2014-2015 and up to 40 students on diploma level provided that the project is extended to 2015-2016. In addition the program will enable training of up to three local trainers per module. Macedonian authorities will also be supplied with the training materials in local language. The project also envisages establishment of a task force for complete institutionalization and localization of the certification program.

The financing of the Project is secured by the World Bank SAFE Trust Fund and the Central European Initiative (CEI).

Training of Internal Auditors in the Public Sector (TIAPS)

TIAPS in Slovenia

Successful students of the seventh generation of Training of Internal Auditors in Public Sector (TIAPS) in Slovenia were awarded with international certificates of the Chartered Institute for Public Finance and Accountancy (CIPFA).

Nineteen students were awarded with CIPFA certificates and one student received the diploma. At the program closing ceremony held at the CEF on December 18, 2014 the students were addressed by Dragica Lipnik, representative of Budget Supervision Office of Slovenia, Gary Gilbert, senior representative of CIPFA and Mira Dobovišek, director of CEF who emphasized that the long-term goal of the program is to improve the status and quality of the audit profession in the public sector and the graduates are expected to be the driving force behind this process.

TIAPS in the Region

TIAPS Macedonia

The closing event with delivery of certificates for the first generation of students enrolled in the Training of Internal Auditors in the Public Sector in Macedonia took place on October 21, 2014 in Skopje. At the same time the opening ceremony for the second generation of students that will be enrolled in this certification training in the years 2014-2015 was held.

Two groups of Macedonian public sector staff attended for the first time the certification training of internal auditors in public sector. The training has resulted in certification of 45 students - public sector internal auditors from all state levels. Successful students were awarded with the Chartered Institute for Public Finance and Accountancy (CIPFA) Certificates.
The training was delivered by 14 local tutors who were trained to teach CIPFA course for internal auditors in local language. The Slovenian tutors have supported sound observation of CIPFA standards by the local tutors. Ministry of Finance of Macedonia was handed over the quality, international-standards-based CIPFA materials translated to Macedonian language. The project implementation has also resulted in completion of a study on localization that targets smooth hand over of the certification training to a local authority.

The newly enrolled 2nd generation will have 35 students who have passed enrollment test on basic accounting and bookkeeping. Local tutors were already trained and a consultation meeting with CIPFA was held. Materials and tutors are ready for a smooth project start.

The professional certification program for Macedonian internal auditors from public sector is made possible through joint funding from the US Donors Challenge Fund through the USAID and Slovenia’s Development Cooperation through the Ministry of Foreign Affairs of Slovenia.

**TIAPS Montenegro**

Successful students of the second generation of the Training of Internal Auditors in Public Sector (TIAPS) in Montenegro were awarded the international certificates of the Chartered Institute for Public Finance and Accountancy (CIPFA) at the program closing ceremony on December 15, 2014 in Podgorica.

This one-year professional qualification program was made possible through funding from the German Stability Pact Fund and in kind contributions of Ministry of finance of Montenegro and Center of Excellence in Finance (CEF). The CEF implemented the program and the CIPFA ensured its quality and awarded international certificates.

The training was part of the Montenegrin Government’s effort to build and strengthen professional qualifications of public sector internal auditors. “CIPFA certificates are official confirmation of expertise, knowledge and skills in the area of internal audit and the most effective tool in the fight against corruption,” emphasized CEF Director, Ms. Mira Dobovšek.

German Ambassador, Ms. Gudrun Steinacker praised the efforts of the Montenegrin government to follow the European standards also in the field of internal audit, and conveyed the readiness of Germany to support the continuation of the training in Montenegro.

The Montenegrin media and Ministry of Finance also reported about the event.
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 (SBP) 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 fourth quarter, the CEF has published the second edition of the Fiscal Impact Assessment of Structural Reforms: Case Studies on South East Europe. Covering nine countries, the book presents in-depth needs assessment on a key issue that has not been sufficiently addressed: how the costs of structural reforms are integrated within countries' budget processes and fiscal programming documents. The case studies and the seminar that provided the basis for the initial edition have been delivered in 2012-2013, as part of an earlier BCPDI project.

The capacity development needs identified in this book have been addressed through a series of learning and networking events within the SPB project. One of the newly designed events – an SPB workshop on Budget Submissions of Line Ministries – has been delivered in the fourth quarter. In addition, the CEF delivered SPB workshops on Macroeconomic Forecasting and on Writing Strategic Documents at Regional School of Public Administration in Montenegro, the prior in close cooperation with the Joint Vienna Institute.

EU Strategy for the Danube Region

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

In the fourth quarter the CEF participated at the meeting of the Steering Group of the Priority Area 10 where discussion was held about the progress and future actions within the priority area and the strategy. The coordinators proposed changes in the governance structure using existing working groups and upgrading them into four stakeholder platforms, each supported by the advisory committee. They are Capacity Building Platform for the Danube Region (DR), Danube Local Actors Platform, Urban Platform DR and Financing and Investment Platform.

More on the EUSDR and Priority Area 10 activities is available at www.cef-see.org/regional-cooperation/eusdr.
Public Expenditure Management Peer Assisted Learning network (PEMPAL)

In the fourth quarter of 2014, the CEF supported the organization of the following PEMPAL events:

Budget Community of Practice:
- Study Visit (Type B) to Tallinn, Estonia, October 2-3, 2014
- Study Visit to Ljubljana, Slovenia, November 19-21, 2014

Treasury Community of Practice:
- Workshop, Minsk, Belarus, October 15-17, 2014
- Workshop, Podgorica, Montenegro, November 10-12, 2014

Internal Audit Community of Practice:
- Workshop, November 30-December 01, 2014
- Plenary meeting, December 2-4, 2014

Policy Conferences and Research

What to Consider when Initiating High-Wealth Personal Income Tax Compliance Initiative

Heads of tax administrations and managers currently responsible for the tax administration’s compliance efforts related to ensuring that high wealth individuals (HWIs) are complying with their obligations from South East European (SEE) countries met on November 27-28, 2014 at the CEF to discuss lessons learned and good practices in managing HWI compliance. The conference is financed by the Government of Switzerland through the State Secretariat for Economic Affairs (SECO).

The main objective of the Conference organized by the International Monetary Fund’s Fiscal Affairs Department (IMF FAD) and the CEF was to discuss strategies and methods to manage taxpayer compliance by high-wealth-individuals (HWI). This is an area of growing importance and difficulty. This taxpayer segment represents a significant economic group for any country and the accumulated wealth of this segment can reach a high percentage of total individual wealth for the entire population. Tax revenue losses through non-compliance by this segment can impact severely the public finances in a time when countries are facing difficult challenges in balancing budgets. Some tax administrations have initiated HWI compliance programs to improve voluntary compliance and recover tax revenues from HWI non-compliance. These efforts have resulted in various degrees of success. More tax administrations are considering implementing HWI compliance programs.

This Conference covered the start-up issues faced by heads of tax administrations to initiate a HWI program and the basics for implementing a HWI compliance strategy. The Conference will also provide a unique opportunity for heads of tax administrations to learn how to evaluate current organizational abilities to engage HWIs, share information on past experience, network with colleagues, and enhance organization capacity to address compliance gap in the HWI segment.
Sessions were facilitated by Mr. John Buchanan, FAD external expert, with a vast experience in managing HWI programs and providing TA in this field.

**CEF and IMF Led Discussions on Fiscal Transparency and Revenue Administration Reform**

The CEF and the International Monetary Fund (IMF) Fiscal Affairs Department held the “High-Level Policy Dialogue on Strengthening the Role of Good Governance through Increased Fiscal Transparency and Revenue Administration Reform in South East Europe” at the IMF and World Bank Group (WBG) 2014 Annual Meetings.

At the high-level policy dialogue senior experts from the IMF’s Fiscal Affairs Department shared recent international initiatives to strengthen the role of good governance through increased fiscal transparency with senior officials from ministries of finance and central banks from South East Europe (SEE). In addition, senior experts from the IMF, PEFA and TADAT secretariats presented the role of different diagnostic assessments in potentially framing governments’ reform plans in public financial management (PFM) and revenue administration systems, such as the new IMF Fiscal Transparency Code and Evaluation, Public Expenditure and Financial Accountability (PEFA) framework, and recently developed Tax Policy and Diagnostic Assessment Tool (TADAT).

Senior officials were updated on possible further support to PFM and revenue administration reform efforts in the region through technical assistance activities of the IMF and the CEF regional practically-oriented and experience-based learning events. Senior officials expressed their support to the main provisions of the CEF and IMF plan for SEE.

**Regional IMF Technical Advisors**

**Duncan Last, Public Financial Management Advisor**

Since May 2010, this position has been funded as part of a Japanese Government sponsored program for strengthening fiscal management for SEE.

**Country Activities**

**Croatia**

Following up on an earlier visit in July 2014, the regional advisor visited Zagreb in November 2014 to discuss further support to the Government of Croatia’s initiative to set up a spending review process. The spending review, initiated in the context of Croatia’s Convergence Program with the EU, was launched by Government decree in November 2014 which established 5 specialized committees, each of which is to identify savings in their own designated area of spending, as well as a central spending review committee to coordinate the process.

The support was provided in two parts. The first desk-based support provided input, based on experience elsewhere, for the detailed spending review instructions to guide and structure the work of the various committees. The instructions, which were finalized and formally issued by the Ministry of Finance in December 2014, covered the responsibilities and duties of committee chairs and members, the operations and decision-making of committees, the subject-specific
instructions for the individual committees, and the format and contents of committee draft reports.

This was followed in December 2014 by a three day workshop for Ministry of Finance and spending review committee chairs and members. The workshop was attended by two staff from FAD, an FAD expert from Ireland, the regional advisor, as well as staff and experts from the World Bank. During the workshop, experience in carrying out spending reviews in various OECD countries was presented by FAD staff and expert, while the World Bank presented the findings of its recent review of public finances in Croatia, and provided detailed analysis undertaken by World Bank staff of the spending areas being studied. The workshop helped to sharpen the focus of the committees, confirm the spending review operational instructions, and underpin the Ministry of Finance’s efforts to meet deadlines agreed with EU.

**Serbia**
In November 2014, the regional advisor made a short visit to Belgrade to discuss tasks for the January 2015 FAD mission. The visit coincided with the IMF area department mission, and helped provide technical feedback on key PFM commitments under the IMF program. The visit was an opportunity to meet the new Ministry of Finance team, and to discuss key reform issues that they are considering, particularly in the context of the recently concluded convergence program with EU. A follow up meeting was held with State Secretary Milovan Filimonovic during his visit to Ljubljana in late November in which the broad outlines of a new PFM reform strategy were discussed.

**Albania**
A short stock-taking visit was undertaken by the regional advisor in November 2014, to follow up on FAD mission recommendations concerning expenditure controls and arrears clearance, important to both the IMF program and EU budget support. The timing of the visit coincided with the IMF area department mission, which reviewed the various measures being undertaken. The arrears are being audited by EU-funded auditors, who were in Tirana during the same period. Steady progress towards arrears clearance and improved expenditure controls are being made, helped by a new Law on Payments which require government to pay invoices within 30 days. Albania is receiving support from EU to extend its treasury system to budget users.

The regional advisor’s visit was also an opportunity to discuss TA needs going forward, both in the accounting and treasury management area and the budget area (where World Bank is also providing some support). A number of changes are also being considered to the Organic Budget Law, for which some support may also be requested. Follow up in these areas can be expected during 2015.

**Romania**
In December 2014, the regional advisor made a short visit to Bucharest to discuss tasks for the January 2015 FAD mission, and to do an initial questionnaire-based review of public investment management. The visit coincided with the IMF area department mission, and helped provide technical feedback on some areas of importance to the EU/IMF/WB program, including public investment and the absorption of EU structural funds. During the visit, the regional advisor also met with the World Bank experts working with the Ministry of Public Finance on the development of an appraisal process for large projects.

**Slovenia**
In early November 2014 the resident advisor met with the Minister of Finance to discuss areas of technical assistance going forward. The prime focus would be on revitalizing the program/performance budgeting initiated in the early 2000s. It was agreed that the regional
advisor would work primarily with the new State Secretary in charge of Budget, Bojan Pogacar, who took up his position in mid-December. During November and December the regional advisor met with Budget, Treasury, and Accounting staff to take stock of progress over the last decade. More intensive engagement is expected to start mid-February, once the revised budget and the fiscal rules law have been adopted by Parliament. The regional advisor also participated in a presentation by CEF to Ministry of Finance senior personnel of its training and capacity building capabilities aimed at greater use of CEF as a training facility on the doorstep of Ministry of Finance.

**CEF Courses**
As part of the outreach under the EU IPA support to Albania, a joint FAD-CEF-EU regional learning and experience-sharing event on Managing Spending and Keeping the Budget on Track was help at the CEF from 15 to 17 December 2014. The course covered a range of key issues of importance to sound budgetary management, notably: formulating a credible budget, ensuring effective commitment control, improving cash management, supporting IT systems, developing institutional coordination, and managing arrears. The presentations were shared between Suzanne Flynn from FAD and the regional advisor. A number of country presentations/contributions were also included in the highly interactive workshop. The event also included a session on the importance of credible PFM systems in the context of EU accession and EU membership, with contributions from Edina Halapi-Stansfield of EU/Albania Office and from the staff of the Ministry of Finance in Slovenia. Many of the issues discussed were of direct relevance to participating countries which continue to experience the fiscal impact of the financial crisis. The workshop evaluation showed a high satisfaction rating.

**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 November 3-6, Mr. Hansen carried out a mission to the General Directorate for Taxation (GDT) primarily to follow up on the implementation plans for the new IT system and to discuss a new organizational structure for the GDT Headquarters.

**Croatia**
On November 21, Mr. Hansen visited the Croatian Tax Administration (CTA) in order to get acquainted with developments in the tax administration; he used the opportunity to present himself as the new IMF Revenue Administration Advisor for the SEE.

**Macedonia**
In December Mr. Hansen participated in a headquarters-led mission as part of a technical assistance (TA) program for strengthening the Public Revenue Office (PRO) in Macedonia. The main purpose of the mission was to take stock of the tax administration reform efforts and, in this context, to review the need for further technical assistance.
Romania
During November 24-26, Mr. Hansen undertook a stock-taking mission to the Ministry of Finance and the National Agency for Fiscal Administration (NAFA) in order to get acquainted with developments in the administration and to discuss the possibility for further technical assistance.

Slovenia
On November 11, Mr. Hansen had a meeting with the Minister of Finance and on November 27 with the Financial Administration of the RS (FURS) to discuss possible technical assistance aimed at improving revenue collection.

CEF Courses
Mr. Hansen participated in a seminar on Employing Risk Management in Tax Administrations that took place during October 14-16 whereas on November 27 and 28 he participated in a seminar on implementing a high wealth compliance program.
Resources

The CEF received a donation from the Slovenian Government in amount 600,000€ 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 208,536€ in 12 months.

<table>
<thead>
<tr>
<th>Revenues from Projects</th>
<th>in EUR</th>
</tr>
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<tbody>
<tr>
<td>Project PEM PAL</td>
<td>1,429,822</td>
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<tr>
<td>TIAPS Slovenia</td>
<td>24,386</td>
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<td>TIAPS Macedonia</td>
<td>80,256</td>
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<tr>
<td>TIAPS Montenegro</td>
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<td>SPB project</td>
<td>473,679</td>
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<td>Danube Strategy</td>
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<td>Donation Bank of Slovenia</td>
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<td>IMF for workshops</td>
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<td>Ministry of Finance Netherlands - 10 years of SBO</td>
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<td>Ministry of Finance Netherlands - for workshops</td>
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<td>Ministry of Finance Netherlands - visiting expert</td>
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<td>SDC for learn4dev</td>
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<td>Study tour BiH</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>2,368,098</strong></td>
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Expenses

Total expenses for CEF activities in January-December 2014:

<table>
<thead>
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<th>Expenses</th>
<th>in EUR</th>
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<tbody>
<tr>
<td>Materials and energy</td>
<td>61,788</td>
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<tr>
<td>Running expenses and other services</td>
<td>340,289</td>
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<tr>
<td>Labor</td>
<td>899,173</td>
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<td>Authors, tutors and interpreters</td>
<td>473,009</td>
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<td>Costs of events</td>
<td>1,103,009</td>
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<td>Amortization</td>
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<td>Other costs</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>2,965,862</strong></td>
</tr>
</tbody>
</table>
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